



CITY OF YORBA LINDA, CALIFORNIA
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Lance Soll & Lunghard, LLP

203 North Brea Blvd
Suite 203
Brea, CA 92821

41185 Golden Gate Circle
Suite 103
Murrieta, CA 92562

CITY OF YORBA LINDA, CALIFORNIA
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

CITY OF YORBA LINDA, CALIFORNIA
 FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

TABLE OF CONTENTS

	<u>Page Number</u>
INDEPENDENT AUDITOR'S REPORT	1
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Assets	3
Statement of Activities.....	4
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	6
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	9
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	12
Budgetary Comparison Statement - General Fund	13
Budgetary Comparison Statement - Aid to Cities	14
Budgetary Comparison Statement – Street Lighting & Maintenance District	15
Statement of Net Assets - Proprietary Funds	16
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds	17
Statement of Cash Flows - Proprietary Funds	18
Statement of Fiduciary Net Assets - Fiduciary Funds.....	19
Notes to Financial Statements.....	21

CITY OF YORBA LINDA, CALIFORNIA
 FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

TABLE OF CONTENTS

	<u>Page Number</u>
REQUIRED SUPPLEMENTARY INFORMATION	
Modified Approach for City Infrastructure Capital Assets.....	55
NONMAJOR GOVERNMENTAL FUNDS.....	57
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES	
Combining Balance Sheet - Nonmajor Governmental Funds	58
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds.....	62
Budgetary Comparison Schedules - Special Revenue Funds	
Gas Tax.....	65
Traffic Safety.....	66
HCD Grant	67
Citizen Option Public Safety	68
AQMD.....	69
Park in-Lieu	70
Measure M Turnback	71
Library	72
Budgetary Comparison Schedules - Capital Projects Funds	
Capital Improvements	73
Master Plan of Drainage	74
Street and Traffic Signal Improvements.....	75
Redevelopment Agency.....	76
Budgetary Comparison Schedule - Debt Service Funds	
Redevelopment Agency	77
Combining Statement of Changes in Assets and Liabilities – All Agency Funds.....	78



CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S 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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, Aid to Cities, 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 – "California Redevelopment Agency Dissolution". The note provides information on two bills passed, ABX1 26 and ABX1 27 which dissolve redevelopment agencies and provide an option to avoid dissolution by making certain defined payments. The Note also provides further information on the California Supreme Court ruling dated December 29, 2011 in regards to these two bills.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2011, 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 and other information as listed in the table of contents 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 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.

The City has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Lance, Soll & Lughard, LLP

Brea, California

December 22, 2011, except for Note 17 which is as of December 29, 2011

CITY OF YORBA LINDA

STATEMENT OF NET ASSETS
JUNE 30, 2011

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and investments	\$ 101,226,137	\$ -	\$ 101,226,137
Receivables:			
Accounts	748,868	415,113	1,163,981
Taxes	738,011	-	738,011
Notes and loans	29,182,446	-	29,182,446
Accrued interest	270,771	-	270,771
Internal balances	7,140,916	(7,140,916)	-
Prepaid costs	99,097	1,044	100,141
Due from other governments	4,274,412	-	4,274,412
Inventories	-	121,244	121,244
Deferred charges	754,402	498,858	1,253,260
Land held for resale	18,812,640	-	18,812,640
Restricted assets:			
Cash and investments	7,500	-	7,500
Cash with fiscal agent	19,293,197	1,205,556	20,498,753
Capital assets not being depreciated	225,440,061	12,726,948	238,167,009
Capital assets, net of depreciation	141,740,329	14,797,785	156,538,114
Total Assets	549,728,787	22,625,632	572,354,419
Liabilities:			
Accounts payable	2,963,382	619,262	3,582,644
Accrued liabilities	136,696	57,909	194,605
Accrued interest	1,031,677	189,226	1,220,903
Unearned revenue	381,286	565,501	946,787
Deposits payable	-	10,000	10,000
Due to other governments	3,002,467	-	3,002,467
Noncurrent liabilities:			
Due within one year	3,945,258	526,763	4,472,021
Due in more than one year	98,519,342	16,090,000	114,609,342
Total Liabilities	109,980,108	18,058,661	128,038,769
Net Assets:			
Invested in capital assets, net of related debt	306,781,469	10,907,970	317,689,439
Restricted for:			
Community development projects	37,816,799	-	37,816,799
Public safety	34,893	-	34,893
Parks and recreation	484,060	-	484,060
Public works	8,541,274	-	8,541,274
Debt service	6,079,869	-	6,079,869
Low and moderate housing	52,318,310	-	52,318,310
Library	11,595,414	-	11,595,414
Unrestricted	16,096,591	(6,340,999)	9,755,592
Total Net Assets	\$ 439,748,679	\$ 4,566,971	\$ 444,315,650

CITY OF YORBA LINDA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>	<u>Capital Contributions and Grants</u>
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	\$ 12,907,614	\$ 1,053,365	\$ 119,352	\$ -
Public safety	11,893,917	270,302	116,196	-
Community development	2,444,278	2,512,453	303,761	-
Parks and recreation	6,168,169	1,786,993	76,170	-
Public works	12,654,424	725,209	10,960,595	1,401,096
Interest on long-term debt	5,445,735	-	-	-
Total Governmental Activities	51,514,137	6,348,322	11,576,074	1,401,096
Business-Type Activities:				
Golf	6,387,950	5,202,849	-	-
Disposal	5,122,282	5,152,120	-	-
Total Business-Type Activities	11,510,232	10,354,969	-	-
Total Primary Government	\$ 63,024,369	\$ 16,703,291	\$ 11,576,074	\$ 1,401,096

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

**Total General Revenues, Contributions,
Special Items and Transfers**

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
\$ (11,734,897)	\$ -	\$ (11,734,897)
(11,507,419)	-	(11,507,419)
371,936	-	371,936
(4,305,006)	-	(4,305,006)
432,476	-	432,476
(5,445,735)	-	(5,445,735)
(32,188,645)	-	(32,188,645)
-	(1,185,101)	(1,185,101)
-	29,838	29,838
-	(1,155,263)	(1,155,263)
(32,188,645)	(1,155,263)	(33,343,908)
29,464,910	-	29,464,910
5,392,726	-	5,392,726
1,912,471	-	1,912,471
334,041	-	334,041
7,744,599	-	7,744,599
315,425	-	315,425
1,675,107	(24,639)	1,650,468
68,226	500	68,726
46,907,505	(24,139)	46,883,366
14,718,860	(1,179,402)	13,539,458
424,444,852	5,746,373	430,191,225
584,967	-	584,967
\$ 439,748,679	\$ 4,566,971	\$ 444,315,650

CITY OF YORBA LINDA

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	Special Revenue Funds			Capital Project Fund
	General	Aid to Cities	Street Lighting & Maintenance District	Yorba Linda Redevelopment Agency
Assets:				
Pooled cash and investments	\$ 40,397,745	\$ -	\$ 3,325,252	\$ 18,940,861
Receivables:				
Accounts	509,917	-	6,018	232,252
Taxes	495,513	-	67,455	-
Notes and loans	-	-	-	29,182,446
Accrued interest	237,085	-	1,492	11,128
Prepaid costs	68,971	-	-	-
Due from other governments	1,119,306	2,313,284	-	-
Due from other funds	4,416,226	-	-	-
Advances to other funds	4,702,898	-	-	5,723,780
Land held for resale	-	-	-	18,812,640
Restricted assets:				
Cash and investments	7,500	-	-	-
Cash and investments with fiscal agents	-	-	-	17,312,883
Total Assets	\$ 51,955,161	\$ 2,313,284	\$ 3,400,217	\$ 90,215,990
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 1,736,110	\$ -	\$ 764,372	\$ 79,215
Accrued liabilities	101,813	-	5,629	1,666
Deferred revenues	1,296,977	992,966	-	-
Unearned revenues	321,286	-	-	-
Due to other governments	-	-	-	-
Due to other funds	128,970	1,924,392	84	-
Advances from other funds	-	-	-	-
Total Liabilities	3,585,156	2,917,358	770,085	80,881
Fund Balances:				
Nonspendable:				
Prepaid costs	68,971	-	-	-
Land held for resale	-	-	-	18,812,640
Notes and loans	-	-	-	29,182,446
Advances to other funds	4,702,898	-	-	5,723,780
Restricted cash	7,500	-	-	-
Restricted for:				
Public safety	-	-	-	-
Parks and recreation	-	-	-	-
Public works	-	-	2,630,132	-
Debt service	-	-	-	-
Low and moderate housing	-	-	-	9,703,406
Library	-	-	-	-
Assigned to:				
Community development projects	-	-	-	26,712,837
Capital projects	-	-	-	-
Unassigned	43,590,636	(604,074)	-	-
Total Fund Balances	48,370,005	(604,074)	2,630,132	90,135,109
Total Liabilities and Fund Balances	\$ 51,955,161	\$ 2,313,284	\$ 3,400,217	\$ 90,215,990

CITY OF YORBA LINDA

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	Debt Service Fund		
	Yorba Linda Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
Assets:			
Pooled cash and investments	\$ 12,239,313	\$ 26,322,966	\$ 101,226,137
Receivables:			
Accounts	-	681	748,868
Taxes	126,258	48,785	738,011
Notes and loans	-	-	29,182,446
Accrued interest	6,537	14,529	270,771
Prepaid costs	-	30,126	99,097
Due from other governments	499,354	342,468	4,274,412
Due from other funds	-	239,118	4,655,344
Advances to other funds	-	-	10,426,678
Land held for resale	-	-	18,812,640
Restricted assets:			
Cash and investments	-	-	7,500
Cash and investments with fiscal agents	1,980,314	-	19,293,197
Total Assets	\$ 14,851,776	\$ 26,998,673	\$ 189,735,101
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 45,660	\$ 338,025	\$ 2,963,382
Accrued liabilities	-	27,588	136,696
Deferred revenues	-	22,765	2,312,708
Unearned revenues	-	60,000	381,286
Due to other governments	3,002,467	-	3,002,467
Due to other funds	-	163,880	2,217,326
Advances from other funds	5,723,780	-	5,723,780
Total Liabilities	8,771,907	612,258	16,737,645
Fund Balances:			
Nonspendable:			
Prepaid costs	-	30,126	99,097
Land held for resale	-	-	18,812,640
Notes and loans	-	-	29,182,446
Advances to other funds	-	-	10,426,678
Restricted cash	-	-	7,500
Restricted for:			
Public safety	-	34,893	34,893
Parks and recreation	-	484,060	484,060
Public works	-	5,911,142	8,541,274
Debt service	6,079,869	-	6,079,869
Low and moderate housing	-	-	9,703,406
Library	-	11,565,288	11,565,288
Assigned to:			
Community development projects	-	-	26,712,837
Capital projects	-	8,414,846	8,414,846
Unassigned	-	(53,940)	42,932,622
Total Fund Balances	6,079,869	26,386,415	172,997,456
Total Liabilities and Fund Balances	\$ 14,851,776	\$ 26,998,673	\$ 189,735,101

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF YORBA LINDA

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011**

Fund balances of governmental funds	\$ 172,997,456
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	367,180,390
Bond issuance cost is an expenditure in the governmental funds, but it is a deferred charge in the statement of net assets	754,402
Long-term debt and compensated absences that have not been included in the governmental fund activity:	
Long-term liabilities	(97,447,257)
Compensated Absences	(1,063,890)
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.	(3,953,453)
Accrued interest payable for the current portion of interest due on Bonds has not been reported in the governmental funds	(1,031,677)
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>2,312,708</u>
Net assets of governmental activities	<u><u>\$ 439,748,679</u></u>

CITY OF YORBA LINDA

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011**

	<u>Special Revenue Funds</u>			<u>Capital Project Fund</u>
	<u>General</u>	<u>Aid to Cities</u>	<u>Street Lighting & Maintenance District</u>	<u>Yorba Linda Redevelopment Agency</u>
Revenues:				
Taxes	\$ 21,270,256	\$ -	\$ 7,125,276	\$ 4,153,040
Licenses and permits	1,607,244	-	-	-
Intergovernmental	452,195	1,560,078	-	-
Charges for services	3,597,680	-	-	96,745
Use of money and property	1,185,522	-	15,644	154,819
Fines and forfeitures	65,993	-	-	-
Contributions	-	-	-	-
Developer participation	-	-	97,066	-
Miscellaneous	188,197	-	-	10,926
Total Revenues	28,367,087	1,560,078	7,237,986	4,415,530
Expenditures:				
Current:				
General government	5,216,033	-	-	1,481,079
Public safety	11,565,970	-	-	-
Community development	2,183,590	-	-	-
Parks and recreation	4,853,156	-	-	-
Public works	3,179,222	-	7,364,188	-
Capital outlay	279,400	-	-	392,540
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Bond issuance costs	-	-	-	-
Pass-through agreement payments	-	-	-	-
Total Expenditures	27,277,371	-	7,364,188	1,873,619
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,089,716	1,560,078	(126,202)	2,541,911
Other Financing Sources (Uses):				
Transfers in	668,731	-	710,533	17,312,147
Transfers out	(1,442,806)	(848,073)	(28,771)	(528,038)
Notes and loans issued	-	-	-	-
Proceeds from sale of capital asset	5,000	-	-	-
Bond discount	-	-	-	-
Total Other Financing Sources (Uses)	(769,075)	(848,073)	681,762	16,784,109
Net Change in Fund Balances	320,641	712,005	555,560	19,326,020
Fund Balances, Beginning of Year, as previously reported	48,049,364	(1,266,715)	2,074,572	70,174,758
Restatements	-	(49,364)	-	634,331
Fund Balances, Beginning of Year, as restated	48,049,364	(1,316,079)	2,074,572	70,809,089
Fund Balances, End of Year	\$ 48,370,005	\$ (604,074)	\$ 2,630,132	\$ 90,135,109

CITY OF YORBA LINDA

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011**

	Debt Service Fund		
	Yorba Linda Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 16,612,161	\$ 4,093,832	\$ 53,254,565
Licenses and permits	-	-	1,607,244
Intergovernmental	-	2,839,282	4,851,555
Charges for services	-	43,709	3,738,134
Use of money and property	110,500	208,622	1,675,107
Fines and forfeitures	-	277,637	343,630
Contributions	-	256	256
Developer participation	-	377,583	474,649
Miscellaneous	-	23,915	223,038
Total Revenues	16,722,661	7,864,836	66,168,178
Expenditures:			
Current:			
General government	1,386,087	3,321,886	11,405,085
Public safety	-	-	11,565,970
Community development	-	94,642	2,278,232
Parks and recreation	-	49,897	4,903,053
Public works	-	-	10,543,410
Capital outlay	-	5,104,006	5,775,946
Debt service:			
Principal retirement	2,655,000	-	2,655,000
Interest and fiscal charges	5,053,514	-	5,053,514
Bond issuance costs	313,565	-	313,565
Pass-through agreement payments	8,305,122	-	8,305,122
Total Expenditures	17,713,288	8,570,431	62,798,897
Excess (Deficiency) of Revenues Over (Under) Expenditures	(990,627)	(705,595)	3,369,281
Other Financing Sources (Uses):			
Transfers in	-	5,053,379	23,744,790
Transfers out	(17,312,147)	(3,584,955)	(23,744,790)
Notes and loans issued	22,781,847	-	22,781,847
Proceeds from sale of capital asset	-	-	5,000
Bond discount	(98,975)	-	(98,975)
Total Other Financing Sources (Uses)	5,370,725	1,468,424	22,687,872
Net Change in Fund Balances	4,380,098	762,829	26,057,153
Fund Balances, Beginning of Year, as previously reported	1,699,771	25,623,586	146,355,336
Restatements	-	-	584,967
Fund Balances, Beginning of Year, as restated	1,699,771	25,623,586	146,940,303
Fund Balances, End of Year	\$ 6,079,869	\$ 26,386,415	\$ 172,997,456

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, 2011**

Net change in fund balances - total governmental funds	\$ 26,057,153
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	10,585,141
Repayment of bond principal and claims is an expenditure in the governmental funds and debt issuance is a revenue in the governmental funds, but the repayment reduces and the debt issuance increase long-term liabilities in the statement of net assets	(19,970,002)
Debt issuance costs are expenditures in governmental funds, but these costs are capitalized then amortized on the statement of net assets	
New bond issuance cost incurred in current year	313,565
Amortized bond issuance cost	(24,010)
Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period.	(369,894)
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	(166,274)
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.	(1,084,295)
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>(622,524)</u>
Change in net assets of governmental activities	<u>\$ 14,718,860</u>

CITY OF YORBA LINDA

**BUDGETARY COMPARISON STATEMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2011**

	<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	\$ 48,049,364	\$ 48,049,364	\$ 48,049,364	\$ -
Resources (Inflows):				
Taxes	20,157,000	20,157,000	21,270,256	1,113,256
Licenses and permits	1,686,430	1,686,430	1,607,244	(79,186)
Intergovernmental	260,443	260,443	452,195	191,752
Charges for services	3,188,670	3,188,670	3,597,680	409,010
Use of money and property	1,388,000	1,388,000	1,185,522	(202,478)
Fines and forfeitures	30,000	30,000	65,993	35,993
Miscellaneous	31,500	31,500	188,197	156,697
Transfers in	364,537	364,537	668,731	304,194
Proceeds from sale of capital asset	-	-	5,000	5,000
Special items	-	-	-	-
Amounts Available for Appropriation	<u>75,155,944</u>	<u>75,155,944</u>	<u>77,090,182</u>	<u>1,934,238</u>
Charges to Appropriation (Outflow):				
General government	4,277,279	4,315,808	5,216,033	(900,225)
Public safety	11,321,327	11,933,542	11,565,970	367,572
Community development	2,068,407	2,276,919	2,183,590	93,329
Parks and recreation	5,091,178	5,155,051	4,853,156	301,895
Public works	3,624,427	3,732,071	3,179,222	552,849
Capital outlay	220,926	345,641	279,400	66,241
Transfers out	2,337,767	3,881,544	1,442,806	2,438,738
Total Charges to Appropriations	<u>28,941,311</u>	<u>31,640,576</u>	<u>28,720,177</u>	<u>2,920,399</u>
Budgetary Fund Balance, June 30	<u>\$ 46,214,633</u>	<u>\$ 43,515,368</u>	<u>\$ 48,370,005</u>	<u>\$ 4,854,637</u>

CITY OF YORBA LINDA

**BUDGETARY COMPARISON STATEMENT
AID TO CITIES
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (1,316,079)	\$ (1,316,079)	\$ (1,316,079)	\$ -
Resources (Inflows):				
Intergovernmental	586,800	586,800	1,560,078	973,278
Amounts Available for Appropriation	(729,279)	(729,279)	243,999	973,278
Charges to Appropriation (Outflow):				
Transfers out	586,800	1,559,729	848,073	711,656
Total Charges to Appropriations	586,800	1,559,729	848,073	711,656
Budgetary Fund Balance, June 30	\$ (1,316,079)	\$ (2,289,008)	\$ (604,074)	\$ 1,684,934

CITY OF YORBA LINDA

**BUDGETARY COMPARISON STATEMENT
STREET LIGHTING & MAINTENANCE DISTRICT
YEAR ENDED JUNE 30, 2011**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 2,074,572	\$ 2,074,572	\$ 2,074,572	\$ -
Resources (Inflows):				
Taxes	6,608,877	6,608,877	7,125,276	516,399
Use of money and property	5,500	5,500	15,644	10,144
Developer participation	-	-	97,066	97,066
Transfers in	937,067	1,033,367	710,533	(322,834)
Amounts Available for Appropriation	<u>9,626,016</u>	<u>9,722,316</u>	<u>10,023,091</u>	<u>300,775</u>
Charges to Appropriation (Outflow):				
Public works	7,582,483	7,921,317	7,364,188	557,129
Transfers out	42,500	190,589	28,771	161,818
Total Charges to Appropriations	<u>7,624,983</u>	<u>8,111,906</u>	<u>7,392,959</u>	<u>718,947</u>
Budgetary Fund Balance, June 30	<u>\$ 2,001,033</u>	<u>\$ 1,610,410</u>	<u>\$ 2,630,132</u>	<u>\$ 1,019,722</u>

CITY OF YORBA LINDA

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2011

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Golf</u>	<u>Disposal</u>	<u>Totals</u>
Assets:			
Current:			
Cash and investments	\$ -	\$ -	\$ -
Receivables:			
Accounts	415,113	-	415,113
Prepaid costs	1,044	-	1,044
Inventories	121,244	-	121,244
Restricted:			
Cash with fiscal agent	1,205,556	-	1,205,556
Total Current Assets	1,742,957	-	1,742,957
Noncurrent:			
Deferred Charges	498,858	-	498,858
Capital assets - net of accumulated depreciation	27,524,733	-	27,524,733
Total Noncurrent Assets	28,023,591	-	28,023,591
Total Assets	\$ 29,766,548	\$ -	\$ 29,766,548
Liabilities and Net Assets:			
Liabilities:			
Current:			
Accounts payable	\$ 213,043	\$ 406,219	\$ 619,262
Accrued liabilities	57,909	-	57,909
Accrued interest	189,226	-	189,226
Unearned revenues	565,501	-	565,501
Deposits payable	10,000	-	10,000
Due to other funds	2,050,670	387,348	2,438,018
Bonds, notes, and capital leases	526,763	-	526,763
Total Current Liabilities	3,613,112	793,567	4,406,679
Noncurrent:			
Advances from other funds	4,702,898	-	4,702,898
Bonds, notes, and capital leases	16,090,000	-	16,090,000
Total Noncurrent Liabilities	20,792,898	-	20,792,898
Total Liabilities	24,406,010	793,567	25,199,577
Net Assets:			
Invested in capital assets, net of related debt	10,907,970	-	10,907,970
Unrestricted	(5,547,432)	(793,567)	(6,340,999)
Total Net Assets	5,360,538	(793,567)	4,566,971
Total Liabilities and Net Assets	\$ 29,766,548	\$ -	\$ 29,766,548

CITY OF YORBA LINDA

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Golf</u>	<u>Disposal</u>	<u>Totals</u>
Operating Revenues:			
Sales and service charges	\$ 5,202,849	\$ 5,152,120	\$ 10,354,969
Total Operating Revenues	5,202,849	5,152,120	10,354,969
Operating Expenses:			
Administration and general	3,796,587	-	3,796,587
Transmission/collection	-	5,122,272	5,122,272
Cost of sales and services	776,109	-	776,109
Depreciation expense	835,090	-	835,090
Total Operating Expenses	5,407,786	5,122,272	10,530,058
Operating Income (Loss)	(204,937)	29,848	(175,089)
Nonoperating Revenues (Expenses):			
Interest revenue	(21,946)	(2,693)	(24,639)
Interest expense	(805,496)	(10)	(805,506)
Gain (loss) on disposal of capital assets	(174,168)	-	(174,168)
Total Nonoperating Revenues (Expenses)	(1,001,610)	(2,703)	(1,004,313)
Income (Loss) Before Transfers	(1,206,547)	27,145	(1,179,402)
Changes in Net Assets	(1,206,547)	27,145	(1,179,402)
Net Assets:			
Beginning of Fiscal Year	6,567,085	(820,712)	5,746,373
End of Fiscal Year	\$ 5,360,538	\$ (793,567)	\$ 4,566,971

CITY OF YORBA LINDA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	Business-Type Activities - Enterprise Funds		
	Golf	Disposal	Totals
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 5,329,591	\$ 5,152,120	\$ 10,481,711
Cash paid to suppliers for goods and services	(816,987)	(5,124,054)	(5,941,041)
Cash paid to employees for services	(3,796,587)	-	(3,796,587)
Net Cash Provided (Used) by Operating Activities	716,017	28,066	744,083
Cash Flows from Non-Capital Financing Activities:			
Repayment made to other funds	1,069,757	(25,363)	1,044,394
Net Cash Provided (Used) by Non-Capital Financing Activities	1,069,757	(25,363)	1,044,394
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(70,860)	-	(70,860)
Principal paid on capital debt	(733,306)	-	(733,306)
Interest paid on capital debt	(785,494)	(10)	(785,504)
Proceeds from sales of capital assets	(174,168)	-	(174,168)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,763,828)	(10)	(1,763,838)
Interest received	(21,946)	(2,693)	(24,639)
Net Cash Provided (Used) by Investing Activities	(21,946)	(2,693)	(24,639)
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)	\$ (204,937)	\$ 29,848	\$ (175,089)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	835,090	-	835,090
(Increase) decrease in accounts receivable	(100,479)	-	(100,479)
(Increase) decrease in prepaid expense	321,947	-	321,947
(Increase) decrease in inventories	(12,805)	-	(12,805)
Increase (decrease) in accounts payable	(362,825)	(1,782)	(364,607)
Increase (decrease) in accrued liabilities	6,174	-	6,174
Increase (decrease) in unearned revenues	233,852	-	233,852
Total Adjustments	920,954	(1,782)	919,172
Net Cash Provided (Used) by Operating Activities	\$ 716,017	\$ 28,066	\$ 744,083

CITY OF YORBA LINDA

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	<u>Agency Funds</u>
Assets:	
Pooled cash and investments	<u>\$ 3,120,527</u>
Total Assets	<u><u>\$ 3,120,527</u></u>
Liabilities:	
Accounts payable	\$ 28,885
Deposits payable	<u>3,091,642</u>
Total Liabilities	<u><u>\$ 3,120,527</u></u>

THIS PAGE INTENTIONALLY LEFT BLANK

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 and redevelopment, 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 Agency's financial data and transactions are included in the debt service and capital projects fund types.

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

Note 1: Summary of Significant Accounting Policies (Continued)

Complete financial statements of the Yorba Linda Redevelopment Agency can be obtained from the City's website www.ci.yorba-linda.org Finance Department, or the City Clerk's office at:

Yorba Linda City Hall
4845 Casa Loma Avenue
P.O. Box 87014
Yorba Linda, CA 92885-8714
(714) 961-7100
(714) 985-9407 facsimile

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 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.

Note 1: Summary of Significant Accounting Policies (Continued)

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, and state gas tax, which the City considers to be available if collected within 310 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.

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 Aid to Cities Special Revenue Fund accounts for transportation tax revenues, grants and developer reimbursement for capital improvement projects within the City.
- 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 Yorba Linda Redevelopment Agency Capital Projects Fund accounts for financial resources segregated for the acquisition of and rehabilitation of capital facilities and affordable housing within the redevelopment project areas.
- 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 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:

- The Agency Funds are 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.

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.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

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."

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

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

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.
- 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.

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 1: Summary of Significant Accounting Policies (Continued)

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:

<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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 1: Summary of Significant Accounting Policies (Continued)

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

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.

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

Note 2: Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes reconciliation between fund balance – governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term debt and compensated absences have not been included in the governmental fund activity."

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 2: Reconciliation of Government-Wide and Fund Financial Statements (Continued)

The detail of the (\$97,447,257) long-term debt difference is as follows:

Long-term debt:	
Tax allocation bonds payable	\$ (77,721,618)
Deferred premium on bonds (to be amortized over life of debt)	(46,628)
Deferred discounts on bonds (to be amortized over life of debt)	98,340
Deferred pass-through payments - PYLUSD	(19,024,788)
Claims and judgments	<u>(752,563)</u>
Net adjustment to reduce fund balance of total governmental funds to arrive at net assets of governmental activities	<u>\$ (97,447,257)</u>

Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures and changes in fund balances includes reconciliation between net changes in fund balances of total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense."

The details of this \$10,585,141 difference are as follows:

Capital outlay	\$ 5,114,245
Depreciation expense	(3,627,348)
Contributions from Developers	<u>9,098,244</u>
Net adjustment to increase net changes in fund balances of total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 10,585,141</u>

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds." Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 2: Reconciliation of Government-Wide and Fund Financial Statements (Continued)

The details of this (\$19,970,002) difference are as follows:

Debt issued or incurred:	
Tax allocation bonds	\$ (19,705,000)
Bond discount	98,975
Tax allocation bonds' accretion	(1,247,087)
Deferred Pass-through payments - PYLUSD	(1,829,760)
Principal repayments:	
Tax allocation bonds	2,655,000
Net change in claims and judgments	56,190
Amortization of bond premium	2,315
Amortization of bond discount	<u>(635)</u>
Net adjustment to decrease net changes in fund balance of total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ (19,970,002)</u></u>

II. STEWARDSHIP

Note 3: 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. The budgeted amounts used in the combined financial statements are the final adjusted amounts that were increased from the original adopted budget by \$10,676,592, excluding transfers between funds, primarily due to an increase in appropriations for capital improvement projects in the Capital Improvements Fund. 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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 3: Stewardship, Compliance and Accountability (Continued)

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. 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.

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.

b. Excess of Expenditures Over Appropriations in Individual Funds

Excess of expenditures over appropriations in individual funds is as follows:

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
Major Funds:			
General Fund:			
General government	\$ 5,216,033	\$ 4,315,808	\$ 900,225

c. Deficit Fund Balance

The following non-major funds had a deficit fund balance/retained earnings as of June 30, 2011:

Traffic Safety	\$ (21,475)
HCD Grant	(32,465)

The deficit was caused by late reimbursements from the County of Orange.

III. DETAILED NOTES ON ALL FUNDS

Note 4: Cash and Investments

As of June 30, 2011, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	\$ 120,526,834
Business-type activities	1,205,556
Fiduciary funds	<u>3,120,527</u>
Total Cash and Investments	<u><u>\$ 124,852,917</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.

Note 4: Cash and Investments (Continued)

Deposits

At June 30, 2011, the carrying amount of the City's deposits was \$6,090,088, and the bank balance was \$6,759,758. The \$669,670 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. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency.

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

Note 4: Cash and Investments (Continued)

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.

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, 2011, the City's investments in Federal Agency Securities consisted of investments with Federal Home Loan Bank, Federal National Mortgage Association, and Federal Farm Credit Bank. At June 30, 2011, all Federal Agency Securities were rated "AAA" by Standard & Poor's. All securities were investment grade and were legal under State and City law. As of June 30, 2011, 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, 2011, none of the City's deposits or investments was exposed to custodial credit risk.

CITY OF YORBA LINDA

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

Note 4: Cash and Investments (Continued)

Concentration of Credit Risk

The City's investment policy imposes restrictions on the percentage that the City can invest in 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, 2011, the City's investments with each of the following issuers exceeded 5% of its total investments:

Federal Home Loan Bank
Federal Farm Credit Bank
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.

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, 2011, 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	\$ -	\$ -	\$ 2,000,180	\$ 9,984,390	\$ 11,984,570
Federal Farm Credit Bank	2,008,180	-	1,995,700	14,995,070	18,998,950
Federal National Mortgage Assn.	-	-	4,020,688	11,556,905	15,577,593
Certificates of deposit	750,369	2,105,043	1,000,000	-	3,855,412
Local Agency Investment Fund	47,847,550	-	-	-	47,847,550
Cash with Fiscal Agent:					
Certificates of deposit	-	-	-	1,970,000	1,970,000
Money Market Mutual Funds	18,528,754	-	-	-	18,528,754
	<u>\$ 69,134,853</u>	<u>\$ 2,105,043</u>	<u>\$ 9,016,568</u>	<u>\$ 38,506,365</u>	<u>\$ 118,762,829</u>

Note 5: Contracts and Notes Receivable

Contracts and notes receivable as of June 30, 2011, totaled \$29,182,446 and were recorded as follows in the Capital Projects – Redevelopment Agency Fund:

Disposition and Development Agreement

Southern California Housing Development Corporation

In March 1997, the Agency, entered into a Disposition and Development Agreement (DDA) with Southern California Housing Development Corporation (the Corporation) for the sale of real property and the rehabilitation of a 70-unit apartment complex. To assist the developer in the acquisition of the property, the Agency provided a loan in the amount of \$2,418,000, which accrues interest at the rate of 10% per annum. The Corporation began making payments on this note in 2000-2001. The balance outstanding at June 30, 2011, was \$721,996.

Note 5: Contracts and Notes Receivable (Continued)

Habitat for Humanity of Orange County Inc.

In July 2008, the Agency entered into a Disposition and Development Agreement (DDA) with Habitat for Humanity of Orange County Inc. for the sale of real property and the development of three affordable units. To assist the developer in the acquisition of the property, the Agency provided a loan in the amount not to exceed \$800,000 from the Agency to the Developer, the proceeds of which are to be used and applied solely to pay the reasonable costs of the construction project at zero percent (0%) interest for the term of the loan, to be paid in three (3) separate payments, each equal to one-third (1/3) of the total agency loan, at the close of escrow on the initial sale by Developer of each Restricted Home to a Qualified Household. The balance outstanding at June 30, 2011, was \$641,563.

Owner Participation Agreements

AHP Parkwood, L.P.

During fiscal year 2002-2003, the Agency entered into an Owner Participation Agreement (OPA) and Regulatory Agreement with developer AHP Parkwood, L.P. (AHP) for the development of a 101-unit housing project designed for low-income senior citizens. Ninety-nine of the units will be rent-restricted for 55 years. The Agency is providing \$3,100,000 toward the total development cost of \$11,570,000. In return, the Agency is granted a security interest pursuant to a deed of trust in the property where the project will be constructed. The developer is required to pay 12.75% of its net cash flow to the Agency over the 55 year covenant period; however, 1/55th of the debt and any accrued interest under this Residual Receipts Promissory note shall be forgiven each year provided AHP continues to operate the project as defined in the OPA. The documents were amended in April 2003 to defer the forgiveness of any debt during the first 15 years, thereby avoiding classification of the forgiveness as income under Internal Revenue Service regulations. Following this period, the amount due under the note during the first 15 years shall be forgiven and an additional 1/55th of the subsidy is forgiven each year thereafter at the request of AHP. During fiscal year 2003-2004, the Agency adopted a resolution approving the subordination of the Agency's trust deed, OPA, and Regulatory Agreement in order to facilitate obtaining construction financing by the developer. At June 30, 2011, the balance outstanding was \$3,100,000.

Yorba Linda Family Partners, L.P.

In March 2004, the Agency entered into an Owner Participation Agreement (OPA) with Yorba Linda Family Partners, L.P. (Owner) for the construction of a 44-unit apartment complex designed for low-income families. The property is not located within the boundaries of the Project Area, but is located adjacent to the Project Area. The Redevelopment Plan is incorporated by reference and this OPA is subject to the provisions of the Redevelopment Plan. Subject to the terms, conditions and limitations of the Agreement, the Agency will provide the Owner with financial assistance in the form of a loan up to the maximum amount of \$2,200,000 toward the total development cost of \$11,025,000. This loan will bear simple interest at 3% per annum. In return, the Agency will be granted a security interest pursuant to a subordinated deed of trust in the property where the project will be constructed. The Owner will be required to pay 15% of all Residual Receipts (net cash flow) to the Agency over the 55 year covenant period. However, at any time on or after the 15th anniversary date of the Residual Receipts Promissory Note, the Owner may request that the Agency forgive all then-unpaid and accrued principal and interest of the note. At June 30, 2011, the outstanding balance was \$2,200,000.

Note 5: Contracts and Notes Receivable (Continued)

Yorba Linda Housing Partners, L.P.

In May 2006, the Agency entered into an Owner Participation Agreement (OPA) and Affordable Housing Agreement with Yorba Linda Housing Partners, L.P. (Owner) for the purchase and rehabilitation of a multi-family apartment complex commonly known as "Linda Gardens Apartments." The Project will consist of substantially rehabilitating and developing the Property in order to create 76-unit multi-family affordable rental housing comprised of a new community center, 52 two-bedroom units and 24 three-bedroom units subject to affordable housing restrictions. The Property is adjacent to the Project Area and the Agency has determined that the Project will be of benefit to the Project Area for affordable housing and therefore the Agency will use its Low and Moderate Income Housing Funds for this purpose. Subject to the terms, conditions and limitations of the Agreement, the Agency will provide the Owner with financial assistance by providing: (1) a loan of \$7,400,000 to assist the Developer in financing the acquisition of the Property (Agency Acquisition Loan), and (2) a loan not to exceed \$5,376,000 to assist the Developer in financing the development of the Project (Agency Development Loan). In June 2008, the Owner was granted an additional \$200,000 in loan proceeds from the Agency to comply with additional requirements placed upon the project by the City relating to ADA accessibility requirements. This brings the total maximum loan to \$12,976,000. The Acquisition Loan will be rolled into the Development Loan. The loan will bear simple interest at 3% per annum and will be repaid over the 55 year covenant period. The Agreement also provides that payments toward principal and interest shall not commence until the operation of the Project has generated Residual Receipts calculated annually. The Agency loaned an additional \$287,641 during fiscal year 2010-2011. The outstanding balance at June 30, 2011, is 12,726,406.

Affordable Housing Agreement

Evergreen Villas LP

In December 2009, the Agency entered into an Affordable Housing Agreement (AHA) with Evergreen Villas, LP (Owner) for the purchase and rehabilitation of a multi-family condominium complex commonly known as "Evergreen Condominiums". The project will consist of rehabilitating all 26 condominium units and offer them at rents affordable to and 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 \$1,280,110 was loaned during fiscal year 2010-2011. The total outstanding balance at June 30, 2011, for Evergreen Villas is \$4,721,213.

National Community Renaissance of California LP

In March 2011, the Agency entered into an Affordable Housing Agreement (AHA) with National Community Renaissance of California, LP (Owner) for the construction of 43 apartment units for extremely low, very low and low income residents. The AHA provides for Agency funds to be used as follows. An Agency acquisition loan will be

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 5: Contracts and Notes Receivable (Continued)

made in an amount not to exceed \$5,075,250 to close escrow on the property. This loan will be secured by a promissory note which National CORE is not obligated to pay until it has received its tax credits, a which time the entire loan amount will be rolled into the balance of the Agency development loan. An Agency development loan in an amount not to exceed \$3,257,227 towards the construction costs will be made. National CORE will repay the Agency development loan, including the rolled-over acquisition loan, over a period of 55 years from the date a certificate of occupancy is issued, with simple interest accruing at a maximum rate of 3% per annum. The principal and accrued interest shall not commence until the operation of the project has generated residual receipts. The Agency has loaned the developer \$5,071,268 which is the outstanding balance at June 30, 2011.

Note 6: 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, 2011, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 29,775,415	\$ -	\$ -	\$ 29,775,415
Street pavement infrastructure	180,913,508	13,187,899	-	194,101,407
Construction In Progress	2,226,053	653,725	(1,316,539)	1,563,239
Total Capital Assets Not Being Depreciated	212,914,976	13,841,624	(1,316,539)	225,440,061
Capital Assets, Being Depreciated:				
Buildings and improvements	50,036,790	1,458,876	-	51,495,666
Machinery and equipment	7,339,094	132,121	(1,233)	7,469,982
Motor vehicles	1,166,184	96,407	(109,546)	1,153,045
Other Infrastructure	138,503,718	-	-	138,503,718
Total Capital Assets Being Depreciated	197,045,786	1,687,404	(110,779)	198,622,411
Less Accumulated Depreciation:				
Buildings and improvements	16,903,246	1,121,607	-	18,024,853
Machinery and equipment	5,221,389	651,440	(1,233)	5,871,596
Motor vehicles	1,016,743	66,594	(109,546)	973,791
Other Infrastructure	30,224,135	1,787,707	-	32,011,842
Total Accumulated Depreciation	53,365,513	3,627,348	(110,779)	56,882,082
Total Capital Assets Being Depreciated, Net	143,680,273	(1,939,944)	-	141,740,329
Governmental Activities				
Capital Assets, Net	\$ 356,595,249	\$ 11,901,680	\$ (1,316,539)	\$ 367,180,390

CITY OF YORBA LINDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 6: Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
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	20,144,851	205,065	-	20,349,916
Machinery and equipment	2,084,248	40,464	(476,369)	1,648,343
Motor vehicles	1,494,450	-	-	1,494,450
Total Capital Assets Being Depreciated	<u>23,723,549</u>	<u>245,529</u>	<u>(476,369)</u>	<u>23,492,709</u>
Less Accumulated Depreciation:				
Structures and improvements	5,139,216	658,882	-	5,798,098
Machinery and equipment	1,527,869	176,208	(301,700)	1,402,377
Motor vehicles	1,494,449	-	-	1,494,449
Total Accumulated Depreciation	<u>8,161,534</u>	<u>835,090</u>	<u>(301,700)</u>	<u>8,694,924</u>
Total Capital Assets Being Depreciated, Net	<u>15,562,015</u>	<u>(589,561)</u>	<u>(174,669)</u>	<u>14,797,785</u>
Business-Type Activities Capital Assets, Net	<u>\$ 28,288,963</u>	<u>\$ (589,561)</u>	<u>\$ (174,669)</u>	<u>\$ 27,524,733</u>

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

Governmental Activities:	
General government	\$ 704,176
Public safety	23,433
Community development	75,536
Parks and recreation	1,014,319
Public works	1,809,884
Total	<u>\$ 3,627,348</u>
Business-Type Activities:	
Golf course	\$ 835,090
Total	<u>\$ 835,090</u>

Construction Commitments

At June 30, 2011, the City had the following construction commitments:

Project	Spent to Date	Remaining Commitment
Residential street construction	<u>\$ 3,731,246</u>	<u>\$ 412,937</u>

CITY OF YORBA LINDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 7: Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2011, is as follows:

a. Due To / From Other Funds

Funds	Due to Other Funds						Total
	Governmental Activities			Business-type			
	General Fund	Aid to Cities	Street Lighting & Maintenance Districts	Nonmajor Governmental Funds	Golf Course	Refuse Fund	
Due from Other Funds:							
General Fund	\$ -	\$ 1,911,996	\$ 84	\$ 66,128	\$ 2,050,670	\$ 387,348	\$ 4,416,226
Nonmajor Governmental Funds	128,970	12,396	-	97,752	-	-	239,118
Total	\$ 128,970	\$ 1,924,392	\$ 84	\$ 163,880	\$ 2,050,670	\$ 387,348	\$ 4,655,344

The due from the Aid to Cities fund of \$1,924,392 was to cover negative cash of \$1,911,996 from the General Fund and fund capital improvement of \$12,396. The Golf Course Fund owes \$2,050,670 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

Funds	Advances to Other Funds		
	General Fund	Redevelopment Agency Capital Projects	Total
Advances from Other Funds:			
Governmental Funds:			
Redevelopment Agency			
Debt Service	\$ -	\$ 5,723,780	\$ 5,723,780
Total Governmental Funds	-	5,723,780	5,723,780
Business-Type Funds:			
Golf Course	4,702,898	-	4,702,898
Total Business-Type Funds	4,702,898	-	4,702,898
Total	\$ 4,702,898	\$ 5,723,780	\$ 10,426,678

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

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, 2011, was \$4,702,898.

CITY OF YORBA LINDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

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

c. Interfund Transfers

	Transfers Out						Total
	General Fund	Aid to Cities	Street Lighting & Maintenance	Redevelopment Agency Capital Projects	Redevelopment Agency Debt Service	Other Governmental Funds	
Transfers In:							
General Fund	\$ -	\$ -	\$ -	\$ 304,193	\$ -	\$ 364,538	\$ 668,731
Street Lighting & Maintenance District	710,533	-	-	-	-	-	710,533
RDA - Capital projects	-	-	-	-	17,312,147	-	17,312,147
Other Governmental Funds	732,273	848,073	28,771	223,845	-	3,220,417	5,053,379
Total	<u>\$ 1,442,806</u>	<u>\$ 848,073</u>	<u>\$ 28,771</u>	<u>\$ 528,038</u>	<u>\$ 17,312,147</u>	<u>\$ 3,584,955</u>	<u>\$ 23,744,790</u>

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 \$668,731. The funding sources to account for capital projects were reported as transfers from various funds to the Capital Improvements fund for the amount of \$5,053,379. Transfers from the General Fund to the Street Lighting and Maintenance of \$710,533 were for support of expenditures incurred. Transfers from the Redevelopment Agency Debt Service to the Redevelopment Agency Capital Projects of \$17,312,147 were to provide funding for the Agency's capital projects.

Note 8: 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, 2011:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Due Within One Year
Tax allocation bonds payable	\$ 59,424,531	\$ 20,952,087	\$ 2,655,000	\$ 77,721,618	\$ 2,785,000
Deferred pass-through payments - PYLUSD	17,195,028	1,829,760	-	19,024,788	-
Claims and judgments	808,753	1,540,532	1,596,722	752,563	752,563
Compensated absences	897,616	510,251	343,977	1,063,890	407,695
OPEB Obligation (Note 11)	2,869,158	1,442,373	358,078	3,953,453	-
Total	<u>\$ 81,195,086</u>	<u>\$ 26,275,003</u>	<u>\$ 4,953,777</u>	102,516,312	<u>\$ 3,945,258</u>
			Unamortized bond net (discount)	<u>(51,712)</u>	
			Net Long-Term Debt	<u>\$ 102,464,600</u>	

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, 2011

Note 8: Long-Term Debt (Continued)

Tax Allocation Bonds

The Agency has pledged a portion of the future property tax increment revenue, including Low and Moderate Income Housing set-aside, which it receives to repay tax allocation bonds that were issued to provide financing for various capital projects, accomplish Low and Moderate Income Housing projects and to defease previously issued bonds. The bonds are payable solely from the property tax increment generated by the Agency. The Agency has committed to appropriate each year, from these resources, amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is \$132,445,273 payable through 2033. For the current year, principal and interest paid and total property tax increment revenues were \$4,598,027 and \$20,765,201, respectively.

1993 Tax Allocation Bonds

On December 15, 1993, the Yorba Linda Redevelopment Agency issued \$35,686,002 in 1993 Tax Allocation Bonds with interest rates ranging from 3.5% 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 \$8,889,403 of the capital appreciation bonds, at June 30, 2011, was \$36,555,405.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2011, including interest, are as follows:

Year Ending June 30	Principal	Interest
2012	\$ 2,695,000	\$ 1,111,294
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
2017-2021	6,435,653	12,159,468
2022-2026	10,765,000	867,169
Total	27,656,002	<u>\$ 23,099,000</u>
Accretion	8,899,403	
Total	<u>\$ 36,555,405</u>	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011
Note 8: Long-Term Debt (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, 2011, was \$8,906,213.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2011, including interest, are as follows:

Year Ending June 30	Principal	Interest
2012	\$ -	\$ -
2013	-	-
2014	-	-
2015	-	-
2016	-	-
2017-2021	-	-
2022-2026	1,941,907	6,008,093
2027-2031	2,544,596	9,380,404
Total	4,486,503	<u>\$ 15,388,497</u>
Accretion	4,419,710	
Total	<u>\$ 8,906,213</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, 2011, was \$9,410,000.

CITY OF YORBA LINDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 8: Long-Term Debt (Continued)

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2011, including interest, are as follows:

Year Ending June 30	Principal	Interest
2012	\$ 90,000	\$ 531,683
2013	90,000	526,958
2014	85,000	522,364
2015	355,000	510,814
2016	90,000	499,133
2017-2021	300,000	2,431,604
2022-2026	140,000	2,380,785
2027-2031	5,815,000	1,975,232
2032-2036	2,445,000	69,805
Total	<u>\$ 9,410,000</u>	<u>\$ 9,448,378</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, 2011, is \$3,145,000. The unamortized bond premium amount is \$46,628.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2011, including interest, are as follows:

Year Ending June 30	Principal	Interest
2012	\$ -	\$ 157,250
2013	-	157,250
2014	-	157,250
2015	-	157,250
2016	-	157,250
2017-2021	-	786,250
2022-2026	-	786,250
2027-2031	275,000	772,625
2032-2036	2,870,000	208,000
Total	<u>\$ 3,145,000</u>	<u>\$ 3,339,375</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 8: Long-Term Debt (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, 2011, was \$19,705,000. The unamortized original issue discount was \$(98,340).

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2011, including interest, are as follows:

Year Ending June 30	Principal	Interest
2012	\$ -	\$ 907,247
2013	500,000	1,121,238
2014	515,000	1,108,513
2015	685,000	1,088,800
2016	575,000	1,065,313
2017-2021	2,865,000	4,901,819
2022-2026	4,305,000	3,983,675
2027-2031	6,725,000	2,357,075
2032-2036	3,535,000	233,838
Total	<u>\$ 19,705,000</u>	<u>\$ 16,767,518</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 2010-2011, an additional \$1,829,760 was added. As of June 30, 2011, the balance outstanding was \$19,024,788.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 8: Long-Term Debt (Continued)

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 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, 2011, 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, 2011, of \$752,563 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, 2010 and 2011, including a provision for incurred but not reported claims were as follows:

Year Ending June 30,	Claims Payable July 1,	Claims and Changes in Estimated	Claims Payments	Claims Payable June 30,
2010	\$ 1,137,170	\$ -	\$ 328,417	\$ 808,753
2011	808,753	1,540,532	1,596,722	752,563

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, 2011, was \$1,063,890.

CITY OF YORBA LINDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 8: 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, 2011:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Due Within One Year
Revenue Bonds	\$ 16,955,000	\$ -	\$ 425,000	\$ 16,530,000	\$ 440,000
Capital leases payable	395,069	-	308,306	86,763	86,763
Total	<u>\$ 17,350,069</u>	<u>\$ -</u>	<u>\$ 733,306</u>	<u>\$ 16,616,763</u>	<u>\$ 526,763</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, 2011, was \$16,530,000.

Debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest
2012	\$ 440,000	\$ 757,356
2013	455,000	742,354
2014	470,000	725,579
2015	485,000	707,551
2016	505,000	688,236
2017-2021	2,855,000	3,104,724
2022-2026	3,540,000	2,391,038
2027-2031	4,505,000	1,403,875
2032-2036	3,275,000	250,875
	<u>\$ 16,530,000</u>	<u>\$ 10,771,588</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. The outstanding balance at June 30, 2011, was \$86,763. Future minimum payments relating to this lease is as follows:

Year Ending June 30,	Principal	Interest
2012	\$ 86,763	\$ 1,598
	<u>\$ 86,763</u>	<u>\$ 1,598</u>

CITY OF YORBA LINDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 8: Long-Term Debt (Continued)

Golf Carts

During fiscal year 2007-2008, the Enterprise Funds entered into a capital lease agreement with Textron Financial for 85 golf carts. The original cost of the equipment, aggregating \$380,946 has been capitalized. This lease was repaid during the year.

Beverage Carts

During fiscal year 2007-2008, the Enterprise Funds entered into a capital lease agreement with Textron Financial for 2 beverage carts. The original cost of the equipment, aggregating \$18,783 has been capitalized. This lease was repaid during the year.

Note 9: 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 \$46,885 for the year ended June 30, 2011. The future minimum lease payments relating to this lease are as follows:

Year Ending June 30,	Principal	Interest
2012	\$ 78,571	\$ 15,199
2013	82,009	11,761
2014	85,597	8,173
2015	143,836	3,048
	<u>\$ 390,013</u>	<u>\$ 38,181</u>

Note 10: 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, 2011 is \$2,299,904.

VI. Other information

Note 11: 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 2010-2011, the City's annual pension cost of \$1,386,450 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2008, 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, 2008
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, 2011
Note 11: 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)

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2009	\$ 1,523	100%	\$ -
6/30/2010	1,330	100%	-
6/30/2011	1,386	100%	-

Schedule of Funding Progress for PERS
 Miscellaneous
 (Amounts in Thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
6/30/2008	\$ 36,629	\$ 40,434	\$ 3,806	90.6 %	\$ 7,784	48.9 %
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 %

This is the latest information available.

Note 12: 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, 2011

Note 12: 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 \$358,078 was made during the 2010-2011 fiscal year and was not included in the January 1, 2010, actuarial study. 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)	\$ 1,436,000
Adjustment to ARC	129,112
Adjustment for interest	<u>(122,739)</u>
Annual OPEB cost	1,442,373
Contributions made	<u>358,078</u>
(Decrease) increase in Net OPEB obligation	<u>\$ 1,084,295</u>
Net OPEB obligation (asset) June 30, 2010	\$ 2,869,158
Increase in Net OPEB obligation	<u>1,084,295</u>
Net OPEB obligation (asset) June 30, 2011	<u>\$ 3,953,453</u>

The contribution rate of 19.34% is based on the ARC of \$1,436,000 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 2010-2011, the City's annual OPEB cost (expense) is \$1,442,373. 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)
6/30/2009	\$ 1,540,411	\$ 208,752	14%	\$ 1,331,659
6/30/2010	1,782,709	245,210	14%	2,869,158
6/30/2011	1,442,373	358,078	25%	3,953,453

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, 2011

Note 12: 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.

Type of Valuation	Actuarial Valuation Date	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll	Interest Rate	Salary Scale
Actual	1/1/2008	\$ -	\$ 15,603,633	0.0%	\$ 7,707,000	202.46%	4.50%	3.25%
Actual	1/1/2010	-	14,613,565	0.0%	7,307,000	199.99%	4.50%	3.25%

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, 2010, actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions include an annual rate of return on assets used to pay for benefits is assumed to be 4.5% (assumed rate of return on general assets). The cost of living as measured by the Consumer Price Index (CPI) is assumed to increase at the rate of 3.00% per year. Assumed pay increases for active employees consist of increases due to wage inflation of 3.25%, plus those due to longevity and promotion. The actuarial value of assets is set equal to the reported market value of assets. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at June 30, 2011, was 28 years. The number of active participants is 104.

Note 13: 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, 2011

Note 13: 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, 2011, as follows:

General Liability Claims	\$ 640,348
Workers' Compensation Claims	<u>112,215</u>
Total Claims Payable	<u><u>\$ 752,563</u></u>

Note 14: 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.

Note 15: 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 16: Transactions with the State of California

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

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

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

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

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

The Agency's share of the SERAF shift for fiscal year 2010-2011 was \$1,178,425 and this amount was paid in May 2011.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 17: 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, ABX1 26 and 27 (*California Redevelopment Association v. Matosantos*). ABX1 26 dissolves redevelopment agencies effective October 1, 2011. ABX1 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 ABX1 26 and 27 which allowed a redevelopment agency to continue if it adopted an AB1X 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 ABX1 26 which eliminates redevelopment agencies, but invalidated in its entirety AB1X 27 which allowed redevelopment agencies to continue as long as they made the required payments. AB1X26 established deadlines for the process of Redevelopment Agency dissolution and the handling of existing obligations. The Court extended certain deadlines of ABX1 26 in its ruling by four months. The full text of ABX1 26 may be obtained from the California legislative information website maintained by the Legislative Counsel of the State of California at: <http://www.leginfo.ca.gov/bilinfo.html>.

Note 18: Fund Balance/Fund Equity Restatement

Net Assets/Fund Balance

Aid to Cities	
To properly restate grant expenditures in the correct period.	\$(49,364)
Yorba Linda Redevelopment Agency – Capital Projects	
To properly state prior year balance of Linda Gardens Notes Rec.	<u>634,331</u>
Total Net Assets/Fund Balance Restatement	<u>\$584,967</u>

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 \$4,187,653 on street improvement projects for the fiscal year ended June 30, 2011. 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

THIS PAGE INTENTIONALLY LEFT BLANK

**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.
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.
Library	To account for the revenues and expenditures relating to the operations of the public library.
Capital Improvements Fund	To account for the expenditures of construction of various capital improvements projects throughout 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.

CITY OF YORBA LINDA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	Special Revenue Funds			
	Gas Tax	Traffic Safety	HCD Grant	Citizens Option Public Safety
Assets:				
Pooled cash and investments	\$ 3,432,493	\$ -	\$ -	\$ 23,507
Receivables:				
Accounts	-	-	-	-
Taxes	-	-	-	-
Accrued interest	1,918	-	-	71
Prepaid costs	-	-	-	-
Due from other governments	205,327	15,753	22,765	11,315
Due from other funds	-	-	-	-
Total Assets	\$ 3,639,738	\$ 15,753	\$ 22,765	\$ 34,893
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 2,937	\$ -
Accrued liabilities	-	-	630	-
Deferred revenues	-	-	22,765	-
Unearned revenues	-	-	-	-
Due to other funds	12,570	37,228	28,898	-
Total Liabilities	12,570	37,228	55,230	-
Fund Balances:				
Nonspendable:				
Prepaid costs	-	-	-	-
Restricted for:				
Community development projects	-	-	-	-
Public safety	-	-	-	34,893
Parks and recreation	-	-	-	-
Public works	3,627,168	-	-	-
Library	-	-	-	-
Assigned to:				
Capital projects	-	-	-	-
Unassigned	-	(21,475)	(32,465)	-
Total Fund Balances	3,627,168	(21,475)	(32,465)	34,893
Total Liabilities and Fund Balances	\$ 3,639,738	\$ 15,753	\$ 22,765	\$ 34,893

CITY OF YORBA LINDA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

(Continued)

	Special Revenue Funds			
	AQMD	Park In-Lieu	Measure M Turnback	Library
Assets:				
Pooled cash and investments	\$ 777,779	\$ 494,830	\$ 1,471,674	\$ 11,632,386
Receivables:				
Accounts	-	-	-	681
Taxes	-	-	-	48,785
Accrued interest	429	277	734	6,364
Prepaid costs	-	-	-	30,126
Due from other governments	16,660	-	70,648	-
Due from other funds	-	-	-	-
Total Assets	\$ 794,868	\$ 495,107	\$ 1,543,056	\$ 11,718,342
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 95,970
Accrued liabilities	-	-	-	26,958
Deferred revenues	-	-	-	-
Unearned revenues	-	-	-	-
Due to other funds	-	11,047	53,950	-
Total Liabilities	-	11,047	53,950	122,928
Fund Balances:				
Nonspendable:				
Prepaid costs	-	-	-	30,126
Restricted for:				
Community development projects	-	-	-	-
Public safety	-	-	-	-
Parks and recreation	-	484,060	-	-
Public works	794,868	-	1,489,106	-
Library	-	-	-	11,565,288
Assigned to:				
Capital projects	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	794,868	484,060	1,489,106	11,595,414
Total Liabilities and Fund Balances	\$ 794,868	\$ 495,107	\$ 1,543,056	\$ 11,718,342

CITY OF YORBA LINDA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	Capital Projects Funds			Total Governmental Funds
	Capital Improvements	Master Plan of Drainage	Street and Traffic Signal Improvement	
Assets:				
Pooled cash and investments	\$ -	\$ 5,657,381	\$ 2,832,916	\$ 26,322,966
Receivables:				
Accounts	-	-	-	681
Taxes	-	-	-	48,785
Accrued interest	-	3,140	1,596	14,529
Prepaid costs	-	-	-	30,126
Due from other governments	-	-	-	342,468
Due from other funds	239,118	-	-	239,118
Total Assets	\$ 239,118	\$ 5,660,521	\$ 2,834,512	\$ 26,998,673
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 239,118	\$ -	\$ -	\$ 338,025
Accrued liabilities	-	-	-	27,588
Deferred revenues	-	-	-	22,765
Unearned revenues	-	60,000	-	60,000
Due to other funds	-	14,427	5,760	163,880
Total Liabilities	239,118	74,427	5,760	612,258
Fund Balances:				
Nonspendable:				
Prepaid costs	-	-	-	30,126
Restricted for:				
Community development projects	-	-	-	-
Public safety	-	-	-	34,893
Parks and recreation	-	-	-	484,060
Public works	-	-	-	5,911,142
Library	-	-	-	11,565,288
Assigned to:				
Capital projects	-	5,586,094	2,828,752	8,414,846
Unassigned	-	-	-	(53,940)
Total Fund Balances	-	5,586,094	2,828,752	26,386,415
Total Liabilities and Fund Balances	\$ 239,118	\$ 5,660,521	\$ 2,834,512	\$ 26,998,673

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF YORBA LINDA

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	Special Revenue Funds			
	Gas Tax	Traffic Safety	HCD Grant	Citizens Option Public Safety
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,720,135	-	254,557	112,202
Charges for services	-	-	-	-
Use of money and property	29,395	-	-	671
Fines and forfeitures	-	203,525	-	-
Contributions	-	-	-	-
Developer participation	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	1,749,530	203,525	254,557	112,873
Expenditures:				
Current:				
General government	-	-	-	-
Community development	-	-	94,642	-
Parks and recreation	-	-	49,897	-
Capital outlay	-	-	-	-
Total Expenditures	-	-	144,539	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,749,530	203,525	110,018	112,873
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	(1,297,251)	(225,000)	(89,935)	(102,582)
Total Other Financing Sources (Uses)	(1,297,251)	(225,000)	(89,935)	(102,582)
Net Change in Fund Balances	452,279	(21,475)	20,083	10,291
Fund Balances, Beginning of Year	3,174,889	-	(52,548)	24,602
Fund Balances, End of Year	\$ 3,627,168	\$ (21,475)	\$ (32,465)	\$ 34,893

CITY OF YORBA LINDA

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011**

(Continued)

	Special Revenue Funds			
	AQMD	Park In-Lieu	Measure M Turnback	Library
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ 4,093,832
Intergovernmental	76,900	-	600,705	74,783
Charges for services	-	-	-	43,709
Use of money and property	5,907	3,803	13,993	86,699
Fines and forfeitures	-	-	-	74,112
Contributions	-	-	-	256
Developer participation	-	11,076	-	-
Miscellaneous	-	-	-	23,915
Total Revenues	82,807	14,879	614,698	4,397,306
Expenditures:				
Current:				
General government	-	-	-	3,321,886
Community development	-	-	-	-
Parks and recreation	-	-	-	-
Capital outlay	-	-	-	50,627
Total Expenditures	-	-	-	3,372,513
Excess (Deficiency) of Revenues Over (Under) Expenditures	82,807	14,879	614,698	1,024,793
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	(78,384)	(1,513,850)	-
Total Other Financing Sources (Uses)	-	(78,384)	(1,513,850)	-
Net Change in Fund Balances	82,807	(63,505)	(899,152)	1,024,793
Fund Balances, Beginning of Year	712,061	547,565	2,388,258	10,570,621
Fund Balances, End of Year	\$ 794,868	\$ 484,060	\$ 1,489,106	\$ 11,595,414

CITY OF YORBA LINDA

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	<u>Capital Projects Funds</u>			<u>Total Governmental Funds</u>
	<u>Capital Improvements</u>	<u>Master Plan of Drainage</u>	<u>Street and Traffic Signal Improvements</u>	
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ 4,093,832
Intergovernmental	-	-	-	2,839,282
Charges for services	-	-	-	43,709
Use of money and property	-	45,638	22,516	208,622
Fines and forfeitures	-	-	-	277,637
Contributions	-	-	-	256
Developer participation	-	135,100	231,407	377,583
Miscellaneous	-	-	-	23,915
Total Revenues	-	180,738	253,923	7,864,836
Expenditures:				
Current:				
General government	-	-	-	3,321,886
Community development	-	-	-	94,642
Parks and recreation	-	-	-	49,897
Capital outlay	5,053,379	-	-	5,104,006
Total Expenditures	5,053,379	-	-	8,570,431
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,053,379)	180,738	253,923	(705,595)
Other Financing Sources (Uses):				
Transfers in	5,053,379	-	-	5,053,379
Transfers out	-	(194,707)	(83,246)	(3,584,955)
Total Other Financing Sources (Uses)	5,053,379	(194,707)	(83,246)	1,468,424
Net Change in Fund Balances	-	(13,969)	170,677	762,829
Fund Balances, Beginning of Year	-	5,600,063	2,658,075	25,623,586
Fund Balances, End of Year	\$ -	\$ 5,586,094	\$ 2,828,752	\$ 26,386,415

CITY OF YORBA LINDA

**BUDGETARY COMPARISON SCHEDULE
GAS TAX
YEAR ENDED JUNE 30, 2011**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 3,174,889	\$ 3,174,889	\$ 3,174,889	\$ -
Resources (Inflows):				
Intergovernmental	1,762,988	1,762,988	1,720,135	(42,853)
Use of money and property	6,000	6,000	29,395	23,395
Amounts Available for Appropriation	<u>4,943,877</u>	<u>4,943,877</u>	<u>4,924,419</u>	<u>(19,458)</u>
Charges to Appropriation (Outflow):				
Transfers out	2,687,500	5,225,114	1,297,251	3,927,863
Total Charges to Appropriations	<u>2,687,500</u>	<u>5,225,114</u>	<u>1,297,251</u>	<u>3,927,863</u>
Budgetary Fund Balance, June 30	<u><u>\$ 2,256,377</u></u>	<u><u>\$ (281,237)</u></u>	<u><u>\$ 3,627,168</u></u>	<u><u>\$ 3,908,405</u></u>

CITY OF YORBA LINDA

**BUDGETARY COMPARISON SCHEDULE
TRAFFIC SAFETY
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Fines and forfeitures	225,000	225,000	203,525	(21,475)
Amounts Available for Appropriation	225,000	225,000	203,525	(21,475)
Charges to Appropriation (Outflow):				
Transfers out	225,000	225,000	225,000	-
Total Charges to Appropriations	225,000	225,000	225,000	-
Budgetary Fund Balance, June 30	\$ -	\$ -	\$ (21,475)	\$ (21,475)

CITY OF YORBA LINDA

BUDGETARY COMPARISON SCHEDULE
HCD GRANT
YEAR ENDED JUNE 30, 2011

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ (52,548)	\$ (52,548)	\$ (52,548)	\$ -
Resources (Inflows):				
Intergovernmental	265,096	265,096	254,557	(10,539)
Amounts Available for Appropriation	212,548	212,548	202,009	(10,539)
Charges to Appropriation (Outflow):				
Community development	191,458	191,458	94,642	96,816
Parks and recreation	44,183	44,183	49,897	(5,714)
Transfers out	29,455	29,455	89,935	(60,480)
Total Charges to Appropriations	265,096	265,096	234,474	30,622
Budgetary Fund Balance, June 30	\$ (52,548)	\$ (52,548)	\$ (32,465)	\$ 20,083

CITY OF YORBA LINDA

**BUDGETARY COMPARISON SCHEDULE
CITIZENS OPTION PUBLIC SAFETY
YEAR ENDED JUNE 30, 2011**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 24,602	\$ 24,602	\$ 24,602	\$ -
Resources (Inflows):				
Intergovernmental	100,000	100,000	112,202	12,202
Use of money and property	-	-	671	671
Amounts Available for Appropriation	124,602	124,602	137,475	12,873
Charges to Appropriation (Outflow):				
Transfers out	102,582	102,582	102,582	-
Total Charges to Appropriations	102,582	102,582	102,582	-
 Budgetary Fund Balance, June 30	 \$ 22,020	 \$ 22,020	 \$ 34,893	 \$ 12,873

CITY OF YORBA LINDA

**BUDGETARY COMPARISON SCHEDULE
AQMD
YEAR ENDED JUNE 30, 2011**

	<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	\$ 712,061	\$ 712,061	\$ 712,061	\$ -
Resources (Inflows):				
Intergovernmental	80,000	80,000	76,900	(3,100)
Use of money and property	4,000	4,000	5,907	1,907
Amounts Available for Appropriation	<u>796,061</u>	<u>796,061</u>	<u>794,868</u>	<u>(1,193)</u>
Charges to Appropriation (Outflow):				
Transfers out	275,000	275,000	-	275,000
Total Charges to Appropriations	<u>275,000</u>	<u>275,000</u>	<u>-</u>	<u>275,000</u>
Budgetary Fund Balance, June 30	<u>\$ 521,061</u>	<u>\$ 521,061</u>	<u>\$ 794,868</u>	<u>\$ 273,807</u>

CITY OF YORBA LINDA

**BUDGETARY COMPARISON SCHEDULE
PARK IN-LIEU
YEAR ENDED JUNE 30, 2011**

	<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	\$ 547,565	\$ 547,565	\$ 547,565	\$ -
Resources (Inflows):				
Use of money and property	7,000	7,000	3,803	(3,197)
Developer participation	-	-	11,076	11,076
Amounts Available for Appropriation	554,565	554,565	562,444	7,879
Charges to Appropriation (Outflow):				
Transfers out	-	150,333	78,384	71,949
Total Charges to Appropriations	-	150,333	78,384	71,949
Budgetary Fund Balance, June 30	\$ 554,565	\$ 404,232	\$ 484,060	\$ 79,828

CITY OF YORBA LINDA

**BUDGETARY COMPARISON SCHEDULE
MEASURE M TURNBACK
YEAR ENDED JUNE 30, 2011**

	<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	\$ 2,388,258	\$ 2,388,258	\$ 2,388,258	\$ -
Resources (Inflows):				
Intergovernmental	672,000	672,000	600,705	(71,295)
Use of money and property	13,000	13,000	13,993	993
Amounts Available for Appropriation	3,073,258	3,073,258	3,002,956	(70,302)
Charges to Appropriation (Outflow):				
Transfers out	2,285,400	3,185,693	1,513,850	1,671,843
Total Charges to Appropriations	2,285,400	3,185,693	1,513,850	1,671,843
Budgetary Fund Balance, June 30	\$ 787,858	\$ (112,435)	\$ 1,489,106	\$ 1,601,541

CITY OF YORBA LINDA

**BUDGETARY COMPARISON SCHEDULE
LIBRARY
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 10,570,621	\$ 10,570,621	\$ 10,570,621	\$ -
Resources (Inflows):				
Taxes	4,001,803	4,001,803	4,093,832	92,029
Intergovernmental	63,000	63,000	74,783	11,783
Charges for services	42,500	42,500	43,709	1,209
Use of money and property	142,000	142,000	86,699	(55,301)
Fines and forfeitures	70,000	70,000	74,112	4,112
Contributions	200	200	256	56
Miscellaneous	24,650	24,650	23,915	(735)
Transfers in	450,000	450,000	-	(450,000)
Amounts Available for Appropriation	15,364,774	15,364,774	14,967,927	(396,847)
Charges to Appropriation (Outflow):				
General government	3,559,903	3,621,563	3,321,886	299,677
Capital outlay	65,000	65,000	50,627	14,373
Transfers out	485,000	1,619,400	-	1,619,400
Total Charges to Appropriations	4,109,903	5,305,963	3,372,513	1,933,450
Budgetary Fund Balance, June 30	\$ 11,254,871	\$ 10,058,811	\$ 11,595,414	\$ 1,536,603

CITY OF YORBA LINDA

**BUDGETARY COMPARISON SCHEDULE
CAPITAL IMPROVEMENTS
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Transfers in	7,365,400	15,763,354	5,053,379	(10,709,975)
Amounts Available for Appropriation	7,365,400	15,763,354	5,053,379	(10,709,975)
Charges to Appropriation (Outflow):				
Capital outlay	7,365,400	15,735,588	5,053,379	10,682,209
Total Charges to Appropriations	7,365,400	15,735,588	5,053,379	10,682,209
Budgetary Fund Balance, June 30	\$ -	\$ 27,766	\$ -	\$ (27,766)

CITY OF YORBA LINDA

**BUDGETARY COMPARISON SCHEDULE
 MASTER PLAN OF DRAINAGE
 YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 5,600,063	\$ 5,600,063	\$ 5,600,063	\$ -
Resources (Inflows):				
Use of money and property	65,000	65,000	45,638	(19,362)
Developer participation	-	-	135,100	135,100
Amounts Available for Appropriation	5,665,063	5,665,063	5,780,801	115,738
Charges to Appropriation (Outflow):				
Transfers out	-	240,572	194,707	45,865
Total Charges to Appropriations	-	240,572	194,707	45,865
Budgetary Fund Balance, June 30	\$ 5,665,063	\$ 5,424,491	\$ 5,586,094	\$ 161,603

CITY OF YORBA LINDA

**BUDGETARY COMPARISON SCHEDULE
STREET AND TRAFFIC SIGNAL IMPROVEMENT
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,658,075	\$ 2,658,075	\$ 2,658,075	\$ -
Resources (Inflows):				
Use of money and property	29,500	29,500	22,516	(6,984)
Developer participation	-	-	231,407	231,407
Amounts Available for Appropriation	2,687,575	2,687,575	2,911,998	224,423
Charges to Appropriation (Outflow):				
Transfers out	-	398,210	83,246	314,964
Total Charges to Appropriations	-	398,210	83,246	314,964
Budgetary Fund Balance, June 30	\$ 2,687,575	\$ 2,289,365	\$ 2,828,752	\$ 539,387

CITY OF YORBA LINDA

**BUDGETARY COMPARISON SCHEDULE
 YORBA LINDA REDEVELOPMENT AGENCY - CAPITAL PROJECT FUND
 YEAR ENDED JUNE 30, 2011**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 70,809,089	\$ 70,809,089	\$ 70,809,089	\$ -
Resources (Inflows):				
Taxes	-	-	4,153,040	4,153,040
Charges for services	210,000	210,000	96,745	(113,255)
Use of money and property	300,000	300,000	154,819	(145,181)
Miscellaneous	10,000	10,000	10,926	926
Transfers in	4,204,644	4,204,644	17,312,147	13,107,503
Amounts Available for Appropriation	<u>75,533,733</u>	<u>75,533,733</u>	<u>92,536,766</u>	<u>17,003,033</u>
Charges to Appropriation (Outflow):				
General government	1,421,378	2,142,377	1,481,079	661,298
Capital outlay	1,969,700	1,999,123	392,540	1,606,583
Transfers out	1,260,000	1,728,037	528,038	1,199,999
Total Charges to Appropriations	<u>4,651,078</u>	<u>5,869,537</u>	<u>2,401,657</u>	<u>3,467,880</u>
Budgetary Fund Balance, June 30	<u>\$ 70,882,655</u>	<u>\$ 69,664,196</u>	<u>\$ 90,135,109</u>	<u>\$ 20,470,913</u>

CITY OF YORBA LINDA

**BUDGETARY COMPARISON SCHEDULE
 YORBA LINDA REDEVELOPMENT AGENCY - DEBT SERVICE FUND
 YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,699,771	\$ 1,699,771	\$ 1,699,771	\$ -
Resources (Inflows):				
Taxes	21,023,220	21,023,220	16,612,161	(4,411,059)
Use of money and property	100,000	100,000	110,500	10,500
Transfers in	4,749,338	4,749,338	-	(4,749,338)
Notes and loans issued	-	-	22,781,847	22,781,847
Amounts Available for Appropriation	27,572,329	27,572,329	41,204,279	13,631,950
Charges to Appropriation (Outflow):				
General government	1,373,000	1,373,000	1,386,087	(13,087)
Debt service:				
Principal retirement	2,655,000	2,655,000	2,655,000	-
Interest and fiscal charges	2,070,538	2,070,538	5,053,514	(2,982,976)
Bond issuance costs	-	-	313,565	(313,565)
Pass-through agreement payments	9,295,000	9,295,000	8,305,122	989,878
Transfers out	7,753,982	7,753,982	17,312,147	(9,558,165)
Bond discount	-	-	98,975	(98,975)
Total Charges to Appropriations	23,147,520	23,147,520	35,124,410	(11,976,890)
Budgetary Fund Balance, June 30	\$ 4,424,809	\$ 4,424,809	\$ 6,079,869	\$ 1,655,060

CITY OF YORBA LINDA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 YEAR ENDED JUNE 30, 2011

	<u>Balance 7/1/2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2011</u>
<u>Deposits</u>				
Assets:				
Pooled cash and investments	\$ 3,999,459	\$ -	\$ 878,932	\$ 3,120,527
Total Assets	<u>\$ 3,999,459</u>	<u>\$ -</u>	<u>\$ 878,932</u>	<u>\$ 3,120,527</u>
Liabilities:				
Accounts payable	\$ 161,509	\$ -	\$ 132,624	\$ 28,885
Deposits payable	3,837,950	-	746,308	3,091,642
Total Liabilities	<u>\$ 3,999,459</u>	<u>\$ -</u>	<u>\$ 878,932</u>	<u>\$ 3,120,527</u>