



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

FINANCIAL STATEMENTS

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

YORBA LINDA REDEVELOPMENT AGENCY
YORBA LINDA, CALIFORNIA

FINANCIAL STATEMENTS

JUNE 30, 2011

YORBA LINDA REDEVELOPMENT AGENCY

JUNE 30, 2011

TABLE OF CONTENTS

	<u>Page Number</u>
INDEPENDENT AUDITORS' REPORT	
Financial Audit	1
Compliance Audit.....	3
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Assets	5
Statement of Activities.....	6
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	7
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	8
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	9
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	10
Notes to Financial Statements.....	11
SUPPLEMENTAL SCHEDULE	
Computation of Low and Moderate Income Housing Funds Excess/Surplus	26



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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Yorba Linda Redevelopment Agency, a component unit of the City of Yorba Linda, California as of and for the year ended June 30, 2011, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Yorba Linda Redevelopment Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Yorba Linda Redevelopment Agency as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We would like to draw the reader's attention to Note 12 – "California Redevelopment Agency Uncertainty". The note provides information on two bills passed, AB1X26 and 27 which dissolve redevelopment agencies effective October 1, 2011 and provide an option to avoid dissolution by making certain defined payments.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2011, on our consideration of the Yorba Linda Redevelopment Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's financial statements as a whole. The computation of low and moderate income housing funds excess/surplus are presented for purposes of additional analysis and are not a required part of the financial statements. These are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Lance, Soll & Loughard, LLP

Brea, California
December 22, 2011



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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Compliance

We have audited Yorba Linda Redevelopment Agency's (Agency) compliance with the California Health and Safety Code as required by Section 33080.1 for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of Agency's management. Our responsibility is to express an opinion on Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Guidelines for Compliance Audits of California Redevelopment Agencies, June 2011*, issued by the State Controller and as interpreted in the *Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies, August 2011*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on redevelopment program has occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Agency's compliance with those requirements.

In our opinion, the Agency complied, in all material respects, with the compliance requirements referred to above that are applicable to the redevelopment program for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported under *Government Auditing Standards*.

Filings with the State Controller's Office

The agency is required to produce an annual report and present it on a timely basis to its legislative body and the State Controller within six months of the end of the agency's fiscal year. This report was filed in a timely manner, however it did not include a description of the agency's progress, including specific actions and expenditures, in alleviating blight in the previous fiscal year, as stated in Health and Safety Code Section 33080.1.



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

Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Agency's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of management, the Audit Committee, and the California State Controller and it is not intended to be and should not be used by anyone other than these specified parties.

Lance, Soll & Lughard, LLP

Brea, California
December 22, 2011

YORBA LINDA REDEVELOPMENT AGENCY

STATEMENT OF NET ASSETS
 JUNE 30, 2011

	<u>Governmental Activities</u>
Assets:	
Cash and investments	\$ 31,180,174
Receivables:	
Tax increment	\$ 126,258
Accounts	232,252
Interest	17,665
Loans	<u>29,182,446</u>
Total Receivables	29,558,621
Due from other governments	499,354
Land held for resale (net)	18,812,640
Deferred charges	754,403
Restricted assets:	
Cash and investments with trustees	<u>19,293,197</u>
Capital assets (Net of Depreciation):	
Land and improvements	<u>364,593</u>
Total Capital Assets	<u>364,593</u>
 Total Assets	 <u>100,462,982</u>
 Liabilities:	
Accounts payable and accrued expenses	968,802
Due to other governments	3,002,467
Long-term liabilities:	
Due within one year	2,785,000
Due in more than one year	<u>93,909,694</u>
Total Long-Term Liabilities	<u>96,694,694</u>
 Total Liabilities	 <u>100,665,963</u>
 Net Assets:	
Invested in capital assets, net of related debt	364,593
Restricted for:	
Community development	52,318,310
Debt service	6,079,869
Unrestricted	<u>(58,965,753)</u>
 Total Net Assets	 <u>\$ (202,981)</u>

YORBA LINDA REDEVELOPMENT AGENCY

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets Governmental Activities
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	
Functions/Programs					
Governmental Activities:					
General government	\$ 1,676,619	\$ -	\$ -	\$ -	\$ (1,676,619)
Community development	418,290	-	-	-	(418,290)
Interest on long-term debt	5,242,693	-	-	-	(5,242,693)
Contributions to other governments	1,178,425	-	-	-	(1,178,425)
Other	517,112	-	-	-	(517,112)
Total Governmental Activities	\$ 9,033,139	\$ -	\$ -	\$ -	(9,033,139)
General Revenues:					
Taxes (net of pass-through payments)					12,460,079
Use of money and property					362,064
Total General Revenues					12,822,143
Change in Net Assets					3,789,004
Net Assets at Beginning of Year					(4,626,316)
Restatement of Net Assets					634,331
Net Assets at End of Year					\$ (202,981)

YORBA LINDA REDEVELOPMENT AGENCY

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

	<u>Capital Projects</u>	<u>Capital Projects</u>	<u>Debt Service</u>	
	<u>Yorba Linda Redevelopment Project Area</u>	<u>Yorba Linda Redevelopment Project Area</u>	<u>Yorba Linda Redevelopment Project Area</u>	
		<u>Low and Moderate Housing</u>	<u>Tax Increment</u>	<u>Total Governmental Funds</u>
	<u>Project</u>			
Assets:				
Cash and investments	\$ 9,410,175	\$ 9,530,686	\$ 12,239,313	\$ 31,180,174
Cash and investments with trustee	17,312,883	-	1,980,314	19,293,197
Receivables:				
Tax increment	-	-	126,258	126,258
Accounts	1,932	230,320	-	232,252
Interest	5,531	5,597	6,537	17,665
Loans	-	29,182,446	-	29,182,446
Due from other governments	-	-	499,354	499,354
Advances to Tax Increment Fund	-	5,723,780	-	5,723,780
Land held for resale	11,103,962	7,708,678	-	18,812,640
	<u>\$ 37,834,483</u>	<u>\$ 52,381,507</u>	<u>\$ 14,851,776</u>	<u>\$ 105,067,766</u>
Total Assets				
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 17,684	\$ 63,197	\$ 45,660	\$ 126,541
Due to other governments	-	-	3,002,467	3,002,467
Advances from Low and Moderate Housing Funds	-	-	5,723,780	5,723,780
	<u>17,684</u>	<u>63,197</u>	<u>8,771,907</u>	<u>8,852,788</u>
Total Liabilities				
Fund Balances:				
Nonspendable:				
Land held for resale	11,103,962	7,708,678	-	18,812,640
Long-term receivables	-	34,906,226	-	34,906,226
Restricted for:				
Debt utilization and/or by debt covenants	-	-	6,079,869	6,079,869
Low and moderate income housing	-	9,703,406	-	9,703,406
Assigned to:				
Community development	26,712,837	-	-	26,712,837
	<u>37,816,799</u>	<u>52,318,310</u>	<u>6,079,869</u>	<u>96,214,978</u>
Total Fund Balances				
	<u>\$ 37,834,483</u>	<u>\$ 52,381,507</u>	<u>\$ 14,851,776</u>	<u>\$ 105,067,766</u>
Total Liabilities and Fund Balances				

YORBA LINDA REDEVELOPMENT AGENCY

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

Fund balances of governmental funds	\$ 96,214,978
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	364,593
Bond issuance costs is an expenditure in the governmental funds, but it is deferred charges in the statement of net assets:	
Unamortized debt issuance costs - amortized over life of new bonds	754,403
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	
Bonds payable	(77,721,618)
Other debt	(19,024,788)
Unamortized net original issue discounts and (premiums)	51,712
Accrued interest payable for the current portion of interest due on Tax Allocation Bonds has not been reported in the governmental funds.	<u>(842,261)</u>
Net assets of governmental activities	<u><u>\$ (202,981)</u></u>

YORBA LINDA REDEVELOPMENT AGENCY

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

	Capital Projects	Capital Projects	Debt Service	
	Yorba Linda Redevelopment Project Area	Yorba Linda Redevelopment Project Area	Yorba Linda Redevelopment Project Area	Total Governmental Funds
	Project	Low and Moderate Housing	Tax Increment	
Revenues:				
Taxes and assessments	\$ -	\$ 4,153,040	\$ 16,612,161	\$ 20,765,201
Use of money and property	177,091	74,473	110,500	362,064
Other revenue	10,926	-	-	10,926
Total Revenues	188,017	4,227,513	16,722,661	21,138,191
Expenditures:				
Current:				
General government	662,057	819,022	221,290	1,702,369
Capital outlay	392,540	-	-	392,540
Debt service	-	-	14,024,011	14,024,011
Total Expenditures	1,054,597	819,022	14,245,301	16,118,920
Excess (Deficiency) of Revenues Over (Under) Expenditures	(866,580)	3,408,491	2,477,360	5,019,271
Other Financing Sources (Uses):				
Transfers in	17,312,147	-	-	17,312,147
Transfers out	-	-	(17,312,147)	(17,312,147)
Long-term debt issued	-	-	22,781,847	22,781,847
Pass-through agreement payments	-	-	(8,305,122)	(8,305,122)
Payment to Educational Revenue Augmentation Fund	-	-	(1,178,425)	(1,178,425)
Original bond discount	-	-	(98,975)	(98,975)
Contribution to City	(528,038)	-	-	(528,038)
Total Other Financing Sources (Uses):	16,784,109	-	(4,112,822)	12,671,287
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	15,917,529	3,408,491	(1,635,462)	17,690,558
Fund Balances:				
Beginning of Year, as previously reported	21,899,270	48,275,488	7,715,331	77,890,089
Restatements	-	634,331	-	634,331
End of Year	\$ 37,816,799	\$ 52,318,310	\$ 6,079,869	\$ 96,214,978

YORBA LINDA REDEVELOPMENT AGENCY

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Net change in fund balances - total governmental funds **\$ 17,690,558**

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

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 8,670,560

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

 Debt issuance costs on bonds issued 313,565
 Amortization for current fiscal year (24,010)

Unamortized premium or discounts on bonds issued are revenue or expenditures in the governmental funds, but these are spread to future periods over the life of the new bonds:

 Current year original issuance premium on bonds issued 98,975
 Amortization for current fiscal year 1,681

Proceeds of debt is revenue in the governmental funds, but these are additions to the statement of net assets. (22,781,847)

Expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

 Current accrual of interest due on bonds (842,261)
 Prior year accrual of interest due on bonds 661,783

Change in net assets of governmental activities **\$ 3,789,004**

I. SIGNIFICANT ACCOUNTING POLICIES

Note 1: Organization and Summary of Significant Accounting Policies

a. Description of the Reporting Entity

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

Reporting Entity:

Primary Government:

City of Yorba Linda

Component Units:

Yorba Linda Redevelopment Agency
Yorba Linda Public Financing Authority

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

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

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

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

b. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

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

The Agency reports the following major governmental funds:

Governmental Fund Types:

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

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

d. Assets, Liabilities and Net Assets or Equity

1. Investments

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

2. Receivables and Payables

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

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

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

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

3. Capital Assets

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

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

YORBA LINDA REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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

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

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

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

4. Land Held for Resale and Prepaid Costs

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

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

5. Long-Term Obligations

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

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

6. Fund Equity

In the fund financial statements, governmental funds report the following fund balance classifications:

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

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.

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

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

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

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

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

II. STEWARDSHIP

Note 2: Stewardship, Compliance and Accountability

a. Budgetary Data

General Budget Policies

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

Budget Basis of Accounting

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

III. DETAILED NOTES ON FUNDS

Note 3: Cash and Investments

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

Cash and investments pooled with the City	\$ 31,180,174
Cash and investments with fiscal agent	<u>19,293,197</u>
	<u><u>\$ 50,473,371</u></u>

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

Note 4: Loans Receivable

Disposition and Development Agreement

Southern California Housing Development Corporation

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

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.

YORBA LINDA REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 4: Loans Receivable (Continued)

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.

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

YORBA LINDA REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 4: Loans Receivable (Continued)

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

In March 2011, the Agency entered into an Affordable Housing Agreement (AHA) with National Community Renaissance of California, LP (Owner) for the construction of 43 apartment units for extremely low, very low and low income residents. The AHA provides for Agency funds to be used as follows. An Agency acquisition loan will be made in an amount not to exceed \$5,075,250 to close escrow on the property. This loan will be secured by a promissory note which National CORE is not obligated to pay until it has received its tax credits, at 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

YORBA LINDA REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 4: Loans Receivable (Continued)

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.

Total loans receivable at June 30, 2011, amounted to \$29,182,446.

Note 5: Capital Assets

An analysis of capital assets as of June 30, 2011, follows:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Depreciable Assets:				
Office equipment and furnishings	\$ 10,878	\$ -	\$ -	\$ 10,878
Nondepreciable Assets:				
Land - parking lot	364,593	-	-	364,593
Total Capital Assets	375,471	-	-	375,471
Less Accumulated Depreciation	(10,878)	-	-	(10,878)
Capital Assets	<u>\$ 364,593</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 364,593</u>

Note 6: Long-Term Debt

A description of long-term debt outstanding (excluding defeased debt) of the Agency as of June 30, 2011, follows:

a. Tax Allocation Bonds Payable

The Agency has pledged a portion of the future property tax increment revenue, including Low and Moderate Income Housing set-aside, which it receives to repay tax allocation bonds that were issued to provide financing for various capital projects, accomplish Low and Moderate Income Housing projects and to defease previously issued bonds. The bonds are payable solely from the property tax increment generated by the Agency. The Agency has committed to appropriate each year, from these resources, sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is \$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 3.50% to 5.25% to advance refund \$17,115,000, which represented a portion of the outstanding 1989 Tax Allocation Bonds and \$1,825,000 principal amount of 1986 Certificates of Participation.

YORBA LINDA REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 6: Long-Term Debt (Continued)

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

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

Bonds outstanding at June 30, 2011, total \$36,555,405 which includes the accreted value of the capital appreciation bonds in the amount of \$8,899,403.

1998 Tax Allocation Parity Refunding Bonds

On June 18, 1998, the Yorba Linda Redevelopment Agency issued \$17,131,503 in 1998 Tax Allocation Parity Refunding Bonds Series A, with interest rates ranging from 4.050% to 5.000% to advance refund the remaining \$15,890,000 of outstanding 1989 Tax Allocation Bonds with interest rates ranging from 6.750% to 7.125%.

Current interest serial bonds totaling \$12,645,000 are payable in amounts ranging from \$1,030,000 to \$2,025,000 per year on September 1 of each year, commencing September 1, 2002 through September 1, 2009, and bear interest at rates from 4.000% to 5.000%. Capital appreciation serial bonds with an original amount totaling \$4,486,503 are due on each September 1, commencing September 1, 2024 through 2028.

Bonds outstanding at June 30, 2011, total \$8,906,213 which includes the accreted value of the capital appreciation bonds in the amount of \$4,419,710.

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.

YORBA LINDA REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 6: Long-Term Debt (Continued)

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

The balance of the Series A bonds at June 30, 2011, amounts to \$9,410,000.

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

On April 1, 2005, the Yorba Linda Redevelopment Agency issued \$3,145,000 in Tax Exempt Tax Allocation Term Bonds (Subordinate Lien), Series B with interest at 5.00% for bonds maturing September 1, 2032. The Bonds are special obligations of the Agency and are payable solely from and secured by a parity pledge of certain tax increment revenues of the Project Area on a basis subordinate to certain outstanding obligations of the Agency, and a pledge of amounts in certain funds and accounts established under the Indenture of Trust. The Tax Exempt Bonds were issued to finance redevelopment activities of the Agency, specifically to fund a fire station. The Series B Term Bonds maturing on September 1, 2032, are subject to mandatory redemption, in part by lot, on September 1 in each year beginning September 1, 2029 through 2032, from mandatory annual sinking payments ranging from \$135,000 to \$2,725,000 per year. In addition, the Series B bonds include an Original Issue Bond Premium of \$61,107. The balance of the Series B bonds at June 30, 2011, is \$3,145,000. The unamortized bond premium amount is \$46,628.

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

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

Total bonds payable at June 30, 2011, amounted to \$77,721,618.

b. Due to Government Agencies

Placentia-Yorba Linda Unified School District

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

YORBA LINDA REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 6: Long-Term Debt (Continued)

In October 1999, a dispute regarding the pass-through agreement arose. In June 2004, the Agency and the Placentia-Yorba Linda Unified School District settled their dispute with the Agency agreeing to a settlement amount of \$6,569,106, which is to be paid as tax increment is available. Based on the annual pass-through calculation, there may be additional amounts deferred each year (added to this obligation). During fiscal year 2010-2011, an additional \$1,829,760 was added with zero payments made. As of June 30, 2011, the balance outstanding was \$19,024,788.

c. Advances from City

The City advanced the Agency funds for operations at various times since the establishment of the Redevelopment Agency on May 2, 1983. These advances were payable upon demand with interest accruing at the current investment rate (blended average LAIF yield rate). The entire balance of \$6,015,560 plus accrued interest of \$20,012 was repaid during the fiscal year.

d. Schedule of changes in long-term debt

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

YORBA LINDA REDEVELOPMENT AGENCY					
Changes in Long-term debt					
JUNE 30, 2011					
	Balance July 1, 2010	Additions	Repayments	Balance June 30, 2011	Due Within One Year
<u>Yorba Linda Redevelopment Project Area</u>					
City Loans - Principal	\$ 6,015,560	\$ -	\$ 6,015,560	\$ -	\$ -
Loans - Other Governments	17,195,028	1,829,760	-	19,024,788	-
1993 Tax Allocation Bonds	30,216,002	-	2,560,000	27,656,002	2,695,000
1993 Capital Appreciation	8,112,581	786,822	-	8,899,403	-
1998 Tax Allocation Parity Refunding	4,486,503	-	-	4,486,503	-
1998 Capital Appreciation	3,959,445	460,265	-	4,419,710	-
2005 Subordinate Tax Allocation Bonds - Series A	9,505,000	-	95,000	9,410,000	90,000
2005 Subordinate Tax Exempt Bonds - Series B	3,145,000	-	-	3,145,000	-
2011 Subordinate Tax Exempt Bonds - Series A	-	19,705,000	-	19,705,000	-
Total	<u>82,635,119</u>	<u>22,781,847</u>	<u>8,670,560</u>	<u>96,746,406</u>	<u>2,785,000</u>
<u>Total - All Project Areas</u>					
City Loans - Principal	6,015,560	-	6,015,560	-	-
Loans - Other Governments	17,195,028	1,829,760	-	19,024,788	-
Notes Payable	-	-	-	-	-
Bonds Payable	<u>59,424,531</u>	<u>20,952,087</u>	<u>2,655,000</u>	<u>77,721,618</u>	<u>2,785,000</u>
Total	<u>\$ 82,635,119</u>	<u>\$ 22,781,847</u>	<u>\$ 8,670,560</u>	<u>\$ 96,746,406</u>	<u>\$ 2,785,000</u>
Adjustments:					
Unamortized net original issue (discount) or premium				<u>(51,712)</u>	
Net Long-term Debt				<u>\$ 96,694,694</u>	

YORBA LINDA REDEVELOPMENT AGENCY

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

Note 6: Long-Term Debt (Continued)

e. Debt service requirements

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

	1993 Tax Allocation Bonds, Series A		1998 Tax Allocation Parity Refunding Bonds, Series A		2005 Subordinate Taxable Tax Allocation Bonds, Series A	
	Principal	Interest	Principal	Interest	Principal	Interest
2011 - 2012	\$ 2,695,000	\$ 1,111,294	\$ -	\$ -	\$ 90,000	\$ 531,683
2012 - 2013	2,835,000	966,131	-	-	90,000	526,958
2013 - 2014	2,985,000	1,931,594	-	-	85,000	522,364
2014 - 2015	1,003,525	3,002,326	-	-	355,000	510,814
2015 - 2016	936,824	3,061,018	-	-	90,000	499,133
2016 - 2021	6,435,653	12,159,468	-	-	300,000	2,431,604
2021 - 2026	10,765,000	867,169	1,941,907	6,008,093	140,000	2,380,785
2026 - 2031	-	-	2,544,596	9,380,404	5,815,000	1,975,232
2031 - 2036	-	-	-	-	2,445,000	69,805
Totals	\$ 27,656,002	\$ 23,099,000	\$ 4,486,503	\$ 15,388,497	\$ 9,410,000	\$ 9,448,378

	2005 Subordinate Tax Exempt Tax Allocation Bonds, Series B		2011 Subordinate Tax Exempt Tax Allocation Bonds, Series A		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2011 - 2012	\$ -	\$ 157,250	\$ -	\$ 907,247	\$ 2,785,000	\$ 2,707,474
2012 - 2013	-	157,250	500,000	1,121,238	3,425,000	2,771,577
2013 - 2014	-	157,250	515,000	1,108,513	3,585,000	3,719,721
2014 - 2015	-	157,250	685,000	1,088,800	2,043,525	4,759,190
2015 - 2016	-	157,250	575,000	1,065,313	1,601,824	4,782,714
2016 - 2021	-	786,250	2,865,000	4,901,819	9,600,653	20,279,141
2021 - 2026	-	786,250	4,305,000	3,983,675	17,151,907	14,025,972
2026 - 2031	275,000	772,625	6,725,000	2,357,075	15,359,596	14,485,336
2031 - 2036	2,870,000	208,000	3,535,000	233,838	8,850,000	511,643
Totals	\$ 3,145,000	\$ 3,339,375	\$ 19,705,000	\$ 16,767,518	\$ 64,402,505	\$ 68,042,768

IV. OTHER DISCLOSURES

Note 7: Interfund Receivables, Payables, and Transfer

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

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

YORBA LINDA REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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

During the fiscal year 2009-2010, the Low and Moderate Housing Fund made a loan to the Tax Increment Fund for \$5,723,780 to make the SERAF payment that was due on May 10, 2010. The loan is to be repaid by June 30, 2015, based on legislation that was passed.

b. Transfers between funds consisted of the following:

<u>Transfer In</u>	<u>Transfer Out</u>
Project	Tax Increment
Project	<u>\$ 17,312,147</u>
Total	<u><u>\$ 17,312,147</u></u>

During the fiscal year 2010-2011, the bond proceeds that were received in the Tax Increment Fund were transferred to the Project Fund to provide funding for the Agency's capital projects.

Note 8: Other Special Obligations

During fiscal year 2000-2001, the Agency issued, on behalf of National CORE (Southern California Housing Corporation), the Yorba Linda Redevelopment Agency Multi-Family Housing Revenue Bonds 2000, Series A, in the principal amount of \$2,754,321. These bonds are not reflected in the long-term debt obligation because they are special obligations payable solely from and secured by specific revenue sources described in the resolution and official statement of the issue. Neither the faith and credit nor the taxing power of the City, the Redevelopment Agency, the State of California or any political subdivision thereof, is pledged for the payment of these bonds. The balance as of June 30, 2011 is \$2,299,904.

Note 9: Insurance Coverage

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

Note 10: Restatements

Beginning fund balance/net assets has been restated by \$634,331 in the Low and Moderate Housing Fund to correct the prior year balance of a note receivable from Linda Gardens.

Note 11: 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.

YORBA LINDA REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 11: Transactions with the State of California (Continued)

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.

Note 12: California Redevelopment Agency Uncertainty

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, AB1X 26 and 27. AB1X 26 dissolves redevelopment agencies effective October 1, 2011. AB1X 27, give 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 amount to a state-wide total of \$1.7 billion. In 2012-13 and subsequent years, the payments total \$400 million, annually. Each city or county's share of these payments is determined based on its proportionate share of state-wide tax increment.

CRA and the League contend that AB1X 26 and 27 are unconstitutional because they violate Proposition 22 which was passed by the voters in November, 2010. The effect of the legislation is to achieve a possible unconstitutional result, the use of redevelopment agencies' tax increment funds to benefit the State and other units of local government, by way of threatening the dissolution of redevelopment agencies.

Therefore, the CRA and the League have requested that the Court issue a stay, suspending the effectiveness of AB1X 26 and 27 until the Court can rule on its constitutionality. CRA and the League also asked the Court to expedite the briefing and hearing of the case so that a decision can be rendered by the Court before January 15, 2012, when the first payments are due. On August 11th, the California Supreme Court agreed to hear the case and granted a partial stay which was subsequently clarified.

As of the time of the issuance of this report, the outcome of AB1X 26 and 27 upon the Agency is unknown and consequently the status and even future existence of the Agency is uncertain as such. In accordance with AB1X 27, the Agency has passed a resolution of intent to continue and will be required to make a payment to the State in the estimated amount of \$4,889,400 by January 15, 2012 to avoid dissolution.

YORBA LINDA REDEVELOPMENT AGENCY

COMPUTATION OF LOW AND MODERATE
INCOME HOUSING FUNDS
EXCESS/SURPLUS

	Low and Moderate Housing Funds - All Project Areas July 1, 2010	Low and Moderate Housing Funds - All Project Areas July 1, 2011
Opening Fund Balance	\$ 48,275,488	\$ 52,318,310
Less Unavailable Amounts:		
Land held for resale	\$ (8,350,242)	\$ (7,708,678)
Restricted cash	(7,500)	-
ERAF loans	(5,723,780)	(5,723,780)
Encumbrances (Section 33334.12 (g)(2))	(190,240)	(287,168)
Rehabilitation loans	(22,705,718)	(29,182,446)
	<u>(36,977,480)</u>	<u>(42,902,072)</u>
Available Low and Moderate Income Housing Funds	11,298,008	9,416,238
Limitation (greater of \$1,000,000 or four years set-aside)		
Set-Aside for last four years:		
2010 - 2011	-	4,153,040
2009 - 2010	4,326,682	4,326,682
2008 - 2009	4,349,578	4,349,578
2007 - 2008	4,588,981	4,588,981
2006 - 2007	3,970,267	-
	<u>17,235,508</u>	<u>17,418,281</u>
Total	\$ 17,235,508	\$ 17,418,281
Base Limitation	\$ 1,000,000	\$ 1,000,000
Greater amount	<u>17,235,508</u>	<u>17,418,281</u>
Computed Excess/Surplus	<u>None</u>	<u>None</u>