

CITY OF YORBA LINDA, CALIFORNIA
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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CITY OF YORBA LINDA, CALIFORNIA
 FINANCIAL STATEMENTS
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CERTIFIED PUBLIC ACCOUNTANTS

- David E. Hale, CPA, CFP
- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA
- Bryan S. Gruber, CPA
- Deborah A. Harper, CPA

Brandon W. Burrows, CPA, Retired

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Yorba Linda, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Yorba Linda, California, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Yorba Linda, California'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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Yorba Linda, California, as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, Library, and Street Lighting & Maintenance District for the year then 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 17, "Successor Agency Trust for Assets of Former Redevelopment Agency". The note provides information on the dissolution of the Redevelopment Agency and the newly formed Successor Agency.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2013, on our consideration of the City of Yorba Linda, California'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 Mayor and Members of the City Council
City of Yorba Linda, California

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Yorba Linda, California's financial statements as a whole. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Lance, Soll & Lughard, LLP

Brea, California
April 10, 2013

CITY OF YORBA LINDA

STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	\$ 72,636,681	\$ -	\$ 72,636,681
Receivables:			
Accounts	529,703	404,471	934,174
Taxes	1,095,048	-	1,095,048
Notes and loans	33,135,183	-	33,135,183
Accrued interest	209,798	-	209,798
Internal balances	7,818,898	(7,818,898)	-
Prepaid costs	75,997	-	75,997
Due from other governments	1,786,878	-	1,786,878
Due from Successor Agency	30,782	-	30,782
Inventories	-	141,723	141,723
Deferred charges	-	476,645	476,645
Advances to Successor Agency	5,723,780	-	5,723,780
Restricted assets:			
Cash and investments	7,500	-	7,500
Cash with fiscal agent	-	1,205,556	1,205,556
Capital assets not being depreciated	233,974,725	12,726,948	246,701,673
Capital assets, net of depreciation	139,902,577	14,228,597	154,131,174
Total Assets	496,927,550	21,365,042	518,292,592
Liabilities:			
Accounts payable	3,577,549	799,108	4,376,657
Accrued liabilities	159,681	71,032	230,713
Accrued interest	-	185,510	185,510
Unearned revenue	618,462	416,658	1,035,120
Deposits payable	-	10,000	10,000
Noncurrent liabilities:			
Due within one year	1,319,272	455,000	1,774,272
Due in more than one year	5,805,176	15,635,000	21,440,176
Total Liabilities	11,480,140	17,572,308	29,052,448
Net Assets:			
Invested in capital assets, net of related debt	373,877,302	10,865,545	384,742,847
Restricted for:			
Community development projects	137,403	-	137,403
Public safety	38,115	-	38,115
Parks and recreation	450,888	-	450,888
Public works	15,743,892	-	15,743,892
Low and moderate housing	38,737,590	-	38,737,590
Library	12,782,618	-	12,782,618
Unrestricted	43,679,602	(7,072,811)	36,606,791
Total Net Assets	\$ 485,447,410	\$ 3,792,734	\$ 489,240,144

CITY OF YORBA LINDA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Program Revenues			
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	\$ 10,619,768	\$ 1,253,214	\$ 446	\$ -
Public safety	11,611,513	229,587	111,174	-
Community development	2,592,555	2,084,327	205,312	-
Parks and recreation	6,401,468	1,843,262	69,591	-
Public works	9,764,371	429,704	2,407,755	2,496,666
Interest on long-term debt	2,923,034	-	-	-
Total Governmental Activities	43,912,709	5,840,094	2,794,278	2,496,666
Business-Type Activities:				
Golf	6,733,251	5,869,100	-	-
Disposal	5,081,581	5,212,512	-	-
Total Business-Type Activities	11,814,832	11,081,612	-	-
Total Primary Government	\$ 55,727,541	\$ 16,921,706	\$ 2,794,278	\$ 2,496,666

General Revenues:

Taxes:
 Property taxes, levied for general purpose
 Sales taxes
 Franchise taxes
 Business licenses taxes
 Other taxes
 Motor vehicle in lieu - unrestricted
 Use of money and property
 Other

Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 17)

Total General Revenues and Extraordinary Items

Change in Net Assets

Net Assets at Beginning of Year

Restatement of Net Assets

Net Assets at End of Year

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (9,366,108)	\$ -	\$ (9,366,108)
(11,270,752)	-	(11,270,752)
(302,916)	-	(302,916)
(4,488,615)	-	(4,488,615)
(4,430,246)	-	(4,430,246)
(2,923,034)	-	(2,923,034)
(32,781,671)	-	(32,781,671)
-	(864,151)	(864,151)
-	130,931	130,931
-	(733,220)	(733,220)
(32,781,671)	(733,220)	(33,514,891)
25,449,260	-	25,449,260
5,536,418	-	5,536,418
2,091,150	-	2,091,150
364,788	-	364,788
7,316,749	-	7,316,749
34,271	-	34,271
1,529,085	(41,017)	1,488,068
136,043	-	136,043
36,597,998	-	36,597,998
79,055,762	(41,017)	79,014,745
46,274,091	(774,237)	45,499,854
439,748,679	4,566,971	444,315,650
(575,360)	-	(575,360)
\$ 485,447,410	\$ 3,792,734	\$ 489,240,144

CITY OF YORBA LINDA

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	Special Revenue Funds			
	General	Housing	Library	Street Lighting & Maintenance
Assets:				
Cash and investments	\$ 42,132,721	\$ -	\$ 12,813,079	\$ 3,000,890
Receivables:				
Accounts	510,730	7,500	473	11,000
Taxes	964,721	-	64,061	66,266
Notes and loans	-	33,135,183	-	-
Accrued interest	198,280	-	4,925	1,227
Prepaid costs	67,067	-	8,930	-
Due from other governments	1,035,416	-	-	-
Due from other funds	3,264,289	-	-	-
Due from Successor Agency	30,782	-	-	-
Advances to other funds	4,702,898	-	-	-
Advances to Successor Agency	-	5,723,780	-	-
Restricted assets:				
Cash and investments	7,500	-	-	-
Total Assets	\$ 52,914,404	\$ 38,866,463	\$ 12,891,468	\$ 3,079,383
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 1,755,336	\$ 35,639	\$ 78,984	\$ 915,091
Accrued liabilities	121,155	2,312	29,866	6,013
Deferred revenues	1,070,246	-	-	-
Unearned revenues	316,868	-	-	-
Due to other funds	208,148	90,922	-	-
Total Liabilities	3,471,753	128,873	108,850	921,104
Fund Balances:				
Nonspendable:				
Prepaid costs	67,067	-	8,930	-
Notes and loans	-	33,135,183	-	-
Advances to other funds	4,702,898	5,723,780	-	-
Restricted for:				
Community development projects	-	-	-	-
Public safety	-	-	-	-
Parks and recreation	-	-	-	-
Public works	-	-	-	2,158,279
Library	-	-	12,773,688	-
Assigned to:				
Capital Projects	-	-	-	-
Unassigned	44,672,686	(121,373)	-	-
Total Fund Balances	49,442,651	38,737,590	12,782,618	2,158,279
Total Liabilities and Fund Balances	\$ 52,914,404	\$ 38,866,463	\$ 12,891,468	\$ 3,079,383

CITY OF YORBA LINDA

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>		
	<u>Capital Improvements</u>	<u>Yorba Linda Redevelopment Agency</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and investments	\$ -	\$ -	\$ 14,689,991	\$ 72,636,681
Receivables:				
Accounts	-	-	-	529,703
Taxes	-	-	-	1,095,048
Notes and loans	-	-	-	33,135,183
Accrued interest	-	-	5,366	209,798
Prepaid costs	-	-	-	75,997
Due from other governments	-	-	751,462	1,786,878
Due from other funds	775,667	-	-	4,039,956
Due from Successor Agency	-	-	-	30,782
Advances to other funds	-	-	-	4,702,898
Advances to Successor Agency	-	-	-	5,723,780
Restricted assets:				
Cash and investments	-	-	-	7,500
Total Assets	\$ 775,667	\$ -	\$ 15,446,819	\$ 123,974,204
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 775,667	\$ -	\$ 16,832	\$ 3,577,549
Accrued liabilities	-	-	335	159,681
Deferred revenues	-	-	301,040	1,371,286
Unearned revenues	-	-	301,594	618,462
Due to other funds	-	-	624,886	923,956
Total Liabilities	775,667	-	1,244,687	6,650,934
Fund Balances:				
Nonspendable:				
Prepaid costs	-	-	-	75,997
Notes and loans	-	-	-	33,135,183
Advances to other funds	-	-	-	10,426,678
Restricted for:				
Community development projects	-	-	137,403	137,403
Public safety	-	-	38,115	38,115
Parks and recreation	-	-	450,888	450,888
Public works	-	-	5,300,519	7,458,798
Library	-	-	-	12,773,688
Assigned to:				
Capital Projects	-	-	8,285,094	8,285,094
Unassigned	-	-	(9,887)	44,541,426
Total Fund Balances	-	-	14,202,132	117,323,270
Total Liabilities and Fund Balances	\$ 775,667	\$ -	\$ 15,446,819	\$ 123,974,204

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CITY OF YORBA LINDA

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Fund balances of governmental funds		\$ 117,323,270
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.		373,877,302
Long-term debt and compensated absences that have not been included in the governmental fund activity:		
Claims and judgments	\$ (875,342)	
Compensated Absences	<u>(1,158,444)</u>	(2,033,786)
Governmental funds report all OPEB contributions as expenditures, however in the statement of net assets any excesses or deficiencies in contributions in relation to the Annual Required Contribution (ARC) are recorded as a asset or liability.		(5,090,662)
Revenues reported as deferred revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.		<u>1,371,286</u>
Net assets of governmental activities		<u><u>\$ 485,447,410</u></u>

CITY OF YORBA LINDA

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

	Special Revenue Funds			
	General	Housing	Library	Street Lighting & Maintenance
Revenues:				
Taxes	\$ 22,616,750	\$ -	\$ 4,262,157	\$ 6,660,563
Licenses and permits	1,185,206	-	-	-
Intergovernmental	118,301	-	46,367	-
Charges for services	3,767,223	-	44,100	-
Use of money and property	965,511	(14,649)	142,696	27,437
Fines and forfeitures	33,571	-	78,985	-
Contributions	-	409,492	425	-
Developer participation	-	-	-	111,099
Miscellaneous	271,850	-	259	5
Total Revenues	28,958,412	394,843	4,574,989	6,799,104
Expenditures:				
Current:				
General government	4,263,924	259,739	3,286,230	-
Public safety	11,588,080	-	-	-
Community development	2,272,154	-	-	-
Parks and recreation	5,066,599	-	-	-
Public works	3,242,036	-	-	7,639,043
Capital outlay	231,234	-	100,389	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Pass-through agreement payments	-	-	-	-
Total Expenditures	26,664,027	259,739	3,386,619	7,639,043
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,294,385	135,104	1,188,370	(839,939)
Other Financing Sources (Uses):				
Transfers in	356,361	-	-	368,086
Transfers out	(1,578,100)	-	(1,166)	-
Other debts issued	-	-	-	-
Total Other Financing Sources (Uses)	(1,221,739)	-	(1,166)	368,086
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 17)	-	38,078,848	-	-
Net Change in Fund Balances	1,072,646	38,213,952	1,187,204	(471,853)
Fund Balances, Beginning of Year, as previously reported	48,370,005	-	11,595,414	2,630,132
Restatements	-	523,638	-	-
Fund Balances, Beginning of Year, as restated	48,370,005	523,638	11,595,414	2,630,132
Fund Balances, End of Year	\$ 49,442,651	\$ 38,737,590	\$ 12,782,618	\$ 2,158,279

CITY OF YORBA LINDA

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>		
	<u>Capital Improvements</u>	<u>Yorba Linda Redevelopment Agency</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ -	\$ 11,374,839	\$ -	\$ 44,914,309
Licenses and permits	-	-	-	1,185,206
Intergovernmental	-	-	3,943,956	4,108,624
Charges for services	-	-	-	3,811,323
Use of money and property	-	124,008	284,082	1,529,085
Fines and forfeitures	-	-	159,576	272,132
Contributions	2,026,527	-	-	2,436,444
Developer participation	-	-	90,420	201,519
Miscellaneous	-	-	23,326	295,440
Total Revenues	2,026,527	11,498,847	4,501,360	58,754,082
Expenditures:				
Current:				
General government	-	5,966	1,253,103	9,068,962
Public safety	-	-	-	11,588,080
Community development	-	-	87,165	2,359,319
Parks and recreation	-	-	36,792	5,103,391
Public works	-	-	-	10,881,079
Capital outlay	7,104,560	-	259,624	7,695,807
Debt service:				
Principal retirement	-	2,785,000	-	2,785,000
Interest and fiscal charges	-	3,941,648	-	3,941,648
Pass-through agreement payments	-	4,223,858	-	4,223,858
Total Expenditures	7,104,560	10,956,472	1,636,684	57,647,144
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,078,033)	542,375	2,864,676	1,106,938
Other Financing Sources (Uses):				
Transfers in	5,078,033	-	588,464	6,390,944
Transfers out	-	-	(4,811,678)	(6,390,944)
Other debts issued	-	2,660,853	-	2,660,853
Total Other Financing Sources (Uses)	5,078,033	2,660,853	(4,223,214)	2,660,853
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 17)	-	(8,825,662)	(88,119,803)	(58,866,617)
Net Change in Fund Balances	-	(5,622,434)	(89,478,341)	(55,098,826)
Fund Balances, Beginning of Year, as previously reported	-	6,079,869	104,322,036	172,997,456
Restatements	-	(457,435)	(641,563)	(575,360)
Fund Balances, Beginning of Year, as restated	-	5,622,434	103,680,473	172,422,096
Fund Balances, End of Year	\$ -	\$ -	\$ 14,202,132	\$ 117,323,270

CITY OF YORBA LINDA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

Net change in fund balances - total governmental funds \$ (55,098,826)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$ 10,912,430	
Depreciation	(3,709,326)	
Gain/(loss) on sale of capital assets	<u>(141,599)</u>	7,061,505

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

Principal repayments	2,785,000	
Accreted interest on tax allocation bonds	(769,237)	
Deferred pass-through obligation - PYLUSD	(1,891,616)	
Changes in claims and judgments obligation	(122,779)	
Amortization of bond discounts and deferred gain on defeasance	<u>942</u>	2,310

Debt issuance costs are expenditures in governmental funds, but these costs are capitalized on the statement of net assets. (14,005)

Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period. 1,031,677

Compensated absences 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. (94,554)

Governmental funds report all contributions in relation to the annual required contribution (ARC) for OPEB as expenditures, however in the statement of activities only the ARC is an expense. (1,137,209)

Revenues reported as deferred revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity. (941,422)

Extraordinary gains and losses relating to capital assets and long term liabilities transferred to the Successor Agency are reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds.

Capital assets	(364,593)	
Long-term liabilities	96,622,259	
Unamortized bond discount and deferred gain on defeasance	(52,693)	
Unamortized bond issuance costs	<u>(740,358)</u>	<u>95,464,615</u>

Change in net assets of governmental activities \$ 46,274,091

CITY OF YORBA LINDA

**BUDGETARY COMPARISON STATEMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2012**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 48,370,005	\$ 48,370,005	\$ 48,370,005	\$ -
Resources (Inflows):				
Taxes	20,857,000	20,857,000	22,616,750	1,759,750
Licenses and permits	1,322,742	1,322,742	1,185,206	(137,536)
Intergovernmental	47,307	47,307	118,301	70,994
Charges for services	3,533,097	3,533,097	3,767,223	234,126
Use of money and property	1,160,600	1,160,600	965,511	(195,089)
Fines and forfeitures	42,000	42,000	33,571	(8,429)
Miscellaneous	27,500	27,500	271,850	244,350
Transfers in	510,259	523,359	356,361	(166,998)
Amounts Available for Appropriations	75,870,510	75,883,610	77,684,778	1,801,168
Charges to Appropriation (Outflow):				
General government	4,054,491	4,644,491	4,263,924	380,567
Public safety	11,630,859	11,648,859	11,588,080	60,779
Community development	2,359,553	2,435,813	2,272,154	163,659
Parks and recreation	5,231,926	5,297,825	5,066,599	231,226
Public works	3,712,752	4,008,591	3,242,036	766,555
Capital outlay	263,800	291,654	231,234	60,420
Transfers out	2,932,831	4,842,205	1,578,100	3,264,105
Total Charges to Appropriations	30,186,212	33,169,438	28,242,127	4,927,311
Budgetary Fund Balance, June 30	\$ 45,684,298	\$ 42,714,172	\$ 49,442,651	\$ 6,728,479

CITY OF YORBA LINDA

**BUDGETARY COMPARISON STATEMENT
LIBRARY
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 11,595,414	\$ 11,595,414	\$ 11,595,414	\$ -
Resources (Inflows):				
Taxes	4,065,192	4,065,192	4,262,157	196,965
Intergovernmental	3,000	3,000	46,367	43,367
Charges for services	41,800	41,800	44,100	2,300
Use of money and property	97,000	97,000	142,696	45,696
Fines and forfeitures	70,000	70,000	78,985	8,985
Contributions	200	200	425	225
Miscellaneous	50	50	259	209
Transfers in	400,000	400,000	-	(400,000)
Amounts Available for Appropriations	16,272,656	16,272,656	16,170,403	(102,253)
Charges to Appropriation (Outflow):				
General government	3,631,009	3,638,210	3,286,230	351,980
Capital outlay	209,600	212,847	100,389	112,458
Transfers out	3,700,000	3,700,000	1,166	3,698,834
Total Charges to Appropriations	7,540,609	7,551,057	3,387,785	4,163,272
Budgetary Fund Balance, June 30	\$ 8,732,047	\$ 8,721,599	\$ 12,782,618	\$ 4,061,019

CITY OF YORBA LINDA

**BUDGETARY COMPARISON STATEMENT
STREET LIGHTING & MAINTENANCE DISTRICT
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,630,132	\$ 2,630,132	\$ 2,630,132	\$ -
Resources (Inflows):				
Taxes	6,679,818	6,679,818	6,660,563	(19,255)
Use of money and property	-	-	27,437	27,437
Developer participation	-	-	111,099	111,099
Miscellaneous	-	-	5	5
Transfers in	1,036,481	1,036,481	368,086	(668,395)
Amounts Available for Appropriations	10,346,431	10,346,431	9,797,322	(549,109)
Charges to Appropriation (Outflow):				
Public works	7,358,107	7,534,958	7,639,043	(104,085)
Capital outlay	500	500	-	500
Transfers out	-	119,317	-	119,317
Total Charges to Appropriations	7,358,607	7,654,775	7,639,043	15,732
Budgetary Fund Balance, June 30	\$ 2,987,824	\$ 2,691,656	\$ 2,158,279	\$ (533,377)

CITY OF YORBA LINDA

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2012

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Golf</u>	<u>Disposal</u>	<u>Totals</u>
Assets:			
Current:			
Receivables:			
Accounts	\$ 404,471	\$ -	\$ 404,471
Inventories	141,723	-	141,723
Restricted:			
Cash with fiscal agent	1,205,556	-	1,205,556
Total Current Assets	1,751,750	-	1,751,750
Noncurrent:			
Deferred Charges	476,645	-	476,645
Capital assets - net of accumulated depreciation	26,955,545	-	26,955,545
Total Noncurrent Assets	27,432,190	-	27,432,190
Total Assets	\$ 29,183,940	\$ -	\$ 29,183,940
Liabilities and Net Assets:			
Liabilities:			
Current:			
Accounts payable	\$ 380,497	\$ 418,611	\$ 799,108
Accrued liabilities	71,032	-	71,032
Accrued interest	185,510	-	185,510
Unearned revenues	416,658	-	416,658
Deposits payable	10,000	-	10,000
Due to other funds	2,870,694	245,306	3,116,000
Bonds, notes, and capital leases	455,000	-	455,000
Total Current Liabilities	4,389,391	663,917	5,053,308
Noncurrent:			
Advances from other funds	4,702,898	-	4,702,898
Bonds, notes, and capital leases	15,635,000	-	15,635,000
Total Noncurrent Liabilities	20,337,898	-	20,337,898
Total Liabilities	24,727,289	663,917	25,391,206
Net Assets:			
Invested in capital assets, net of related debt	10,865,545	-	10,865,545
Unrestricted	(6,408,894)	(663,917)	(7,072,811)
Total Net Assets	4,456,651	(663,917)	3,792,734
Total Liabilities and Net Assets	\$ 29,183,940	\$ -	\$ 29,183,940

CITY OF YORBA LINDA

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	Business-Type Activities - Enterprise Funds		
	Golf	Disposal	Totals
Operating Revenues:			
Sales and service charges	\$ 5,869,100	\$ 5,212,512	\$ 11,081,612
Total Operating Revenues	5,869,100	5,212,512	11,081,612
Operating Expenses:			
Administration and general	4,271,784	-	4,271,784
Transmission/collection	-	5,081,581	5,081,581
Cost of sales and services	864,403	-	864,403
Depreciation expense	814,519	-	814,519
Total Operating Expenses	5,950,706	5,081,581	11,032,287
Operating Income (Loss)	(81,606)	130,931	49,325
Nonoperating Revenues (Expenses):			
Interest revenue	(39,736)	(1,281)	(41,017)
Interest expense	(782,545)	-	(782,545)
Total Nonoperating Revenues (Expenses)	(822,281)	(1,281)	(823,562)
Changes in Net Assets	(903,887)	129,650	(774,237)
Net Assets:			
Beginning of Fiscal Year	5,360,538	(793,567)	4,566,971
End of Fiscal Year	\$ 4,456,651	\$ (663,917)	\$ 3,792,734

CITY OF YORBA LINDA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Golf</u>	<u>Disposal</u>	<u>Totals</u>
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 5,710,420	\$ 5,212,512	\$ 10,922,932
Cash paid to suppliers for goods and services	(682,782)	(5,069,189)	(5,751,971)
Cash paid to employees for services	(4,271,784)	-	(4,271,784)
Net Cash Provided (Used) by Operating Activities	755,854	143,323	899,177
Cash Flows from Non-Capital Financing Activities:			
Repayment made to other funds	820,024	(142,042)	677,982
Net Cash Provided (Used) by Non-Capital Financing Activities	820,024	(142,042)	677,982
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(245,331)	-	(245,331)
Principal paid on capital debt	(526,763)	-	(526,763)
Interest paid on capital debt	(764,048)	-	(764,048)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,536,142)	-	(1,536,142)
Cash Flows from Investing Activities:			
Interest received	(39,736)	(1,281)	(41,017)
Net Cash Provided (Used) by Investing Activities	(39,736)	(1,281)	(41,017)
Net Increase (Decrease) in Cash and Cash Equivalents	-	-	-
Cash and Cash Equivalents at Beginning of Year	1,205,556	-	1,205,556
Cash and Cash Equivalents at End of Year	\$ 1,205,556	\$ -	\$ 1,205,556
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (81,606)	\$ 130,931	\$ 49,325
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	814,519	-	814,519
(Increase) decrease in accounts receivable	10,642	-	10,642
(Increase) decrease in prepaid expense	1,044	-	1,044
(Increase) decrease in inventories	(20,479)	-	(20,479)
Increase (decrease) in accounts payable	167,454	12,392	179,846
Increase (decrease) in accrued liabilities	13,123	-	13,123
Increase (decrease) in unearned revenue	(148,843)	-	(148,843)
Total Adjustments	837,460	12,392	849,852
Net Cash Provided (Used) by Operating Activities	\$ 755,854	\$ 143,323	\$ 899,177

CITY OF YORBA LINDA

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2012

	Agency Fund	Private- Purpose Trust Fund
	Deposits	Successor Agency of the former RDA
Assets:		
Cash and investments	\$ 2,881,993	\$ 22,992,881
Receivables:		
Accounts	-	3,583
Accrued interest	-	7,353
Land held for resale	-	18,812,640
Deferred charges	-	730,395
Restricted assets:		
Cash and investments with fiscal agents	-	19,312,148
Capital assets:		
Capital assets, not being depreciated	-	364,593
Total Assets	\$ 2,881,993	62,223,593
Liabilities:		
Accounts payable	\$ 125,428	3,913,858
Accrued interest	-	938,196
Deposits payable	2,756,565	-
Due to City	-	30,782
Long-term liabilities:		
Due in one year	-	3,425,000
Due in more than one year	-	99,417,015
Total Liabilities	\$ 2,881,993	107,724,851
Net Assets:		
Held in trust for other purposes		(45,501,258)
Total Net Assets		\$ (45,501,258)

CITY OF YORBA LINDA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2012

	<u>Private- Purpose Trust Fund Successor Agency of the former RDA</u>
Additions:	
Interest and change in fair value of investments	\$ 107,863
Contributions from City	859,177
Total Additions	<u>967,040</u>
Deductions:	
Administrative expenses	488,815
Contractual services	149,095
Interest expense	2,923,507
Contributions to other governments	2,429,532
Reimbursement of prior taxes to County	3,879,351
Total Deductions	<u>9,870,300</u>
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 17)	(36,597,998)
Changes in Net Assets	<u>(45,501,258)</u>
Net Assets - Beginning of the Year	<u>-</u>
Net Assets - End of the Year	<u><u>\$ (45,501,258)</u></u>

I. SIGNIFICANT ACCOUNTING POLICIES

Note 1: Summary of Significant Accounting Policies

a. Description of Entity

The City of Yorba Linda (the City) was incorporated in October 1967, under the general laws of the State of California. The City operates under a Council-Manager form of government and provides the following services: public works, public safety, community development, parks and recreation, library and general administrative services.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Yorba Linda (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. These entities are legally separate from each other. However, the City of Yorba Linda's elected officials have a continuing full or partial accountability for fiscal matters of the other entities. The financial reporting entity consists of: 1) the City, 2) organizations for which the City is financially accountable, and 3) organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete.

An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government. In a blended presentation, a component unit's balances and transactions are reported in a manner similar to the balances and transactions of the City. Component units are presented on a blended basis when the component unit's governing body is substantially the same as the City's or the component unit provides services almost entirely to the City.

Blended Component Units

Yorba Linda Redevelopment Agency

The Yorba Linda Redevelopment Agency (the 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. The redevelopment agency was dissolved as of January 31, 2012 through the Supreme Court decision on Assembly Bill 1X 26. See Note 16 for more information on the dissolution.

Yorba Linda Public Financing Authority

The Yorba Linda Public Financing Authority (the Authority) was established on July 18, 1989, pursuant to a joint exercise of powers agreement between the City and the Agency. The purpose of the Authority is to enable the City and the Agency

Note 1: Summary of Significant Accounting Policies (Continued)

to finance public capital improvements. The Authority's financial data and transactions are included in the debt service fund type. Separate financial statements for the Yorba Linda Public Financing Authority have not been prepared.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) 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, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities that rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are 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.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise 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, as are the proprietary fund and fiduciary fund financial statements. 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 except for sales tax, which the City considers to be available if collected within 90 days. 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.

Note 1: Summary of Significant Accounting Policies (Continued)

The City's fiduciary fund financial statements report one agency fund and one private purpose trust fund. Agency funds are used to account for situations where the government's role is purely custodial. All assets reported in an agency fund are offset by a liability to the party on whose behalf they are held. Agency funds have no measurement focus. Private purpose trust fund funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Property taxes, franchise taxes, licenses 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 City reports the following major governmental funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.
- The Housing Fund accounts for the assets of the former Yorba Linda Redevelopment Agency low and moderate income housing.
- The Library Fund accounts for the revenues and expenditures relating to the operations of the public library.
- The Street Lighting and Maintenance District accounts for the revenues and expenditures associated with the maintenance of City-owned street lights and landscaped areas within the districts. Benefiting property owners are assessed their proportionate share of the costs.
- The Capital Improvement Fund accounts for the expenditures of construction of various capital improvements projects throughout the City.
- The Yorba Linda Redevelopment Agency Debt Service Fund accounts for the accumulation of resources required for the payment of interest and principal on all Agency tax allocation bonds and other debt. The Redevelopment Agency was dissolved as of January 31, 2012 through the Supreme Court decision on Assembly Bill 1X 26. See Note 16 for more information.

The City reports the following major proprietary funds:

- The Golf Course Enterprise Fund accounts for all activities related to the operations of the Black Gold Golf Club.
- The Disposal Enterprise Fund accounts for the activities associated with residential and commercial refuse collection by the City.

Note 1: Summary of Significant Accounting Policies (Continued)

Additionally, the City reports the following fund types:

- One agency fund used to report resources held by the City in a purely custodial capacity that involves only the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments.
- One private-purpose trust fund used to account for the assets and liabilities of the former redevelopment agency and the allocated revenue to pay estimated installment payments of enforceable obligations until the obligations of the former redevelopment agency are paid in full and assets have been liquidated.

Private-sector standards of accounting and financial reporting issued prior to December 1989 generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary funds function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

d. Assets, Liabilities and Net Assets or Equity

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. For financial statement presentation purposes, cash and cash equivalents are shown as both restricted and unrestricted cash and investments in the Proprietary Funds.

Note 1: Summary of Significant Accounting Policies (Continued)

Investments for the City as well as for its component units are reported at fair value. The City's policy is generally to hold investments until maturity or until market values equal or exceed cost. 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.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/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/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

Property tax revenue is recognized on the modified accrual basis, that is, 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 to be used to pay liabilities of the current period. The County of Orange collects property taxes for the City. Tax liens attach annually as of 12:01 A.M. on the first day in January proceeding the fiscal year for which the taxes are levied. Taxes are levied on both real and personal property, as it exists on that date. 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 if unpaid on August 31.

Inventories, Prepaid Items and Land Held for Resale

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventory costs are recorded as an expense when used.

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.

Land purchased for resale is capitalized as inventory at acquisition costs or net realizable value, if lower.

Restricted Assets

Certain proceeds of debt issues, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. In addition, funds have been restricted for future capital improvements by enabling legislation.

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets that include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

The Governmental Accounting Standards Board (GASB) issued Statement No. 34, which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. GASB Statement No. 34 defines infrastructure assets as "...long lived capital assets that are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets..." Infrastructure assets are normally stationary in nature and are of value only to the government entity. They are basic physical assets that allow the government entity to function. Examples include streets, bridges and storm drains. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into concrete and asphalt pavements, concrete curb and gutters, sidewalks, medians, etc. Subsystem detail is not presented in these basic financial statements; however, the City maintains detailed information on these subsystems.

In accordance with GASB Statement No. 34, the City has elected the Modified Approach for reporting of the Pavement Subsystem infrastructure assets and as a result, no depreciation is recorded for that system under the following requirements:

- The City manages the eligible infrastructure capital assets using an asset management system with characteristics of (1) an up-to-date inventory, (2) perform condition assessments and summarize the results using a measurement scale, and (3) estimate annual amount to maintain and preserve at the established condition assessment level.
- The City documents that eligible infrastructure capital assets are being preserved approximately at or above the established disclosed assessment.

For all other capital assets, the City has elected to use the Basic Approach as defined by Statement No. 34. Accordingly, these capital assets are depreciated using the straight-line method over the following estimated useful lives:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 1: Summary of Significant Accounting Policies (Continued)

<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

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

Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. City employees have an option to use 100% of their unused sick pay benefits for future medical expenses upon retirement. City employees receive from 10 to 20 days vacation each year depending on the length of service. All vacation and sick pay is accrued when incurred in the government-wide proprietary and fiduciary fund financial statements.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type 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 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.

Functional Classifications

Expenditures of the Governmental Funds are classified by function. Functional classifications are defined as follows:

- General Government includes legislative activities that have a primary objective of providing legal and policy guidelines for the City. Also included in this classification are those activities which provide management or support services across more than one functional area, including Library Services.

Note 1: Summary of Significant Accounting Policies (Continued)

- Public Safety includes those activities that involve the protection of people and property.
- Community Development includes those activities that involve the enhancing of the general quality of life.
- Parks and Recreation includes those activities that involve community park maintenance and recreational activities within the community.
- Public Works includes those activities that involve the maintenance and improvement of City streets and roads.
- Debt Service includes those activities that account for the payment of long-term debt principal, interest and fiscal charges.

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.

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.

The City Council, as the City's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken, such as adoption of an ordinance or resolution. These committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use through the same type of formal action taken to establish the commitment. City Council action to commit fund balance needs to occur within the fiscal reporting period; however the amount can be determined subsequently.

Note 1: Summary of Significant Accounting Policies (Continued)

Amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. Pursuant to the City's fund balance policy established by the City Council by resolution, it has delegated the authority to assign amounts to be used for specific purposes to the City Manager or Finance Director for the purpose of reporting these amounts on the annual financial statements.

II. STEWARDSHIP

Note 2: Stewardship, Compliance and Accountability

a. General Budget Policies

All financial activities of the General Fund, Special Revenue Funds, Capital Projects Funds and Debt Service Funds are part of the appropriated budget. Appropriated amounts are as originally adopted or as amended by the City Council throughout the year. The following general procedures are followed in establishing the annual budget:

1. The annual budget adopted by the City Council provides for the general operation of the City. It includes proposed expenditures and the means of financing them.
2. The City Manager is authorized to transfer budgeted amounts between items, accounts, programs and funds and may approve additional appropriations up to \$25,000 per transaction. Any increase in total appropriations over \$25,000 per transaction must be approved by the City Council.
3. Formal budgetary integration is employed as a management control device during the year. The legal level of control is the fund level.
4. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items. Budgets are adopted for all governmental fund types, on a basis consistent with account principles generally accepted in the United States of America, except for the purchases and sales of land that are recognized as expenditures and revenues, respectively. The modified accrual basis of accounting is employed in the preparation of the budget. Budget comparisons are not presented for the Proprietary Funds, as the City is not legally required to adopt a budget for these fund types.
5. At fiscal year-end operating budget appropriations lapse; however, incomplete capital improvement project appropriations within Capital Projects Funds and authorized non-capital appropriations can be carried over to the following fiscal year.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 2: Stewardship, Compliance and Accountability (Continued)

6. As a result of the dissolution of the former Redevelopment Agency as of January 31, 2012, the City has elected not to present budget to actual comparisons for the Housing Special Revenue Fund, the Redevelopment Agency Capital Projects Fund, or the Redevelopment Agency Debt Service Fund as these comparison schedules show a full year of budget activity and only seven months of actual activity during the year.

b. Deficit Fund Balance

The HCD Grant fund had a deficit fund balance of \$9,887 at June 30, 2012. This deficit will be funded with future grant reimbursements.

III. DETAILED NOTES ON ALL FUNDS

Note 3: Cash and Investments

As of June 30, 2012, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	\$ 72,644,181
Business-type activities	1,205,556
Fiduciary funds	<u>45,187,022</u>
Total Cash and Investments	<u><u>\$ 119,036,759</u></u>

The City of Yorba Linda maintains a cash and investment pool that is available for use for all funds. Each fund type's position in the pool is reported on the combined balance sheet as cash and investments. The City has adopted an investment policy that authorizes it to invest in various investments.

Deposits

At June 30, 2012, the carrying amount of the City's deposits was \$7,146,232, and the bank balance was \$7,138,733. The \$7,499 difference represents outstanding checks, deposits in transit, and other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure a City's deposits by pledging government securities with a value of 110% of a City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of a City's total deposits. The City Treasurer may waive the collateral requirement for deposits that are fully insured up to \$250,000 by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local governmental agency.

Note 3: Cash and Investments (Continued)

Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency.

A provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act provides temporary unlimited deposit insurance coverage for noninterest-bearing transaction account at all FDIC-insured institutions. This provision was effective from December 31, 2010 and will remain effective until December 31, 2012. Noninterest-bearing transaction accounts is defined as an account (1) with respect to which interest is neither accrued nor paid; (2) on which the depositor or account holder is permitted to make withdrawals by negotiable or transferable instrument, payment orders of withdrawal, telephone or other electronic media transfers, or other similar items for the purpose of making payments or transfers to third parties or others; and (3) on which the FDIC-insured depository institutions does not reserve the right to require advance notice of an intended withdrawal. As of June 30, 2012, the City maintains cash deposits that are temporary covered by this provision.

Investments

Under provision of the City's investment policy and in accordance with the California Government Code, the following investments are authorized:

- U.S. Treasury Bills, Bonds and Notes
- Local Agency Investment Fund (State Pool)
- California based Joint Powers Authority Pool
- Registered State of California Warrants, Notes or Bonds
- U.S. Government Agency Securities
- Fully insured, collateralized Certificates of Deposit
- Negotiable Certificates of Deposit
- Commercial Paper
- Medium-Term Notes
- Money Market Mutual Funds

Investments Authorized by Debt Agreements

The above investments do not address investment of debt proceeds held by a bond trustee. Investments of debt proceeds held by a bond trustee are governed by provisions of the debt agreements rather than the general provisions of the California Government Code or the City's investment policy.

Investments in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The State Treasurer's Office audits the fund annually. The fair value of the position in the investment pool is the same as the value of the pool shares.

Note 3: Cash and Investments (Continued)

GASB Statement No. 31

The City adopted GASB Statement No. 31, Accounting and Financial Reporting for certain investments and for External Investment Pools, as of July 1, 1997. GASB Statement No. 31 establishes fair value standards for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants and stock rights that have readily determinable fair values. Accordingly, the City reports its investments at fair value in the balance sheet. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

Credit Risk

The City's investment policy does not limit investments in Federal Agency Securities to ratings issued by nationally recognized statistical rating organizations. As of June 30, 2012, the City's investments in Federal Agency Securities consisted of investments with Federal Farm Credit Bank, Federal Home Loan Bank, Federal National Mortgage Association, and Federal Farm Credit Bank. At June 30, 2012, all Federal Agency Securities were rated "AA+" by Standard & Poor's. All securities were investment grade and were legal under State and City law. As of June 30, 2012, the City's investments in external investment pools are unrated.

On August 5, 2011, Standard & Poor's Ratings Services lowered its long-term sovereign credit rating on the United States of America to AA+ from AAA. As a result, on August 8, 2011, Standard & Poor's Ratings Services lowered its issuer credit ratings and related issue ratings on various Federal Home Loan Bank, Federal Farm Credit Bank, Fannie Mae and Freddie Mac to AA+ from AAA. The City also invests in LAIF which invests in various underlying securities, including the federal agency securities listed above. While LAIF is not rated, the federal agency securities are, and these have been affected by this rating change as well.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

As of June 30, 2012, none of the City's deposits or investments was exposed to custodial credit risk.

Concentration of Credit Risk

The City is in compliance with restrictions imposed by its investment policy, which limits certain types of investments. In addition, GASB 40 requires a separate disclosure if any single issuer comprises more than 5% of the total investment value. As of June 30, 2012, the City had 14% of its cash and investment invested in Federal Farm Credit Bank and 14% invested in Federal National Mortgage Association.

Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this requirement.

CITY OF YORBA LINDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 3: Cash and Investments (Continued)

Interest Rate Risk

The City's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City has elected to use the segmented time distribution method of disclosure for its interest rate risk. As of June 30, 2012, the City had the following investments and original maturities:

	Remaining Investment Maturities				Fair Value
	6 months or less	6 months to 1 year	1 to 3 years	3 to 5 years	
Federal Agency Securities:					
Federal Home Loan Bank	\$ -	\$ -	\$ -	\$ 3,993,900	\$ 3,993,900
Federal Farm Credit Bank	-	-	-	16,038,740	16,038,740
Federal Home Loan Mortgage Corp.	-	-	2,009,940	4,013,760	6,023,700
Federal National Mortgage Assn.	-	-	4,114,760	12,079,600	16,194,360
U.S Agency Securities	-	-	-	2,006,640	2,006,640
Certificates of deposit	750,000	105,000	1,000,000	-	1,855,000
Money Market	268,528	-	-	-	268,528
Local Agency Investment Fund	44,991,955	-	-	-	44,991,955
Cash with Fiscal Agent:					
Certificates of deposit	-	-	-	1,970,000	1,970,000
Money Market Mutual Funds	18,547,704	-	-	-	18,547,704
	<u>\$ 64,558,187</u>	<u>\$ 105,000</u>	<u>\$ 7,124,700</u>	<u>\$ 40,102,640</u>	<u>\$ 111,890,527</u>

CITY OF YORBA LINDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 4: Capital Assets

The City elected to use the "Modified Approach" as defined by GASB Statement No. 34 for infrastructure reporting for its street pavement system. As a result, no accumulated depreciation or depreciation expense has been recorded for this system. A more detailed discussion of the "Modified Approach" is presented in the Required Supplementary Information section of this report. All other capital assets including other infrastructure systems were reported using the Basic Approach whereby accumulated depreciation and depreciation expense have been recorded.

Capital asset activity for the year ended June 30, 2012, was as follows:

	Balance July 1, 2011	Increases	Decreases	Transfers	Transfer to Successor Agency *	Balance June 30, 2012
Governmental Activities:						
Capital Assets, Not Being Depreciated:						
Land	\$ 29,775,415	\$ -	\$ -	\$ -	\$ (364,593)	\$ 29,410,822
Street pavement infrastructure	194,101,407	5,250,804	-	1,251,533	-	200,603,744
Construction In Progress	1,563,239	4,360,688	141,599	(1,822,169)	-	3,960,159
Total Capital Assets Not Being Depreciated	225,440,061	9,611,492	141,599	(570,636)	(364,593)	233,974,725
Capital Assets, Being Depreciated:						
Buildings and improvements	51,495,666	239,985	-	570,636	-	52,306,287
Machinery and equipment	7,469,982	891,566	10,878	-	-	8,350,670
Motor vehicles	1,153,045	169,387	129,885	-	-	1,192,547
Other Infrastructure	138,503,718	-	-	-	-	138,503,718
Total Capital Assets Being Depreciated	198,622,411	1,300,938	140,763	570,636	-	200,353,222
Less Accumulated Depreciation:						
Buildings and improvements	18,024,853	1,179,645	-	-	-	19,204,498
Machinery and equipment	5,871,596	721,684	10,878	-	-	6,582,402
Motor vehicles	973,791	59,067	129,885	-	-	902,973
Other Infrastructure	32,011,842	1,748,930	-	-	-	33,760,772
Total Accumulated Depreciation	56,882,082	3,709,326	140,763	-	-	60,450,645
Total Capital Assets Being Depreciated, Net	141,740,329	(2,408,388)	-	570,636	-	139,902,577
Governmental Activities						
Capital Assets, Net	\$ 367,180,390	\$ 7,203,104	\$ 141,599	\$ -	\$ (364,593)	\$ 373,877,302

*As a result of the dissolution of the Redevelopment Agency, capital assets of the former Redevelopment Agency were transferred to the Successor Agency. See Note 17 for disclosures of capital assets of the Successor Agency.

CITY OF YORBA LINDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 4: Capital Assets (Continued)

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 12,726,948	\$ -	\$ -	\$ 12,726,948
Total Capital Assets Not Being Depreciated	<u>12,726,948</u>	<u>-</u>	<u>-</u>	<u>12,726,948</u>
Capital Assets, Being Depreciated:				
Structures and improvements	20,349,916	169,391	-	20,519,307
Machinery and equipment	1,648,343	75,940	-	1,724,283
Motor vehicles	1,494,450	-	-	1,494,450
Total Capital Assets Being Depreciated	<u>23,492,709</u>	<u>245,331</u>	<u>-</u>	<u>23,738,040</u>
Less Accumulated Depreciation:				
Structures and improvements	5,798,098	665,481	-	6,463,579
Machinery and equipment	1,402,377	149,038	-	1,551,415
Motor vehicles	1,494,449	-	-	1,494,449
Total Accumulated Depreciation	<u>8,694,924</u>	<u>814,519</u>	<u>-</u>	<u>9,509,443</u>
Total Capital Assets Being Depreciated, Net	<u>14,797,785</u>	<u>(569,188)</u>	<u>-</u>	<u>14,228,597</u>
Business-Type Activities Capital Assets, Net	<u>\$ 27,524,733</u>	<u>\$ (569,188)</u>	<u>\$ -</u>	<u>\$ 26,955,545</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	\$ 776,646
Public safety	23,433
Community development	59,462
Parks and recreation	1,070,633
Public works	1,779,152
Total	<u>\$ 3,709,326</u>
Business-Type Activities:	
Golf course	<u>\$ 814,519</u>

Note 5: Long-term receivables

Loans Receivable (Net)

Contracts and notes receivable as of June 30, 2012, totaled \$33,135,183 and were recorded as follows in the Housing Fund:

Disposition and Development Agreement

Southern California Housing Development Corporation

In March 1997, the former Redevelopment Agency (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 outstanding balance at June 30, 2012, was \$559,473.

Habitat for Humanity of Orange County Inc.

In July 2008, the former Redevelopment Agency (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, 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 was paid off as of June 30, 2012.

Owner Participation Agreements

AHP Parkwood, L.P.

During fiscal year 2002-2003, the former Redevelopment Agency (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 Housing Successor 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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 5: Long-term receivables (Continued)

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

Yorba Linda Family Partners, L.P.

In March 2004, the former Redevelopment Agency (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 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 Housing Successor 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 Housing Successor Agency forgive all then-unpaid and accrued principal and interest of the note. At June 30, 2012, the outstanding balance was \$2,200,000.

Yorba Linda Housing Partners, L.P.

In May 2006, the former Redevelopment Agency (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. 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 (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 Agency 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 June 30, 2012, is \$12,700,563.

Note 5: Long-term receivables (Continued)

Victoria Woods

The former Redevelopment Agency (the Agency) entered into an Owner Participation Agreement (OPA) with Stonehaven Associates, LP (Owner) for the purpose of developing and providing a senior, multi-family affordable housing project known as "Victoria Woods". The Project will consist of constructing 124 apartment units, and one manager's unit, including recreational and parking amenities. Subject to the terms, conditions and limitations of the Agreement, the Agency will provide the Owner with financial assistance by providing a loan of \$720,000 to assist the Developer in developing the project. The loan does not bear interest. Each year 1/55th (or \$13,090.90) of the original loan amount will be forgiven until year 55. The outstanding balance at June 30, 2012 was \$523,637.

Affordable Housing Agreement

Evergreen Villas LP

In December 2009, the former Redevelopment Agency (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 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. An additional amount of \$4,058,264 was loaned during fiscal year 2011-2012. The total outstanding balance at June 30, 2012, for Evergreen Villas is \$8,779,477.

National Community Renaissance of California LP

In March 2011, the former Redevelopment Agency (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. A 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, at which time the entire loan amount will be rolled into the balance of the Agency development loan. A 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 \$5,272,033 which is the outstanding balance at June 30, 2012.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 5: Long-term receivables (Continued)

Advances to Successor Agency

During the prior fiscal year, the former Redevelopment Agency - Low and Moderate Housing Fund made a loan to the former Redevelopment Agency - 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. The Advance has been moved to the Housing Fund due to the dissolution of the Redevelopment Agency.

Note 6: Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2012, is as follows:

a. Due To / From Other Funds

	Due to Other Funds					Total
	Governmental Activities			Business-type		
	General Fund	Housing	Nonmajor Governmental Funds	Golf Course	Refuse Fund	
<u>Due from Other Funds:</u>						
General Fund	\$ -	\$ 90,922	\$ 57,367	\$ 2,870,694	\$ 245,306	\$ 3,264,289
Capital Improvements	208,148	-	567,519	-	-	775,667
Total	<u>\$ 208,148</u>	<u>\$ 90,922</u>	<u>\$ 624,886</u>	<u>\$ 2,870,694</u>	<u>\$ 245,306</u>	<u>\$ 4,039,956</u>

The Golf Course Fund owes \$2,870,694 to the General Fund for construction projects and negative cash. The other interfund balances were the results of routine interfund transactions not cleared prior to year-end.

b. Advances To/From Other Funds

Advances from Other Funds	Advances to Other Funds
	General Fund
Golf Course	<u>\$ 4,702,898</u>

The General Fund made various advances to the Golf Course fund for capital projects. There is no set repayment schedule or an accrued interest rate at this time. The balance outstanding at June 30, 2012, was \$4,702,898.

CITY OF YORBA LINDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 6: Interfund Receivables, Payables and Transfers (Continued)

c. Interfund Transfers

	Transfers Out			Total
	General Fund	Library	Other Governmental Funds	
Transfers In:				
General Fund	\$ -	\$ -	\$ 356,361	\$ 356,361
Street Lighting & Maintenance District	368,086	-	-	368,086
Capital Improvements	1,099,752	1,166	3,977,115	5,078,033
Other Governmental Funds	110,262	-	478,202	588,464
Total	\$ 1,578,100	\$ 1,166	\$ 4,811,678	\$ 6,390,944

During the year, certain funds made payments to the General Fund for administrative costs incurred. These transfers to the General Fund for the year amounted to \$356,361. The funding sources to account for capital projects were reported as transfers from various funds to the Capital Improvements fund for the amount of \$5,078,033. Transfers from the General Fund to the Street Lighting and Maintenance of \$368,086 were for support of expenditures incurred.

Note 7: Long-Term Debt

a. Long-Term Debt – Governmental Activities

The following is a summary of changes in long-term debt of the City's governmental activities for the year ended June 30, 2012:

	Balance July 1, 2011	Additions	Deletions	Transfer to Successor Agency **	Balance June 30, 2012	Due Within One Year
Tax allocation bonds payable	\$ 77,721,618	\$ 769,237 *	\$ 2,785,000	\$ 75,705,855	\$ -	\$ -
Deferred pass-through payments - PYLUSD	19,024,788	1,891,616	-	20,916,404	-	-
Claims and judgments	752,563	590,018	467,239	-	875,342	875,342
Compensated absences	1,063,890	627,579	533,025	-	1,158,444	443,930
OPEB obligation (Note 11)	3,953,453	1,672,605	535,396	-	5,090,662	-
Total	\$102,516,312	\$ 5,551,055	\$4,320,660	\$ 96,622,259	\$ 7,124,448	\$ 1,319,272

* Additions to tax allocation bonds payable are for accreted interest.

**As a result of the dissolution of the Redevelopment Agency, indebtedness of the former Redevelopment Agency was transferred to the Successor Agency. See Note 17 for disclosures of indebtedness of the Successor Agency.

Claims and Judgments

The City accounts for material claims and judgments in accordance with GASB Cod. Sec.C50. When it is probable that a claim liability has been incurred at year-end and the amount of the loss can be reasonably estimated, the City records

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 7: Long-Term Debt (Continued)

the estimated loss including a provision for incurred but not reported claims, net of any insurance coverage under its self-insurance program.

At June 30, 2012, various claims have been received by the City that the City has denied, but no action has yet been filed. Litigation is still pending on cases which the City believes is adequately covered as described in the following paragraphs. Small dollar claims and judgments are recorded as expenditures when paid.

The City is a member of the California Insurance Pool Authority (CIPA) which provides: (a) a risk-sharing pool for general liability claims in excess of the self-insured retention level up to \$2,000,000, and (b) a non-risk sharing insurance-purchasing pool for liability claims in excess of \$2,000,000 up to \$20,000,000 per occurrence. The City's self-insured retention is \$250,000.

The City has obtained excess insurance coverage from an outside commercial insurance company through CIPA's non-risk sharing workers' compensation insurance purchasing program. The policy provides coverage for claims in excess of the \$250,000 self-insured retention level up to the California statutory limits for workers' compensation.

A liability as of June 30, 2012, of \$875,342 is reported in the Statement of Net Assets for general liability and workers' compensation claims and judgments.

Changes in the balance of claims and liabilities for the years ended June 30, 2011 and 2012, including a provision for incurred but not reported claims were as follows:

Year Ending June 30	Claims Payable 41456	Claims and Changes in Estimated	Claims Payments	Claims Payable June 30
2011	\$ 808,753	\$ 1,540,532	\$ 1,596,722	\$ 752,563
2012	752,563	580,195	457,416	875,342

There have been no significant changes to insurance coverage as compared to last year and the City has not experienced settlements in excess of insurance coverage during the past three years.

Compensated Absences

The City's policies relating to compensated absences are described in Note 1 of the Notes to Financial Statements. This liability will be paid in the future from the general fund. The outstanding balance at June 30, 2012, was \$1,158,444.

OPEB Obligation

The OPEB obligation is discussed in Note 11.

CITY OF YORBA LINDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 7: Long-Term Debt (Continued)

b. Long-Term Debt – Business-Type Activities

The following is a summary of changes in long-term debt for the business-type activity for the year ended June 30, 2012:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012	Due Within One Year
Revenue Bonds	\$ 16,530,000	\$ -	\$ 440,000	\$ 16,090,000	\$ 455,000
Capital leases payable	86,763	-	86,763	-	-
Total	<u>\$ 16,616,763</u>	<u>\$ -</u>	<u>\$ 526,763</u>	<u>\$ 16,090,000</u>	<u>\$ 455,000</u>

Revenue Bonds Payable

In December 2003, the Yorba Linda Public Financing Authority issued \$19,370,000 Revenue Bonds, Series 2003, to pay off the previous debt of \$15,680,000 for the Black Gold Golf Club Project. The bonds are payable from the revenues pledged under a trust indenture, consisting primarily of installment payments to be made by the City of Yorba Linda to the Yorba Linda Public Financing Authority for the acquisition and construction of a municipal golf course pursuant to an installment sale agreement. The lease payments and corresponding bond debt service payments begin April 1, 2004. The bonds are term bonds due October 1, 2033, with interest rates ranging from 2.5% to 5.0%. The interest payments are due semi-annually on April 1 and October 1. Sinking fund payments begin October 1, 2004, and continue annually through October 1, 2033. The outstanding balance at June 30, 2012, was \$16,090,000.

Debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest
2013	\$ 455,000	\$ 742,354
2014	470,000	725,579
2015	485,000	707,551
2016	505,000	688,236
2017	525,000	667,636
2018-2022	2,975,000	2,979,831
2023-2027	3,710,000	2,216,920
2028-2032	4,730,000	1,173,000
2033-2037	2,235,000	113,125
	<u>\$ 16,090,000</u>	<u>\$ 10,014,232</u>

Capital Lease Payable

Maintenance Equipment

During fiscal year 2006-2007, the Enterprise Funds entered into a capital lease agreement for maintenance equipment. The original cost of the equipment, aggregating \$789,034 has been capitalized. This lease was repaid during the year.

CITY OF YORBA LINDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 8: Operating Lease

Club Car Lease

During fiscal year 2010-2011, the Enterprise Funds entered into an operating lease agreement with De Lage Landen Public Finance LLC for 85 golf cars, and certain other golf course equipment. The cost for such lease was \$78,571 for the year ended June 30, 2012. The future minimum lease payments relating to this lease are as follows:

Year Ending June 30,	Principal	Interest
2013	\$ 82,009	\$ 11,761
2014	85,597	8,173
2015	143,837	3,048
	<u>\$ 311,443</u>	<u>\$ 22,982</u>

Note 9: Other Special Obligation

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 June 30, 2012 is \$2,238,833.

VI. Other information

Note 10: City Employees Retirement Plan (Defined Benefit Pension Plan)

Plan Description

The City of Yorba Linda contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries.

PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of PERS' annual financial report may be obtained from their executive office located at: 400 P Street, Sacramento, California 95814.

Funding Policy

Participants are required to contribute 7% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 12.620% for miscellaneous employees, of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost

For fiscal year 2011-2012, the City's annual pension cost of \$1,543,465 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2009, actuarial valuation using the entry age normal actuarial cost method.

The summary of principal assumptions and methods used to determine the annual required contribution is shown below:

Valuation Date	June 30, 2009
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	24 years as of the Valuation Date
Asset Valuation Method	15-Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.55% to 14.45% depending on age, service and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012
Note 10: City Employees Retirement Plan (Defined Benefit Pension Plan) (Continued)

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percent of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30 year rolling period, which results in an amortization of 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.

Three-Year Trend Information for PERS
(Amounts in Thousands)

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2010	\$ 1,330	100%	\$ -
6/30/2011	1,386	100%	-
6/30/2012	1,543	100%	-

Miscellaneous
(Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2009	\$ 38,432	\$ 44,317	\$ 5,885	86.7 %	\$ 8,070	72.9 %
6/30/2010	39,965	47,437	7,472	84.2 %	7,231	103.3 %
6/30/2011	41,460	50,664	9,204	81.8 %	7,380	124.7 %

Note 11: Other Post-Employment Employee Benefits
Plan Description

The City provides other postemployment benefits (OPEB) through the Public Employees' Medical and Hospital Care Act (PEMHCA), a single-employer defined benefit healthcare plan administered by the California Public Employees' Retirement System (CalPERS), by contributing a predetermined monthly maximum of \$1,167 for each eligible retiree and their dependents that are eligible to participate in the PERS Health Plan. In addition, there is a maximum dental benefit of \$2,000 and maximum vision benefit of \$275, per eligible individual per year. These benefits are provided per contract between the City and the employee associations. Separate financial statements for the PEMHCA may be obtained by writing to CalPERS at Lincoln Plaza North 400 Q Street, Sacramento, CA 95814 or by visiting the CalPERS website at www.calpers.ca.gov.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012
Note 11: Other Post-Employment Employee Benefits (Continued)

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City, City Council and/or the employee associations. Currently, contributions are not required from plan members. A contribution of \$357,191 was made during the 2011-2012 fiscal year. The purpose of the contributions was to cover the pay-as-you-go financing requirements.

As a result, the City calculated and recorded a Net OPEB Obligation, representing the difference between the Annual Required Contribution (ARC) and actual contributions, as presented in the following table:

Annual required contribution (ARC)	\$ 1,748,362
Adjustment to ARC	168,022
Adjustment for interest	<u>(243,779)</u>
Annual OPEB cost	1,672,605
Contributions made	357,191
Implicit Subsidy Payment	<u>178,205</u>
(Decrease) increase in Net OPEB obligation	1,137,209
Net OPEB obligation (asset) June 30, 2011	<u>3,953,453</u>
Net OPEB obligation (asset) June 30, 2012	<u><u>\$ 5,090,662</u></u>

The City contributed 32.01% of the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover the annual normal cost and the amortization of unfunded actuarial liabilities (or funding excess) over a thirty year period.

Annual OPEB Costs and Net OPEB Obligation (Asset)

For the fiscal year 2011-2012, the City's annual OPEB cost (expense) is \$1,672,605. Information on the annual OPEB cost, percentage of Annual OPEB cost contributed, and Net OPEB Obligation is only available for the last three fiscal years, as presented below:

Fiscal Year Ending	Annual OPEB Cost	Actual Contribution (Net of Adjustments)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2010	1,782,709	245,210	14%	2,869,158
6/30/2011	1,442,373	358,078	25%	3,953,453
6/30/2012	1,672,605	535,396	32%	5,090,662

Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012
Note 11: Other Post-Employment Employee Benefits (Continued)

The schedule of funding progress below presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The most recent and available information is shown.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
1/1/2008	\$ -	\$ 15,604	\$ (15,604)	0.0%	\$ 7,707	202.47%
1/1/2010	-	14,614	(14,614)	0.0%	7,307	200.00%
1/1/2012	-	18,725	(18,725)	0.0%	7,619	245.77%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in the actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2012, actuarial valuation, the Individual Entry Age Actuarial Cost Method was used. The actuarial assumptions include a payroll growth rate of 3.25%, a discount rate of 4.25% and ultimate rate of medical inflation of 5.50%. The actuarial value of assets is set equal to the reported market value of assets. The UAAL is being amortized as a level dollar amount over a closed 30 year period beginning January 1, 2008. The remaining amortization period at June 30, 2012, is 26 years. The number of active participants is 105 and the number of eligible retirees is 87.

Note 12: Self-Insurance Program
a. Description of Self-Insurance Pool

The City of Yorba Linda is a member of the California Insurance Pool Authority (CIPA). CIPA, a consortium of 12 cities in Orange County, California, was established to pool resources, share risks, purchase excess insurance and share costs for professional risk management and claims administration. Member cities may be assessed the difference between funds available and the \$20,000,000 annual aggregate in proportion to their annual premium. The Governing Board consists of one member from each participating city and is responsible for the selection of management and for the budgeting and financial management of the Authority.

The rights of the City of Yorba Linda is to receive assistance from the Authority in establishing and maintaining a risk management program compatible with the policies and programs of the Authority and to appeal decisions of the Claims Committee to the Executive Committee or the Board, subject to such restrictions as the Board may adopt by resolution or Bylaws.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 12: Self-Insurance Program (Continued)

b. Self-Insurance Programs of the Authority

The City initiated self-insurance programs for general liability and workers' compensation on July 1, 1985 and July 1, 1989, respectively. Outside insurance coverage is purchased through California Insurance Pool Activity (CIPA) for individual claims in excess of the City's self-insurance retention limits. Claims are processed by an outside insurance service that administers the programs.

The general liability program provides for self-insurance up to a maximum of \$250,000 per occurrence with excess insurance coverage purchased through CIPA up to a maximum of \$25,000,000 per claim. Workers' compensation claims that exceed the City's self-insured level of \$250,000 are insured through coverage purchased by CIPA up to California's statutory limits of workers' compensation.

Estimates for all liabilities up to the self-insured levels and including a provision for incurred but not reported claims, have been included in the long-term debt obligations as of June 30, 2012, as follows:

General Liability Claims	\$ 828,186
Workers' Compensation Claims	<u>47,156</u>
Total Claims Payable	<u><u>\$ 875,342</u></u>

Note 13: Joint Ventures

Orange County Fire Authority

In January 1995, the City of Yorba Linda entered into a joint powers agreement with the Cities of Buena Park, Cypress, Dana Point, Irvine, Laguna Hills, Laguna Niguel, Lake Forest, La Palma, Los Alamitos, Mission Viejo, Placentia, San Clemente, San Juan Capistrano, Seal Beach, Stanton, Tustin, Villa Park, Yorba Linda and the County of Orange to create the Orange County Fire Authority. The purpose of the Authority is to provide for mutual fire protection, prevention and suppression services, and related and incidental services including, but not limited to, emergency medical and transport services, as well as providing facilities and personnel for such services.

The effective date of formation was March 1, 1995. The Authority's governing board consists of one representative from each City and two from the County. The operations of the Authority are funded with structural fire fees collected by the County through the property tax roll for the unincorporated area and on behalf of all member Cities except for the Cities of Stanton, Tustin, San Clemente, Buena Park, Placentia and Seal Beach. The County pays all structural fire fees it collects to the Authority. The Cities of Stanton, Tustin, San Clemente, Buena Park, Placentia and Seal Beach are considered "cash contract Cities" and accordingly, make cash contributions based on the Authority's annual budget.

No determination has been made as to each participant's proportionate share of fund equity as of June 30, 2011. Upon dissolution of the Authority, all surplus money and property of the Authority will be conveyed or distributed to each member in proportion to all funds provided to the Authority by that member or by the County on behalf of that member during its membership. Complete financial statements may be obtained from the Orange County Fire Authority, 1 Fire Authority Road, Building A, Irvine, CA 92602.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 14: Contingent Liabilities

- a. The City of Yorba Linda has been named as a defendant in numerous lawsuits and claims arising in the course of operations. In the aggregate, these claims seek monetary damages in significant amounts. To the extent the outcome of such litigation has been determined to result in probable financial loss to the City, such loss has been accrued in the accompanying combined financial statements.
- b. In June 2004, the Agency and the Placentia-Yorba Linda Unified School District (PYLUSD) settled their dispute regarding the additional payments owed under the Agency's tax increment pass-through agreements to the PYLUSD. The final settlement totals \$6,569,106 and is to be paid as tax increment is available for repayment. Based on the annual pass-through calculation, there may be additional amounts deferred each year. The balance due is included in deferred pass-through payments in the City's governmental activities long-term debt.

Note 15: Fund Balance/Fund Equity Restatement

Net Assets/Fund Balance

Housing Fund	
To restate prior year loan receivables balance	\$523,638
Yorba Linda Redevelopment Agency – Debt Service	
To restate prior year due from other government	(457,435)
Yorba Linda Redevelopment Agency – Capital Projects	
To restate prior year loan receivable balance	<u>(641,563)</u>
Total Net Assets/Fund Balance Restatement	<u>\$(575,360)</u>

Note 16: 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.

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 eliminates 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 Court extended certain deadlines of AB 1X 26 in its ruling by four months. The full text of AB 1X 26

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 16: California Redevelopment Agency Dissolution (Continued)

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>.

Note 17: Successor Agency Trust for Assets of Former Redevelopment Agency

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Yorba Linda that previously had reported a Redevelopment Agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a Redevelopment Agency, either the City or another unit of local government will agree to serve as the "Successor Agency" to hold the assets until they are distributed to other units of state and local government. On January 3, 2012, the City Council elected to become the Successor Agency for the former Redevelopment Agency in accordance with the Bill as part of City resolution number 2012-5095.

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

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

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between Redevelopment Agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former Redevelopment Agency due to the City are valid enforceable obligations payable by the Successor Agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

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

Prior to that date, the final seven months of the activities of the Redevelopment Agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved Redevelopment Agency are reported in the Fiduciary Fund (Private-Purpose Trust Fund) in the financial statements of the City.

The transfer of the assets and liabilities of the former Redevelopment Agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to Fiduciary Funds was reported in the Governmental Funds as an extraordinary

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 17: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)

loss (or gain) in the Governmental Fund Financial Statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the Private-Purpose Trust Fund as an extraordinary gain (or loss).

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the trust funds (*economic resources measurement focus*), the extraordinary loss (gain) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary loss recognized in the Fund Financial Statements and the extraordinary gain recognized in the Fiduciary Fund Financial Statements is reconciled as follows:

Total extraordinary loss reported in the Governmental Funds - increase to net assets of the Successor Agency Trust Fund	\$ 58,866,617
Capital assets recorded in the Government-wide Financial Statements - increase to net assets of the Successor Agency Trust Fund	364,593
Unamortized bond issuance cost recorded in the Government-wide Financial Statements - increase to the net assets of the Successor Agency Trust Fund	740,358
Unamortized bond discount and gain of defeasance recorded in the Government-wide Financial Statements - net increase to the net assets of the Successor Agency Trust Fund	52,693
Long-term debt recorded in the Government-wide Financial Statements - decrease to net assets of the Successor Agency Trust Fund	<u>(96,622,259)</u>
Net decrease to net assets of the Successor Agency Trust Fund as a result of the initial transfers (equal to amount of extraordinary gain reported in the Government-wide Financial Statements of the City)	<u>\$ (36,597,998)</u>

Cash and Investments

The following is a summary of cash and investments at June 30, 2012:

Cash and investments	\$ 22,992,881
Restricted cash and investments	<u>19,312,148</u>
	<u>\$ 42,305,029</u>

The Successor Agency's cash and investments are pooled with the City's cash and investment in order to generate optimum interest income. The share of the pooled cash account is separately accounted for, and investment income is allocated to all participating funds based on the relationship of their average daily cash balances to the total of the pooled cash and investments. Information regarding the authorized types of deposits and investments, the type of risks (i.e. credit, interest rate, custodial, etc.) and other disclosures associated with the City's pooled cash and investments is reported in Note 3.

CITY OF YORBA LINDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 17: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)

Land Held for Resale

At June 30, 2012, land held for resale in the amount of \$18,812,640 is recorded at cost in the Successor Agency.

Capital Assets

The following is a summary of capital assets for the Successor Agency as of June 30, 2012:

	Balance July 1, 2011	Transfer from Successor Agency *	Increases	Decreases	Balance June 30, 2012
Governmental Activities:					
Capital Assets, Not Being Depreciated:					
Land	\$ -	\$ 364,593	\$ -	\$ -	\$ 364,593
Total Capital Assets Not Being Depreciated	-	364,593	-	-	364,593
Governmental Activities Capital Assets, Net	<u>\$ -</u>	<u>\$ 364,593</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 364,593</u>

*As a result of the dissolution of the Redevelopment Agency, capital assets of the former Redevelopment Agency were transferred to the Successor Agency.

Long-Term Debt

The following debts were transferred from the former Redevelopment Agency to the Successor Agency as of February 1, 2012 as a result of the dissolution. A description of long-term debt outstanding (excluding defeased debt) of the Successor Agency as of June 30, 2012, follows:

	Balance July 1, 2011	Transfer from Redevelopment Agency	Accreted Interest	Additions	Deletions	Balance June 30, 2012	Due Within One Year
Tax Allocation Bonds	\$ -	\$ 75,705,855	\$ 549,369	\$ -	\$ -	\$ 76,255,224	\$ 3,425,000
Deferred pass-through payments - PYLUSD	-	20,916,404	-	-	-	20,916,404	-
Advance from Housing Fund - SERAF Loan	-	5,723,780	-	-	-	5,723,780	-
Total Fiduciary Funds	<u>\$ -</u>	<u>\$ 102,346,039</u>	<u>\$ 549,369</u>	<u>\$ -</u>	<u>\$ -</u>	102,895,408	<u>\$ 3,425,000</u>
					Unamortized gains Unamortized discount	44,312 (97,705)	
						<u>\$ 102,842,015</u>	

*As a result of the dissolution of the Redevelopment Agency, long-term debts of the former Redevelopment Agency were transferred to the Successor Agency.

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 17: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)

Tax Allocation Bonds

The former Redevelopment Agency pledged, as security for bonds issued, a portion of property tax increment revenue, including Low and Moderate Income Housing set-aside that it receives. The bonds issued were to provide financing for various capital projects, accomplish Low and Moderate Income Housing projects and to defease previously issued bonds. Assembly Bill 1X 26 provided that upon dissolution of the Redevelopment Agency, property taxes allocated to former redevelopment agencies no longer are deemed tax increment but rather property tax revenues and will be allocated first to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agency. Total principal and interest remaining on the debt is \$141,590,517 payable through 2033. For the current year, the total property tax revenue recognized by the former Redevelopment Agency and Successor Agency was \$11,374,839 and the debt service obligation on the bonds was \$5,492,474.

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 3.5% 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 3.5% to 5.1%. 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. The outstanding balance, including the accreted value of \$9,732,727 of the capital appreciation bonds, at June 30, 2012, was \$34,693,729.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2012, including interest, are as follows:

Year Ending June 30	Principal	Interest
2013	\$ 2,835,000	\$ 966,131
2014	2,985,000	1,931,594
2015	1,003,525	3,002,326
2016	936,824	3,061,018
2017	886,140	3,121,433
2018-2022	8,954,513	9,513,816
2023-2027	7,360,000	391,388
Total	24,961,002	\$ 21,987,706
Accretion	9,732,727	
Total	<u>\$ 34,693,729</u>	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 17: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)

1998 Tax Allocation Parity Refunding Bonds, Series A

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 4.05% to 5.00% 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 \$1,325,000 per year on September 1 of each year, commencing September 1, 2002 through September 1, 2009, and bear interest at rates from 4.00% to 5.00%. Capital appreciation serial bonds with an original amount totaling \$4,486,503 are due on each September 1, commencing September 1, 2024 through 2028. The outstanding balance, including the accreted value of the capital appreciation bonds at June 30, 2012, was \$9,391,495.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2012, including interest, are as follows:

Year Ending June 30	Principal	Interest
2013	\$ -	\$ -
2014	-	-
2015	-	-
2016	-	-
2017	-	-
2018-2022	-	-
2023-2027	2,838,627	9,086,373
2028-2032	1,647,876	6,302,124
Total	4,486,503	<u>\$ 15,388,497</u>
Accretion	4,904,992	
Total	<u>\$ 9,391,495</u>	

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 outstanding balance at June 30, 2012, was \$9,320,000.

CITY OF YORBA LINDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 17: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2012, including interest, are as follows:

Year Ending June 30	Principal	Interest
2013	\$ 90,000	\$ 526,958
2014	85,000	522,364
2015	355,000	510,814
2016	90,000	499,133
2017	75,000	494,629
2018-2022	255,000	2,415,758
2023-2027	165,000	2,372,077
2028-2032	8,205,000	1,574,961
Total	<u>\$ 9,320,000</u>	<u>\$ 8,916,694</u>

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 June 30, 2012, is \$3,145,000. The unamortized bond premium amount is \$44,312.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2012, including interest, are as follows:

Year Ending June 30	Principal	Interest
2013	\$ -	\$ 157,250
2014	-	157,250
2015	-	157,250
2016	-	157,250
2017	-	157,250
2018-2022	-	786,250
2022-2027	-	786,250
2027-2032	420,000	755,250
2032-2037	2,725,000	68,125
Total	<u>\$ 3,145,000</u>	<u>\$ 3,182,125</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 17: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)

Tax Allocation Bonds (Subordinate Lien), 2011 Series A

On May 5, 2011 the Yorba Linda Redevelopment Agency issued \$19,705,000 in Tax Allocation Bonds (Subordinate Lien), 2011 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 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 June 30, 2012, was \$19,705,000. The unamortized original issue discount was \$(97,705).

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2012, including interest, are as follows:

Year Ending June 30	Principal	Interest
2013	\$ 500,000	\$ 1,121,238
2014	515,000	1,108,513
2015	685,000	1,088,800
2016	575,000	1,065,313
2017	605,000	1,040,956
2018-2022	3,020,000	4,756,188
2023-2027	4,580,000	3,719,025
2028-2032	7,395,000	1,900,763
2033-2037	1,830,000	59,475
Total	<u>\$ 19,705,000</u>	<u>\$ 15,860,271</u>

Deferred pass-through payments

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 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. During the fiscal year 2011-2012, an additional \$1,891,616 was added. As of June 30, 2012, the balance outstanding was \$20,916,404.

Note 17: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)

Advance from Housing Fund – SERAF Loan

The former Redevelopment Agency Low and Moderate Housing Fund made a loan to the former Redevelopment Agency 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.

Insurance

The Successor Agency is covered under the City of Yorba Linda's insurance policies. Therefore, the limitation and self-insured retentions applicable to the City also apply to the Successor Agency. Additional information as to coverage and self-insured retentions can be found in Note 12.

Subsequent Events

Assembly Bill 1484 requires the successor agency to remit to the County auditor-controller three payments as determined by the auditor-controller which consist of a payment to be made in July 2012 for taxing entities' share of the December 2011 property tax distribution to redevelopment agency/successor agency, a payment to be made in November 2012 related to Low-Moderate Income Housing Fund Due Diligence Review for unencumbered cash, and a payment to be made in April 2013 related to the other Redevelopment Funds Due Diligence Review for unencumbered cash. As of the date of the report, the payment made in July 2012 was \$3,879,351, the Low-Moderate Income Housing Due Diligence Review and the other Redevelopment Funds Due Diligence Review currently resulted in no amount due to the County which has not been confirmed by the Department of Finance.

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REQUIRED SUPPLEMENTARY INFORMATION

MODIFIED APPROACH FOR CITY INFRASTRUCTURE CAPITAL ASSETS

In accordance with GASB Statement No. 34, the City is required to account for and report infrastructure capital assets. GASB Statement No. 34 defines infrastructure assets as "...long lived capital assets that are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets." Infrastructure assets are normally stationary in nature and are of value only to the government entity. They are basic physical assets that allow the government entity to function. Examples include streets, bridges and storm drains.

Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into concrete and asphalt pavements, concrete curb and gutters, sidewalks, medians, etc. Subsystem detail is not presented in these basic financial statements; however, the City maintains detailed information on these subsystems.

The City has elected the "Modified Approach" as defined by GASB Statement No. 34 for infrastructure reporting for its Governmental Activities street infrastructure assets. The Engineering Department, in conjunction with City Management, is responsible for determining the appropriate condition level at which the assets are to be maintained. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated, nor are amounts capitalized in connection with improvements that lengthen the lives of such assets, unless the improvements also increase their service potential, under the following requirements:

- The City manages the eligible infrastructure capital assets using an asset management system with characteristics of (1) an up-to-date inventory, (2) perform condition assessments and summarize the results using a measurement scale, and (3) estimate annual amount to maintain and preserve at the established condition assessment level.
- The City documents that eligible infrastructure capital assets are being preserved approximately at or above the established disclosed assessment.

A physical condition assessment of the streets is required by the Orange County Transportation Authority every two years. The most recent report is dated June 30, 2011. The City established a condition level policy of "Very Good" for the average condition of all pavements. As a result of the City's pavement evaluation, the condition was deemed to be in "Very Good" condition.

The City expended \$2,814,871 on street improvement projects for the fiscal year ended June 30, 2012. These capital improvement expenditures enhanced the condition of many streets and delayed deterioration on others. Using a scale of 0 to 100 with 0 being a badly deteriorated street with virtually no remaining life, and 100 being a brand new street, it has been determined that the expenditure required to maintain the overall condition of the City's streets in "Very Good" condition is approximately \$2.77 million per year.

A schedule of budget versus actual for the most recent years since implementation in 2003-2004, which preserved City streets at the current pavement condition index of 81 is presented below:

<u>Fiscal Year</u>	<u>Final Budget</u>	<u>Funded by General Fund</u>	<u>Funded by Other Funds</u>	<u>Total Expenditures</u>
2003-2004	\$ 2,797,842	\$ 1,308,965	\$ 113,555	\$ 1,422,520
2004-2005	4,115,157	1,584,219	1,216,527	2,800,746
2005-2006	3,897,927	1,524,645	823,295	2,347,940
2006-2007	5,131,708	1,557,971	2,609,383	4,167,354
2007-2008	4,567,908	1,731,721	1,500,792	3,232,513
2008-2009	4,857,703	1,646,742	2,358,468	4,005,210
2009-2010	4,353,551	1,579,536	500,695	2,080,231
2010-2011	5,907,173	1,556,761	2,630,892	4,187,653
2011-2012	5,537,140	1,588,974	1,225,897	2,814,871

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**CITY OF YORBA LINDA
NONMAJOR GOVERNMENTAL FUNDS**

Gas Tax	To account for the City's share of State and County gas tax revenues. The tax allocations are expended on street maintenance and street construction.
Aid to Cities	To account for transportation tax revenues, grants and developer reimbursement for capital improvement projects within the City.
Traffic Safety	To account for revenues generated from enforcement of California vehicle codes and City ordinances. These funds may only be used for traffic signals, school crossing guards and other related traffic safety expenditures.
HCD Grant	To account for Housing and Community Development Act revenues and expenditures for social services, neighborhood and commercial improvement projects, and program administration.
Citizen Option Public Safety	To account for the revenues allocated by the State for enhanced levels of law enforcement, and for federal police grants restricted for specific activities and expenditures which improve local crime reduction.
AQMD	To account for the revenues allocated by the Southern California Air Quality Management District (SCAQMD) and restricted towards expenditures which improve local area air quality.
Park-in-Lieu	To account for development fees used for the acquisition of parklands and the construction of park facilities.
Measure M Turnback	To account for transportation tax revenues for street projects within the City.
Master Plan of Drainage	To account for financial resources segregated for the construction of major drainage improvements within the City.
Street and Traffic Signal Improvements	To account for financial resources segregated for the construction of major street and traffic signal improvements within the City.
Yorba Linda Redevelopment Agency – Capital Projects	To account for financial resources segregated for the acquisition of and rehabilitation of capital facilities and affordable housing within the redevelopment project areas. The Redevelopment Agency was dissolved as of January 31, 2012 through the Supreme Court decision on Assembly Bill 1X 26. See Note 17 for more information.

CITY OF YORBA LINDA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>Special Revenue Funds</u>			
	<u>Gas Tax</u>	<u>Aid to Cities</u>	<u>Traffic Safety</u>	<u>HCD Grant</u>
Assets:				
Cash and investments	\$ 3,071,710	\$ 401,506	\$ -	\$ -
Receivables:				
Accrued interest	1,406	-	-	-
Due from other governments	194,310	300,852	10,950	84,666
Total Assets	<u>\$ 3,267,426</u>	<u>\$ 702,358</u>	<u>\$ 10,950</u>	<u>\$ 84,666</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 16,832
Accrued liabilities	-	-	-	335
Deferred revenues	-	300,852	-	188
Unearned revenues	-	241,594	-	-
Due to other funds	443,314	22,509	10,950	77,198
Total Liabilities	<u>443,314</u>	<u>564,955</u>	<u>10,950</u>	<u>94,553</u>
Fund Balances:				
Restricted for:				
Community development projects	-	137,403	-	-
Public safety	-	-	-	-
Parks and recreation	-	-	-	-
Public works	2,824,112	-	-	-
Assigned to:				
Capital Projects	-	-	-	-
Unassigned	-	-	-	(9,887)
Total Fund Balances	<u>2,824,112</u>	<u>137,403</u>	<u>-</u>	<u>(9,887)</u>
Total Liabilities and Fund Balances	<u>\$ 3,267,426</u>	<u>\$ 702,358</u>	<u>\$ 10,950</u>	<u>\$ 84,666</u>

CITY OF YORBA LINDA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

(Continued)

	Special Revenue Funds			
	Citizens Option Public Safety	AQMD	Park In-Lieu	Measure M Turnback
Assets:				
Cash and investments	\$ 37,328	\$ 763,723	\$ 452,952	\$ 1,612,082
Receivables:				
Accrued interest	56	-	175	525
Due from other governments	731	20,082	-	139,871
Total Assets	\$ 38,115	\$ 783,805	\$ 453,127	\$ 1,752,478
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Deferred revenues	-	-	-	-
Unearned revenues	-	-	-	-
Due to other funds	-	-	2,239	59,876
Total Liabilities	-	-	2,239	59,876
Fund Balances:				
Restricted for:				
Community development projects	-	-	-	-
Public safety	38,115	-	-	-
Parks and recreation	-	-	450,888	-
Public works	-	783,805	-	1,692,602
Assigned to:				
Capital Projects	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	38,115	783,805	450,888	1,692,602
Total Liabilities and Fund Balances	\$ 38,115	\$ 783,805	\$ 453,127	\$ 1,752,478

CITY OF YORBA LINDA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Capital Projects Funds			Total Nonmajor Governmental Funds
	Master Plan of Drainage	Street and Traffic Signal Improvements	Yorba Linda Redevelopment Agency	
Assets:				
Cash and investments	\$ 5,699,905	\$ 2,650,785	\$ -	\$ 14,689,991
Receivables:				
Accrued interest	2,188	1,016	-	5,366
Due from other governments	-	-	-	751,462
Total Assets	\$ 5,702,093	\$ 2,651,801	\$ -	\$ 15,446,819
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 16,832
Accrued liabilities	-	-	-	335
Deferred revenues	-	-	-	301,040
Unearned revenues	60,000	-	-	301,594
Due to other funds	-	8,800	-	624,886
Total Liabilities	60,000	8,800	-	1,244,687
Fund Balances:				
Restricted for:				
Community development projects	-	-	-	137,403
Public safety	-	-	-	38,115
Parks and recreation	-	-	-	450,888
Public works	-	-	-	5,300,519
Assigned to:				
Capital Projects	5,642,093	2,643,001	-	8,285,094
Unassigned	-	-	-	(9,887)
Total Fund Balances	5,642,093	2,643,001	-	14,202,132
Total Liabilities and Fund Balances	\$ 5,702,093	\$ 2,651,801	\$ -	\$ 15,446,819

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CITY OF YORBA LINDA

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	Special Revenue Funds			
	Gas Tax	Aid to Cities	Traffic Safety	HCD Grant
Revenues:				
Intergovernmental	\$ 1,929,848	\$ 843,976	\$ -	\$ 146,535
Use of money and property	42,832	-	-	-
Fines and forfeitures	-	-	159,576	-
Developer participation	-	32,514	-	-
Miscellaneous	-	-	-	-
Total Revenues	1,972,680	876,490	159,576	146,535
Expenditures:				
Current:				
General government	-	-	-	-
Community development	-	-	-	87,165
Parks and recreation	-	-	-	36,792
Capital outlay	-	-	-	-
Total Expenditures	-	-	-	123,957
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,972,680	876,490	159,576	22,578
Other Financing Sources (Uses):				
Transfers in	-	588,464	-	-
Transfers out	(2,775,736)	(723,477)	(138,101)	-
Total Other Financing Sources (Uses)	(2,775,736)	(135,013)	(138,101)	-
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 17)	-	-	-	-
Net Change in Fund Balances	(803,056)	741,477	21,475	22,578
Fund Balances, Beginning of Year	3,627,168	(604,074)	(21,475)	(32,465)
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as Restated	3,627,168	(604,074)	(21,475)	(32,465)
Fund Balances, End of Year	\$ 2,824,112	\$ 137,403	\$ -	\$ (9,887)

CITY OF YORBA LINDA

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

(Continued)

	Special Revenue Funds			
	Citizens Option Public Safety	AQMD	Park In-Lieu	Measure M Turnback
Revenues:				
Intergovernmental	\$ 110,754	\$ 81,354	\$ -	\$ 831,489
Use of money and property	1,227	9,584	5,542	18,718
Fines and forfeitures	-	-	-	-
Developer participation	-	-	4,326	-
Miscellaneous	-	-	-	-
Total Revenues	111,981	90,938	9,868	850,207
Expenditures:				
Current:				
General government	-	-	-	-
Community development	-	-	-	-
Parks and recreation	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	111,981	90,938	9,868	850,207
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	(108,759)	(102,001)	(43,040)	(646,711)
Total Other Financing Sources (Uses)	(108,759)	(102,001)	(43,040)	(646,711)
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 17)	-	-	-	-
Net Change in Fund Balances	3,222	(11,063)	(33,172)	203,496
Fund Balances, Beginning of Year	34,893	794,868	484,060	1,489,106
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as Restated	34,893	794,868	484,060	1,489,106
Fund Balances, End of Year	\$ 38,115	\$ 783,805	\$ 450,888	\$ 1,692,602

CITY OF YORBA LINDA

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	Capital Projects Funds			Total Governmental Funds
	Master Plan of Drainage	Street and Traffic Signal Improvements	Yorba Linda Redevelopment Agency	
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ 3,943,956
Use of money and property	60,358	30,163	115,658	284,082
Fines and forfeitures	-	-	-	159,576
Developer participation	-	53,580	-	90,420
Miscellaneous	-	-	23,326	23,326
Total Revenues	60,358	83,743	138,984	4,501,360
Expenditures:				
Current:				
General government	-	-	1,253,103	1,253,103
Community development	-	-	-	87,165
Parks and recreation	-	-	-	36,792
Capital outlay	-	-	259,624	259,624
Total Expenditures	-	-	1,512,727	1,636,684
Excess (Deficiency) of Revenues Over (Under) Expenditures	60,358	83,743	(1,373,743)	2,864,676
Other Financing Sources (Uses):				
Transfers in	-	-	-	588,464
Transfers out	(4,359)	(269,494)	-	(4,811,678)
Total Other Financing Sources (Uses)	(4,359)	(269,494)	-	(4,223,214)
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 17)	-	-	(88,119,803)	(88,119,803)
Net Change in Fund Balances	55,999	(185,751)	(89,493,546)	(89,478,341)
Fund Balances, Beginning of Year	5,586,094	2,828,752	90,135,109	104,322,036
Restatements	-	-	(641,563)	(641,563)
Fund Balances, Beginning of Year, as Restated	5,586,094	2,828,752	89,493,546	103,680,473
Fund Balances, End of Year	\$ 5,642,093	\$ 2,643,001	\$ -	\$ 14,202,132

CITY OF YORBA LINDA

**BUDGETARY COMPARISON SCHEDULE
GAS TAX
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 3,627,168	\$ 3,627,168	\$ 3,627,168	\$ -
Resources (Inflows):				
Intergovernmental	1,869,149	1,869,149	1,929,848	60,699
Use of money and property	-	-	42,832	42,832
Amounts Available for Appropriations	5,496,317	5,496,317	5,599,848	103,531
Charges to Appropriation (Outflow):				
Transfers out	2,002,500	4,076,371	2,775,736	1,300,635
Total Charges to Appropriations	2,002,500	4,076,371	2,775,736	1,300,635
Budgetary Fund Balance, June 30	\$ 3,493,817	\$ 1,419,946	\$ 2,824,112	\$ 1,404,166

CITY OF YORBA LINDA

**BUDGETARY COMPARISON SCHEDULE
AID TO CITIES
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (604,074)	\$ (604,074)	\$ (604,074)	\$ -
Resources (Inflows):				
Intergovernmental	635,000	649,473	843,976	194,503
Developer participation	250,000	250,000	32,514	(217,486)
Transfers in	-	-	588,464	588,464
Amounts Available for Appropriations	280,926	295,399	860,880	565,481
Charges to Appropriation (Outflow):				
Transfers out	885,000	1,820,802	723,477	1,097,325
Total Charges to Appropriations	885,000	1,820,802	723,477	1,097,325
Budgetary Fund Balance, June 30	\$ (604,074)	\$ (1,525,403)	\$ 137,403	\$ 1,662,806

CITY OF YORBA LINDA

**BUDGETARY COMPARISON SCHEDULE
TRAFFIC SAFETY
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (21,475)	\$ (21,475)	\$ (21,475)	\$ -
Resources (Inflows):				
Fines and forfeitures	200,000	200,000	159,576	(40,424)
Amounts Available for Appropriations	178,525	178,525	138,101	(40,424)
Charges to Appropriation (Outflow):				
Transfers out	160,000	160,000	138,101	21,899
Total Charges to Appropriations	160,000	160,000	138,101	21,899
Budgetary Fund Balance, June 30	\$ 18,525	\$ 18,525	\$ -	\$ (18,525)

CITY OF YORBA LINDA

BUDGETARY COMPARISON SCHEDULE
HCD GRANT
YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (32,465)	\$ (32,465)	\$ (32,465)	\$ -
Resources (Inflows):				
Intergovernmental	245,280	245,280	146,535	(98,745)
Amounts Available for Appropriations	212,815	212,815	114,070	(98,745)
Charges to Appropriation (Outflow):				
Community development	288,718	288,718	87,165	201,553
Parks and recreation	36,440	36,440	36,792	(352)
Total Charges to Appropriations	325,158	325,158	123,957	201,201
Budgetary Fund Balance, June 30	\$ (112,343)	\$ (112,343)	\$ (9,887)	\$ 102,456

CITY OF YORBA LINDA

**BUDGETARY COMPARISON SCHEDULE
CITIZENS OPTION PUBLIC SAFETY
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 34,893	\$ 34,893	\$ 34,893	\$ -
Resources (Inflows):				
Intergovernmental	108,759	108,759	110,754	1,995
Use of money and property	-	-	1,227	1,227
Amounts Available for Appropriations	143,652	143,652	146,874	3,222
Charges to Appropriation (Outflow):				
Transfers out	108,759	108,759	108,759	-
Total Charges to Appropriations	108,759	108,759	108,759	-
Budgetary Fund Balance, June 30	\$ 34,893	\$ 34,893	\$ 38,115	\$ 3,222

CITY OF YORBA LINDA

**BUDGETARY COMPARISON SCHEDULE
AQMD
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 794,868	\$ 794,868	\$ 794,868	\$ -
Resources (Inflows):				
Intergovernmental	80,000	80,000	81,354	1,354
Use of money and property	-	-	9,584	9,584
Amounts Available for Appropriations	874,868	874,868	885,806	10,938
Charges to Appropriation (Outflow):				
Transfers out	102,000	115,100	102,001	13,099
Total Charges to Appropriations	102,000	115,100	102,001	13,099
Budgetary Fund Balance, June 30	\$ 772,868	\$ 759,768	\$ 783,805	\$ 24,037

CITY OF YORBA LINDA

**BUDGETARY COMPARISON SCHEDULE
PARK IN-LIEU
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 484,060	\$ 484,060	\$ 484,060	\$ -
Resources (Inflows):				
Use of money and property	5,000	5,000	5,542	542
Developer participation	-	-	4,326	4,326
Amounts Available for Appropriations	489,060	489,060	493,928	4,868
Charges to Appropriation (Outflow):				
Transfers out	25,000	91,602	43,040	48,562
Total Charges to Appropriations	25,000	91,602	43,040	48,562
Budgetary Fund Balance, June 30	\$ 464,060	\$ 397,458	\$ 450,888	\$ 53,430

CITY OF YORBA LINDA

**BUDGETARY COMPARISON SCHEDULE
MEASURE M TURNBACK
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,489,106	\$ 1,489,106	\$ 1,489,106	\$ -
Resources (Inflows):				
Intergovernmental	600,000	800,000	831,489	31,489
Use of money and property	-	-	18,718	18,718
Amounts Available for Appropriations	2,089,106	2,289,106	2,339,313	50,207
Charges to Appropriation (Outflow):				
Transfers out	1,125,000	3,061,449	646,711	2,414,738
Total Charges to Appropriations	1,125,000	3,061,449	646,711	2,414,738
Budgetary Fund Balance, June 30	\$ 964,106	\$ (772,343)	\$ 1,692,602	\$ 2,464,945

CITY OF YORBA LINDA

**BUDGETARY COMPARISON SCHEDULE
CAPITAL IMPROVEMENTS
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Contributions	3,300,000	3,450,761	2,026,527	(1,424,234)
Transfers in	9,194,350	16,950,729	5,078,033	(11,872,696)
Amounts Available for Appropriation	12,494,350	20,401,490	7,104,560	(13,296,930)
Charges to Appropriation (Outflow):				
Capital outlay	12,494,350	20,398,956	7,104,560	13,294,396
Total Charges to Appropriations	12,494,350	20,398,956	7,104,560	13,294,396
Budgetary Fund Balance, June 30	\$ -	\$ 2,534	\$ -	\$ (2,534)

CITY OF YORBA LINDA

**BUDGETARY COMPARISON SCHEDULE
 MASTER PLAN OF DRAINAGE
 YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 5,586,094	\$ 5,586,094	\$ 5,586,094	\$ -
Resources (Inflows):				
Use of money and property	38,000	38,000	60,358	22,358
Amounts Available for Appropriation	5,624,094	5,624,094	5,646,452	22,358
Charges to Appropriation (Outflow):				
Transfers out	-	-	4,359	(4,359)
Total Charges to Appropriations	-	-	4,359	(4,359)
Budgetary Fund Balance, June 30	\$ 5,624,094	\$ 5,624,094	\$ 5,642,093	\$ 17,999

CITY OF YORBA LINDA

**BUDGETARY COMPARISON SCHEDULE
STREET AND TRAFFIC SIGNAL IMPROVEMENTS
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,828,752	\$ 2,828,752	\$ 2,828,752	\$ -
Resources (Inflows):				
Use of money and property	17,800	17,800	30,163	12,363
Developer participation	-	-	53,580	53,580
Amounts Available for Appropriation	2,846,552	2,846,552	2,912,495	65,943
Charges to Appropriation (Outflow):				
Transfers out	100,000	414,964	269,494	145,470
Total Charges to Appropriations	100,000	414,964	269,494	145,470
Budgetary Fund Balance, June 30	\$ 2,746,552	\$ 2,431,588	\$ 2,643,001	\$ 211,413

CITY OF YORBA LINDA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 YEAR ENDED JUNE 30, 2012

	<u>Balance 7/1/2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2012</u>
<u>Deposits</u>				
Assets:				
Cash and investments	\$ 3,120,527	\$ 125,428	\$ 363,962	\$ 2,881,993
Total Assets	<u>\$ 3,120,527</u>	<u>\$ 125,428</u>	<u>\$ 363,962</u>	<u>\$ 2,881,993</u>
Liabilities:				
Accounts payable	\$ 28,885	\$ 125,428	\$ 28,885	\$ 125,428
Deposits payable	3,091,642	-	335,077	2,756,565
Total Liabilities	<u>\$ 3,120,527</u>	<u>\$ 125,428</u>	<u>\$ 363,962</u>	<u>\$ 2,881,993</u>