

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

FINANCIAL STATEMENTS

**FOR THE SEVEN MONTHS ENDED
JANUARY 31, 2012**

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JANUARY 31, 2012

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Yorba Linda Redevelopment Agency (Agency), a component unit of the City of Yorba Linda, California, as of and for the seven months ended January 31, 2012, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 January 31, 2012, and the respective changes in financial position, thereof for the seven months ended in conformity with accounting principles generally accepted in the United States of America.

We would like to draw the reader's attention to Note 11 – "California Redevelopment Agency Dissolution". The note provides information on two bills passed, AB X1 26 and AB X1 27 which dissolve redevelopment agencies as of January 31, 2012, based on the California Supreme Court ruling dated December 29, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2013, on our consideration of the 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 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.



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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's financial statements as a whole. 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 financial statements. These are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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.

Lance, Soll & Lughard, LLP

Brea, California
April 10, 2013

YORBA LINDA REDEVELOPMENT AGENCY

**STATEMENT OF NET ASSETS
JANUARY 31, 2012**

	<u>Governmental Activities</u>
Assets:	
Cash and investments	\$ 30,728,183
Receivables:	
Accounts	\$ 199,095
Interest	22,708
Loans	<u>32,144,528</u>
Total Receivables	32,366,331
Land held for resale (net)	18,812,640
Deferred charges	750,973
Restricted assets:	
Cash and investments with trustees	19,303,780
Capital assets (Net of Depreciation):	
Land and improvements	<u>364,593</u>
Total Capital Assets	<u>364,593</u>
 Total Assets	 <u>102,326,500</u>
 Liabilities:	
Accounts payable and accrued expenses	992,730
Due to other governments	4,223,858
Long-term liabilities:	
Due within one year	3,425,000
Due in more than one year	<u>93,144,566</u>
Total Long-Term Liabilities	<u>96,569,566</u>
 Total Liabilities	 <u>101,786,154</u>
 Net Assets:	
Invested in capital assets, net of related debt	364,593
Restricted for:	
Community development	51,309,192
Debt service	8,825,662
Unrestricted	<u>(59,959,101)</u>
 Total Net Assets	 <u>\$ 540,346</u>

YORBA LINDA REDEVELOPMENT AGENCY

STATEMENT OF ACTIVITIES
FOR THE SEVEN MONTHS ENDED JANUARY 31, 2012

	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets Governmental Activities
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	
Functions/Programs					
Governmental Activities:					
General government	\$ 391,674	\$ -	\$ -	\$ -	\$ (391,674)
Community development	261,355	-	-	-	(261,355)
Interest on long-term debt	4,052,955	-	-	-	(4,052,955)
Other	842,338	-	-	-	(842,338)
Total Governmental Activities	\$ 5,548,322	\$ -	\$ -	\$ -	(5,548,322)
General Revenues:					
Taxes (net of pass-through payments)					7,150,981
Use of money and property					239,666
Total General Revenues					7,390,647
Change in Net Assets					1,842,325
Net Assets at July 1					(202,981)
Restatement of Net Assets					(1,098,998)
Net Assets at January 31					\$ 540,346

YORBA LINDA REDEVELOPMENT AGENCY

**BALANCE SHEET
GOVERNMENTAL FUNDS
JANUARY 31, 2012**

	<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>Project</u>	<u>Low and Moderate Housing</u>	<u>Tax Increment</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and investments	\$ 8,404,778	\$ 5,547,188	\$ 16,776,217	\$ 30,728,183
Cash and investments with trustee	17,316,984	-	1,986,796	19,303,780
Receivables:				
Accounts	4,783	194,312	-	199,095
Interest	6,216	6,205	10,287	22,708
Loans	-	32,144,528	-	32,144,528
Advances to Tax Increment Fund	-	5,723,780	-	5,723,780
Land held for resale	11,103,962	7,708,678	-	18,812,640
Total Assets	\$ 36,836,723	\$ 51,324,691	\$ 18,773,300	\$ 106,934,714
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 26,112	\$ 15,499	\$ -	\$ 41,611
Due to other governments	-	-	4,223,858	4,223,858
Advances from Low and Moderate Housing Funds	-	-	5,723,780	5,723,780
Total Liabilities	26,112	15,499	9,947,638	9,989,249
Fund Balances:				
Nonspendable:				
Land held for resale	11,103,962	7,708,678	-	18,812,640
Long-term receivables	-	37,868,308	-	37,868,308
Restricted for:				
Debt utilization and/or by debt covenants	-	-	8,825,662	8,825,662
Low and moderate income housing	-	5,732,206	-	5,732,206
Assigned to:				
Community development	25,706,649	-	-	25,706,649
Total Fund Balances	36,810,611	51,309,192	8,825,662	96,945,465
Total Liabilities and Fund Balances	\$ 36,836,723	\$ 51,324,691	\$ 18,773,300	\$ 106,934,714

YORBA LINDA REDEVELOPMENT AGENCY

**GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JANUARY 31, 2012**

Fund balances of governmental funds **\$ 96,945,465**

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 750,973

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 (75,705,855)

Other debt (20,916,404)

Unamortized net original issue discounts and (premiums) 52,693

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

(951,119)

Net assets of governmental activities **\$ 540,346**

YORBA LINDA REDEVELOPMENT AGENCY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE SEVEN MONTHS ENDED JANUARY 31, 2012

	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	\$ -	\$ -	\$ 11,374,839	\$ 11,374,839
Use of money and property	73,391	42,267	124,008	239,666
Other revenue	23,326	-	-	23,326
Total Revenues	96,717	42,267	11,498,847	11,637,831
Expenditures:				
Current:				
General government	78,013	309,426	5,966	393,405
Capital outlay	159,228	100,396	-	259,624
Debt service	-	-	6,726,648	6,726,648
Total Expenditures	237,241	409,822	6,732,614	7,379,677
Excess (Deficiency) of Revenues Over (Under) Expenditures	(140,524)	(367,555)	4,766,233	4,258,154
Other Financing Sources (Uses):				
Long-term debt issued	-	-	2,660,853	2,660,853
Pass-through agreement payments	-	-	(4,223,858)	(4,223,858)
Contribution to City	(865,664)	-	-	(865,664)
Total Other Financing Sources (Uses):	(865,664)	-	(1,563,005)	(2,428,669)
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ (1,006,188)	\$ (367,555)	\$ 3,203,228	\$ 1,829,485
Fund Balances:				
July 1, as previously reported	\$ 37,816,799	\$ 52,318,310	\$ 6,079,869	\$ 96,214,978
Restatements	-	(641,563)	(457,435)	(1,098,998)
July 1, as restated	37,816,799	51,676,747	5,622,434	95,115,980
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,006,188)	(367,555)	3,203,228	1,829,485
January 31	\$ 36,810,611	\$ 51,309,192	\$ 8,825,662	\$ 96,945,465

YORBA LINDA REDEVELOPMENT AGENCY

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE SEVEN MONTHS ENDED JANUARY 31, 2012**

Net change in fund balances - total governmental funds **\$ 1,829,485**

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

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 2,785,000

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 (3,430)

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 981

Proceeds of debt is revenue in the governmental funds, but these are additions to the statement of net assets. (2,660,853)

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 (951,119)
 Prior year accrual of interest due on bonds 842,261

Change in net assets of governmental activities **\$ 1,842,325**

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. The redevelopment agency was dissolved as of January 31, 2012 through the Supreme Court decision on Assembly Bill 1X 26. See Note 11 for more information on the dissolution.

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.

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

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.

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 if any. The funds are expended primarily for administrative, low and moderate housing and community development costs.

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

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.

Due to the dissolution of the Agency, for the seven months ended January 31, 2012, the Agency only received tax increment related to the first tax levy.

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.

YORBA LINDA REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JANUARY 31, 2012

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

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.

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 and discounts received on debt issuances are reported as other financing sources. 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 the following fund balance classifications:

Nonspendable includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

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

Restricted includes amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws of regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

Committed includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest authority, the City Council. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution or minute action.

Assigned includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The City Manager and Finance Director are authorized to assign amounts to a specific purpose, which was established by the governing body in a resolution.

Unassigned includes the residual amounts that have not been restricted, committed, or assigned to specific purposes.

An individual governmental fund could include nonspendable resources and amounts that are restricted or unrestricted (committed, assigned, or unassigned) or any combination of those classifications. Restricted amounts are to be considered spent first, then unrestricted, when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available and committed, assigned, then unassigned amounts in that order are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

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.

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	\$ 30,728,183
Cash and investments with fiscal agent	19,303,780
	<u>\$ 50,031,963</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 January 31, 2012, was \$620,796.

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 January 31, 2012, the balance outstanding was \$3,100,000.

YORBA LINDA REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JANUARY 31, 2012

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 January 31, 2012, 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 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 \$12,976,000. 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 January 31, 2012, is \$12,726,406.

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 26 condominium units and offer them at rents affordable to and

YORBA LINDA REDEVELOPMENT AGENCY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JANUARY 31, 2012**

Note 4: Loans Receivable (Continued)

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 \$3,254,200 consisting of the agreed upon value of the property of \$3,169,500 plus an amount not to exceed \$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 \$196,140 for the developer's acquisition and rehabilitation of an additional unit. The total outstanding balance at January 31, 2012, for Evergreen Villas is \$8,426,058.

National Community Renaissance of California

In March 2011, the Agency entered into an Affordable Housing Agreement (AHA) with National Community Renaissance of California, LP (Owner) for the construction of 43 apartment units for extremely low, very low and low income residents. The AHA provides for Agency funds to be used as follows. An Agency acquisition loan will be made in an amount not to exceed \$5,075,250 to close escrow on the property. This loan will be secured by a promissory note which National CORE is not obligated to pay until it has received its tax credits, a which time the entire loan amount will be rolled into the balance of the Agency development loan. An Agency development loan in an amount not to exceed \$3,257,227 towards the construction costs will be made. National CORE will repay the Agency development loan, including the rolled-over acquisition loan, over a period of 55 years from the date a certificate of occupancy is issued, with simple interest accruing at a maximum rate of 3% per annum. The principal and accrued interest shall not commence until the operation of the project has generated residual receipts. The Agency has loaned the developer \$5,071,268 which is the outstanding balance at January 31, 2012.

Total loans receivable at January 31, 2012, amounted to \$32,144,528.

Note 5: Capital Assets

An analysis of capital assets as of January 31, 2012, follows:

	Balance July 1, 2011	Additions	Deletions	Balance January 31, 2012
Non-depreciable Assets:				
Land - parking lot	\$ 364,593	\$ -	\$ -	\$ 364,593
Depreciable Assets:				
Office equipment and furnishings	10,878	-	-	10,878
Less Accumulated Depreciation	(10,878)	-	-	(10,878)
Capital Assets	<u>\$ 364,593</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 364,593</u>

YORBA LINDA REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JANUARY 31, 2012

Note 6: Long-Term Debt

A description of long-term debt outstanding (excluding defeased debt) of the Agency as of January 31, 2012, 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, sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is \$128,379,477 payable through 2033. For the current seven months ended, principal and interest paid and total property tax increment revenues were \$4,065,794 and \$11,374,839 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.

Bonds outstanding at January 31, 2012, total \$34,346,561 which includes the accreted value of the capital appreciation bonds in the amount of \$9,385,559.

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.

YORBA LINDA REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JANUARY 31, 2012

Note 6: Long-Term Debt (Continued)

Bonds outstanding at January 31, 2012, total \$9,189,294 which includes the accreted value of the capital appreciation bonds in the amount of \$4,702,791.

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 January 31, 2012, amounts to \$9,320,000.

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 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 January 31, 2012, is \$3,145,000. The unamortized bond premium amount is \$45,277.

2011 Tax – Exempt Tax Allocation Bonds (Subordinate Lien), Series A

On May 5, 2011, the Yorba Linda Redevelopment Agency issued \$19,705,000 in Tax Exempt Tax Allocation Bonds (Subordinate Lien), Series A which consist of Serial Bonds with interest rates ranging from 2.00% to 5.50% in the amount of \$5,900,000 maturing from September 1, 2012 through 2021, \$4,580,000 Term Bonds with an interest rate of 6.00% maturing September 1, 2026, and \$9,225,000 Term Bonds with

YORBA LINDA REDEVELOPMENT AGENCY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JANUARY 31, 2012**

Note 6: Long-Term Debt (Continued)

an interest rate of 6.50% maturing September 1, 2032. The Bonds are special obligations of the Agency and are payable solely from and secured by a pledge of certain tax increment revenues of the original area component of the Agency's Yorba Linda Redevelopment Project 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 benefit to the Yorba Linda Redevelopment Project, to satisfy the reserve requirement for the Bonds, and to provide for the costs of issuing the Bonds. The outstanding balance at January 31, 2012, was \$19,705,000. The unamortized bond discount is \$(97,970).

Total bonds payable at January 31, 2012, amounted to \$75,705,855.

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 2011-2012, an additional \$1,891,616 was added and no payment was made. As of January 31, 2012, the balance outstanding was \$20,916,404.

c. Schedule of changes in long-term debt

The following is a schedule of changes in long-term debt of the Agency for the seven months ended January 31, 2012:

	Balance July 1, 2011	Additions	Repayments	Balance January 31, 2012	Due Within One Year
Loans - Other Governments	\$ 19,024,788	\$ 1,891,616	\$ -	\$ 20,916,404	\$ -
1993 Tax Allocation Bonds	27,656,002	-	2,695,000	24,961,002	2,835,000
1993 Capital Appreciation	8,899,403	486,156	-	9,385,559	-
1998 Tax Allocation Parity Refunding	4,486,503	-	-	4,486,503	-
1998 Capital Appreciation	4,419,710	283,081	-	4,702,791	-
2005 Subordinate Tax Allocation Bonds - Series A	9,410,000	-	90,000	9,320,000	90,000
2005 Subordinate Tax Exempt Bonds - Series B	3,145,000	-	-	3,145,000	-
2011 Subordinate Tax Exempt Bonds - Series A	19,705,000	-	-	19,705,000	500,000
Total	\$ 96,746,406	\$ 2,660,853	\$ 2,785,000	96,622,259	\$ 3,425,000
Unamortized net original issue (discount) or premium				(52,693)	
Net Long-term Debt				\$ 96,569,566	

YORBA LINDA REDEVELOPMENT AGENCY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JANUARY 31, 2012**

Note 6: Long-Term Debt (Continued)

d. Debt service requirements

The following schedule illustrates the debt service requirements to maturity for long-term debt outstanding as of January 31:

	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
2012 - 2013	\$ 2,835,000	\$ 1,040,550	\$ -	\$ -	\$ 90,000	\$ 529,320
2013 - 2014	2,985,000	891,713	-	-	85,000	524,595
2014 - 2015	1,003,525	2,971,475	-	-	355,000	520,133
2015 - 2016	936,824	3,033,176	-	-	90,000	501,495
2016 - 2017	886,140	3,088,860	-	-	75,000	496,770
2017 - 2022	8,954,513	10,897,619	-	-	255,000	2,423,039
2022 - 2027	7,360,000	584,588	2,838,627	9,086,373	165,000	2,376,788
2027 - 2032	-	-	1,647,876	6,302,124	8,205,000	1,809,214
Totals	\$ 24,961,002	\$ 22,507,981	\$ 4,486,503	\$ 15,388,497	\$ 9,320,000	\$ 9,181,354

	2005 Subordinate Tax Exempt Tax Allocation Bonds, Series B		Agency TABs (Subordinate Lien) 2011 Series A		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2012 - 2013	\$ -	\$ 157,250	\$ 500,000	\$ 1,126,238	\$ 3,425,000	\$ 2,853,358
2013 - 2014	-	157,250	515,000	1,116,238	3,585,000	2,689,796
2014 - 2015	-	157,250	685,000	1,100,788	2,043,525	4,749,646
2015 - 2016	-	157,250	575,000	1,076,813	1,601,824	4,768,734
2016 - 2017	-	157,250	605,000	1,053,813	1,566,140	4,796,693
2017 - 2022	-	786,250	3,020,000	4,833,025	12,229,513	18,939,933
2022 - 2027	-	786,250	4,580,000	3,856,425	14,943,627	16,690,424
2027 - 2032	420,000	765,750	7,395,000	2,141,100	17,667,876	11,018,188
2032 - 2037	2,725,000	136,250	1,830,000	118,950	4,555,000	255,200
Totals	\$ 3,145,000	\$ 3,260,750	\$ 19,705,000	\$ 16,423,390	\$ 61,617,505	\$ 66,761,972

IV. OTHER DISCLOSURES

Note 7: Interfund Receivables, Payables, and Transfer

a. Advances To/From Other Funds consisted of the following:

Funds	Advance to Other Funds
Advance from Other Funds	Low & Mod Housing
Tax Increment	\$ 5,723,780

YORBA LINDA REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JANUARY 31, 2012

Note 7: Interfund Receivables, Payables, and Transfer (Continued)

During the fiscal year 2009-2010, 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, on behalf of National CORE (Southern California Housing Corporation), 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 long-term debt obligation 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 as of January 31, 2012, is \$2,264,763.

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.

Note 10: Fund Balances and Net Assets Restatements

Beginning fund balance in the Tax Increment Fund has been restated by \$(457,435) to correct prior year due from other governments. Beginning fund balance in the Low and Moderate Housing Fund has been restated by \$(641,563) to remove a note receivable that had been repaid in prior year. As a result, beginning net assets has been restated by \$(1,098,998).

Note 11: California Redevelopment Agency Dissolution

On July 18, 2011, the California Redevelopment Association ("CRA") and the League of California Cities ("League") filed a petition for writ of mandate with the California Supreme Court, requesting the Court to declare unconstitutional two bills that were passed as part of the 2011-12 State Budget, AB 1X 26 and 27 (*California Redevelopment Association v. Matosantos*). AB 1X 26 dissolves redevelopment agencies effective October 1, 2011. AB 1X 27 gave redevelopment agencies an option to avoid dissolution if it commits to making defined payments for the benefit of the State, school districts and certain special districts. In 2011-12, these payments amounted to a state-wide total of \$1.7 billion. In 2012-13 and subsequent years, the payments totaled \$400 million, annually. Each city or county's share of these payments was determined based on its proportionate share of state-wide tax increment.

On August 17, 2011 the Supreme Court issued a stay of the implementation of AB 1X 26 and 27 which allowed a redevelopment agency to continue if it adopted an AB 1X 27 ordinance. However, because of the effect of the stay order, the authority for the Redevelopment Agency to engage in most activities was suspended.

YORBA LINDA REDEVELOPMENT AGENCY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JANUARY 31, 2012**

Note 11: California Redevelopment Agency Dissolution (Continued)

The Supreme Court heard oral arguments on November 10, 2011 and on December 29, 2011 announced its decision in *California Redevelopment Association v. Matosantos*. The court upheld AB 1X 26 which dissolves redevelopment agencies, but invalidated in its entirety AB 1X 27 which allowed redevelopment agencies to continue as long as they made the required payments. AB 1X 26 established deadlines for the process of Redevelopment Agency dissolution and the handling of existing obligations. The full text of AB 1X 26 may be obtained from the California legislative information website maintained by the Legislative Counsel of the State of California at: <http://www.leginfo.ca.gov/bilinfo.html>.

As of January 31, 2012, the Redevelopment Agency has been dissolved and the City of Yorba Linda has elected to become the Successor Agency. The Successor Agency will be responsible for winding down the remaining activities of the dissolved Redevelopment Agency.

Note 12: Subsequent Event

On April 20, 2012, pursuant to Health and Safety Code Section 34167.5, the California State Controller issued an order to cities, counties, and agencies, directly or indirectly receiving assets from a redevelopment agency after January 1, 2011, to reverse the transfer and return assets to successor agency. The California State Controller will specifically review and audit cities, counties, and public agencies to ensure that all applicable asset transfers have been reversed. Any reversals of transfers are not reflected in the Agency's financial statements as of January 31, 2012. Upon the Controller's review, any assets, if applicable, would be transferred to the Successor Agency in accordance with the order.