THE REDEVELOPMENT AGENCY OF THE CITY OF WHITTIER, CALIFORNIA

(A Component Unit of the City of Whittier, California)

Basic Financial Statements

Year Ended June 30, 2011

(with Independent Auditors' Report Thereon)

THE REDEVELOPMENT AGENCY OF
THE CITY OF WHITTIER, CALIFORNIA

Basic Financial Statements

Year Ended June 30, 2011

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THE REDEVELOPMENT AGENCY OF
THE CITY OF WHITTIER, CALIFORNIA

Basic Financial Statements

Year Ended June 30, 2011

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Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Board of Directors
Whittier Redevelopment
Whittier, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Whittier Redevelopment Agency (the Agency), a component unit of the City of Whittier, 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 Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 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 Agency as of June 30, 2011, and the respective changes in financial position and the respective budgetary comparison for the Low and Moderate Housing – Earthquake Recovery Special Revenue Fund of the Agency for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the Agency adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* effective July 1, 2010.

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As described in note 11 and 12, the California State Legislature enacted legislation that is intended to provide for the dissolution of redevelopment agencies, or continuance of redevelopment agencies, under new laws in the State of California. The effects of this legislation are uncertain pending the result of certain lawsuits that have been initiated to challenge the legislation by outside parties.

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

The information identified in the accompanying table of contents as management's discussion and analysis and required supplementary information on pages 3 through 9 and 48 through 51 are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The supplementary information as listed in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in relation to the basic financial statements as a whole.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 22, 2011

WHITTIER REDEVELOPMENT AGENCY
Management's Discussion and Analysis

As management of the Whittier Redevelopment Agency ("Agency"), we offer readers of the Agency's financial statements this narrative overview of the financial activities of the Agency for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that can be found in the accompanying notes to basic financial statements, which follow this discussion.

Financial Highlights:

- The Agency's total assets as of June 30, 2011 were $61,856,018 and total liabilities were $67,416,537. The liabilities exceeded its assets by $5,560,519 (net deficit). The long-term liabilities were mainly due to the issuance of long-term debt for redevelopment purposes. This long-term debt will be paid from future tax increment revenues.

- As of June 30, 2011, the Agency's governmental funds reported total ending fund balances of $56,359,618, a decrease of $784,913 from the prior year mainly due to the State's Supplemental Educational Revenue Augmentation Fund (SERAF) payment of $622,763.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Redevelopment Agency's basic financial statements. The Agency's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Agency's finances in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Agency's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows.* Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., interest that was earned but not received).

The government-wide financial statements present information about the functions of the Redevelopment Agency that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Agency include the administration of the Agency and its housing and community development projects.

The Agency is considered a blended component unit, which means it is a separate legal entity, but its financial activity is reported in the financial statements of its primary government, the City of Whittier.

The government-wide financial statements can be found immediately following this discussion and analysis.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Agency are governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, reader may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Agency maintains various individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the Agency's major funds (Low and Moderate Housing-Earthquake Recovery Special Revenue Fund and Agency's Debt Service Fund) and in the aggregate for the remaining funds (non-major funds).

The Agency adopts an annual appropriated budget for each of its funds. Budgetary comparisons are included for each fund to demonstrate compliance with the annual budget. These budgetary comparison statements are provided behind the notes to basic financial statements.

The basic governmental fund financial statements can be found immediately following the government-wide financial statements.

Government-wide Financial Analysis

The government-wide financial statements provide long-term and short-term information about the Agency's overall financial condition. This comparative analysis addresses the financial statements of the Agency as a whole.

The large portion of the Agency's net assets reflect its investment in capital assets (e.g., land, buildings and improvements); less any related debt used to acquire those assets that are still outstanding. The Agency uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the agency's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A summary of the government-wide statement of net assets are as follows:

	Governmental Activities	
	2011	**2010**
Current and other assets	$59,057,311	$63,755,287
Capital assets	2,798,707	2,820,366
Total assets	61,856,018	66,575,653
Current and other liabilities	2,044,443	8,370,640
Long-term liabilities	65,372,094	64,684,865
Total liabilities	67,416,537	73,055,505
Net assets:		
Invested in capital assets, net of related debt	2,798,707	2,820,366
Restricted	9,752,659	9,142,435
Unrestricted	(18,111,885)	(18,442,653)
Total net assets (deficit)	$(5,560,519)	$(6,479,852)

The net increase of $919,333 in the Agency's net assets from the prior year was mainly due to the following:

- The Agency's SERAF payment for the current fiscal year was only $622,763, which is $2,402,084 less than prior year.
- In the current year, there were no significant transfers that reduced the Agency revenues compared to the prior year of $4,500,000 for the construction costs of the City's police station.
- Overall liabilities have decreased by $6,326,197, of which $4,985,776 was related to the acquisition of the Alpha Beta site in the prior year.

A summary of the government-wide statement of changes in net assets are as follows:

	Governmental Activities	
	2011	**2010**
Revenues:		
General:		
Property taxes	$7,680,192	$7,780,066
Use of money and property	256,085	409,274
Other	9,193	2,958
Transfers from (to) the City of Whittier	(3,550)	(4,503,550)
Total revenues and transfers	7,941,920	3,688,748
Expenses:		
Community development	4,215,763	8,890,265
Interest on long-term debt	2,806,824	3,143,220
Total expenses	7,022,587	12,033,485
Increase (decrease) in net assets	$919,333	$(8,344,737)

The following items are impacting the government-wide revenues and expenses for the fiscal year ended June 30, 2011:

- Property tax increment revenues of $7,680,192 in 2011 and $7,780,066 in 2010 are net of pass-through payments. This is the Agency's major source of revenue. This revenue had a net decrease of $99,874 or 1.3 percent from the prior year as the result of slight decrease in taxable assessed property valuation.

- Use of money and property of $256,085 mainly consisted of interest earned from investments of available funds. The decrease of $153,189 or 37.4 percent from the prior year is due to lower cash and interest rates in the current fiscal year in comparison to the prior fiscal year.

- The transfers to the City has significant decrease of $4.5 million this fiscal year compared to prior fiscal year as the result of the contribution towards the construction costs of the City's police station as mentioned earlier.

- The decrease of $4.7 million in community development expenses this fiscal year in comparison to the prior fiscal year was due to $2.4 million decrease in SERAF contribution this fiscal year, $1.9 million of the Alpha Beta site acquisition in prior fiscal year, and the remaining decrease of $0.4 million related to public improvement costs.

Financial Analysis of the Government's Funds

As noted earlier, the Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the Agency's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information may be useful in assessing the Agency's financial requirements.

The *Redevelopment Agency's Low and Moderate Housing-Earthquake Recovery Special Revenue Fund* is also known as the "Low to Moderate Income Housing Set-Aside Fund" (LMISA). By statue, 20% of the gross tax increment revenues that come to the Redevelopment Agency are restricted for Low to Moderate Income Housing needs. This fund accounts for the receipt and use of these restricted revenues within *Earthquake Recovery Project Area*. During the fiscal year, revenues were mainly derived from the tax increment, and expenditures were primarily for tax allocation bonds-housing projects debt service payments of $481,063, and professional services of $12,667.

The *Redevelopment Agency Debt Service Funds* are used to accumulate resources for the payment of principal and interest on debt of the Agency for the various project areas. During the fiscal year, there were principal repayments of $3,550,026 and interest in the amount of $1,921,675.

Capital Assets and Debt Administration

Capital Assets

The Agency's investment in capital assets for its governmental activities as of June 30, 2011 was $2,798,707, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements.

A summary of capital assets (net of accumulated depreciation) are as follows:

	2011	2010
Assets not being depreciated:		
Land	$2,625,434	$2,625,434
Assets being depreciated:		
Buildings and improvements, net of accumulated depreciation	173,273	194,932
Total capital assets, net	$2,798,707	$2,820,366

The current year depreciation expense was $21,659. No additional capital assets were acquired during the fiscal year. Additional information on the Agency's capital assets can be found in note 5 to the basic financial statements.

Debt Administration

Long-term debt-related events during the fiscal year ended June 30, 2011 included:

- There were no new bonded debt issuances during the fiscal year.
- There were additional loans of $2,102,255 in the fiscal year, of which $827,053 were operating and sales tax loans from the City, and $1,275,202 increase of developer loans.
- At the end of the current fiscal year, the Agency had total bonded debt and long-term liabilities of $65,372,094, a decrease of $1,757,771 from the previous fiscal year. The net decrease was the result from a combination of additional loans, debt payments and loan repayments to the City of Whittier and developers.

Additional information on the Agency's long-term debt can be found in note 6 to the basic financial statements.

Economic Factors and Next Year's Budget

The Whittier Redevelopment Agency has seen growth throughout much of its existence. Since the main source of revenue for the Agency is the incremental property tax created by growth and improvement in the redevelopment project area, the continued growth of both the population and industry in Whittier positively impact this revenue stream. Historically, the Agency's tax increment has increased as home values increased and ownership has changed. However, the recession experienced in recent years, the decline in the real estate market, and the ability of property owners to request that the County reassess their properties to lower values, has adversely impacted the assessed value growth in the project areas and as a result, future tax increment.

The 2011-12 budget may be negatively affected by the State's passage of ABX1 26 and 27, which were signed by the Governor of California on June 29, 2011. ABX1 26 immediately suspends most redevelopment agency activities and requires designation of successor entities to the former redevelopment agencies. However, under the provisions of ABX1 27 redevelopment agencies have the option of establishing an Alternative Voluntary Redevelopment Program whereby a redevelopment agency will be authorized to continue to exist and carry out the provisions of the Community Redevelopment Law. Unfortunately, to opt into the Alternative Voluntary Redevelopment Program, a city must adopt an ordinance by which the city agrees to make specified annual payments to the county auditor-controller for allocation to special districts and educational entities. On July 26, 2011, the City Council approved Ordinance No. 2978, which re-established the Whittier Redevelopment Agency under the Alternative Voluntary Redevelopment Program. The second reading of the Ordinance occurred on August 9, 2011. The payments required under the new laws are approximately $2.66 million in 2011-12 with significant annual payments thereafter.

The new laws are being challenged in *California Redevelopment Agency et al v. Matosantos et al* filed in the California Supreme Court by CRA, the League of California Cities, and the cities of San Jose and Union City, but the outcome of the court case is uncertain at the time of this writing.

The completion of the Whittwood Town Center increased the tax increment in the Commercial Corridor Project Area. The property sold again on August 27, 2010 to Cole Real Estate Investments. This project has favorably increased the sales tax revenue generated at the site by its addition of Target and other mid-sized tenants like Petsmart and Cost Plus World Market.

The closure of multiple automobile dealerships negatively impacted both sales tax and property tax revenues that the City receives. At this time, the future use of the former auto dealer sites is unknown, but the Agency hopes to assist with the re-use of the sites to generate new taxes.

The tax increment will also increase as several key housing projects are completed. The 114 unit Ravello town home project at the Whittwood Town Center has been completed and generates a new source of annual net tax increment. Currently underway, construction of the Gables condominium project on Whittier Boulevard will also produce new tax increment to the Agency.

Other areas of interest include the eventual redevelopment of the Fred C. Nelles Youth Correction site. The State continues to own the property at this point, but Brookfield Residential Homes, the selected developer executed a purchase and sale agreement with the State that will likely lead to the redevelopment of the site. With the revamping of both the Whittier Boulevard and Uptown

Whittier Specific Plans, significant new development opportunities within the redevelopment project areas were created. The Whittier Boulevard Specific Plan splits the Boulevard into six distinct development districts allowing a variety of land uses, while the Uptown Plan is a form based code that will allow developers to build more dense mixed use projects in the Uptown Area.

Requests for Information

This financial report is designed to provide a general overview of the Agency's finances for all those with an interest in the Agency's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Controller's Office, City of Whittier, 13230 Penn Street, Whittier, California 90602 or (562) 567-9810.

WHITTIER REDEVELOPMENT AGENCY
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities
ASSETS	
Cash and investments (note 2)	$ 12,383,484
Restricted cash and investments (note 2)	33,604,298
Tax increment receivable	498,306
Interest receivable	54,466
Notes and loans receivables (note 3)	3,112,813
Due from the City of Whittier	198
Land held for resale (note 4)	8,340,075
Deferred charges - net of accumulated amortization	1,063,671
Capital assets, not being depreciated (note 5)	2,625,434
Capital assets, net of accumulated depreciation (note 5)	173,273
Total assets	61,856,018
LIABILITIES AND NET ASSETS	
Liabilities:	
Accounts payable	567,278
Interest payable	410,421
Deposits payable	25,000
Due to the City of Whittier	13,196
Unearned revenue	1,028,548
Noncurrent liabilities (note 6):	
Due in one year	2,503,000
Due in more than a year	62,869,094
Total liabilities	67,416,537
Net assets (note 9):	
Invested in capital assets	2,798,707
Restricted for:	
Low and moderate housing	9,752,659
Unrestricted	(18,111,885)
Total net assets	$ (5,560,519)

See accompanying notes to basic financial statements.

WHITTIER REDEVELOPMENT AGENCY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets
Expenses					
Community development	$ 4,215,763	-	-	-	(4,215,763)
Interest on long-term debt	2,806,824	-	-	-	(2,806,824)
Total	$ 7,022,587	-	-	-	(7,022,587)
General revenues:					
Increment property taxes, net					7,680,192
Use of money and property					256,085
Other					9,193
Transfers to the City of Whittier					(3,550)
Total general revenues and transfers					7,941,920
Change in net assets					919,333
Net assets at beginning of year					(6,479,852)
Net assets (deficit) at end of year					$ (5,560,519)

See accompanying notes to basic financial statements.

WHITTIER REDEVELOPMENT AGENCY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	SPECIAL REVENUE FUND	DEBT SERVICE FUNDS			
	Low and Moderate Housing-Earthquake Recovery	Earthquake Recovery	Greenleaf/ Uptown	Whittier Boulevard	Commercial Corridor
ASSETS					
Cash and investments	$ 2,397,986	1,585,849	1,650,512	640,858	362,450
Restricted assets:					
Cash and investments	1,203,729	12,430,743	-	1,102,548	8,741,728
Receivables:					
Tax increment	26,924	83,723	64,313	65,164	162,772
Interest	8,370	14,489	2,374	1,199	10,559
Notes and loans	1,028,548	-	-	-	-
Due from City of Whittier	-	-	-	-	-
Advances to other funds (note 7)	847,707	-	-	-	-
Land held for resale	3,058,920	-	-	-	-
Total Assets	8,572,184	14,114,804	1,717,199	1,809,769	9,277,509
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	$ 68,551	-	16,642	17,457	396,592
Deferred revenue	1,028,548	-	-	-	-
Due to City of Whittier	5,628	-	-	-	-
Deposits payable	-	-	-	-	-
Advances from other funds (note 7)	-	847,707	732,025	487,517	546,878
Total Liabilities	1,102,727	847,707	748,667	504,974	943,470
Fund Balances (note 9)					
Restricted	7,469,457	13,267,097	968,532	1,304,795	8,334,039
Assigned	-	-	-	-	-
Total Fund Balances	7,469,457	13,267,097	968,532	1,304,795	8,334,039
Total Liabilities and Fund Balances	$ 8,572,184	14,114,804	1,717,199	1,809,769	9,277,509

See accompanying notes to basic financial statements.

Non-Major Governmental Funds	Total
5,745,829	12,383,484
10,125,550	33,604,298
95,410	498,306
17,475	54,466
2,084,265	3,112,813
198	198
1,766,420	2,614,127
5,281,155	8,340,075
25,116,302	60,607,767
68,036	567,278
-	1,028,548
7,568	13,196
25,000	25,000
-	2,614,127
100,604	4,248,149
22,339,357	53,683,277
2,676,341	2,676,341
25,015,698	56,359,618
25,116,302	60,607,767

WHITTIER REDEVELOPMENT AGENCY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Total fund balances - governmental funds		$ 56,359,618
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities that are not spendable current financial resources and, therefore, are not reported in the balance sheet of governmental funds.		
Capital assets	4,423,034	
Accumulated depreciation	(1,624,327)	2,798,707
Bond issuance costs are expensed in the government funds when paid and are capitalized and amortized over the life of the corresponding bonds for purposes of the statement of net assets.		
Deferred charges net of accumulated amortization		1,063,671
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the balance sheet of governmental funds.		
Tax allocation bonds	(33,695,000)	
Tax allocation loans	(14,325,000)	
Loans payable	(5,002,090)	
Advances from the City of Whittier	(12,350,004)	(65,372,094)
Interest payable on long-term debt does not require the use of current financial resources and, therefore, interest payable is not accrued as a liability in the balance sheet of governmental funds.		(410,421)
Net assets (deficit) of governmental activities		$ (5,560,519)

See accompanying notes to basic financial statements.

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

	SPECIAL REVENUE FUND	DEBT SERVICE FUND	
	Low and Moderate Housing-Earthquake Recovery	Earthquake Recovery	Greenleaf/ Uptown
REVENUES			
Tax increment	674,425	2,697,699	1,339,429
Use of money and property	34,076	59,190	7,448
Other	6,562	-	-
Total Revenues	715,063	2,756,889	1,346,877
EXPENDITURES			
Current:			
Administrative costs	$ -	-	-
Professional services	12,667	55,540	23,806
Community development	-	218,160	138,398
Public improvement costs	-	872,130	-
Pass through payments	-	632,594	375,048
Debt service:			
Principal	124,000	1,350,113	490,000
Interest and fiscal charges	357,063	731,186	302,151
Total Expenditures	493,730	3,859,723	1,329,403
EXESS OF REVENUES OVER (UNDER) EXPENDITURES	221,333	(1,102,834)	17,474
OTHER FINANCING SOURCES (USES)			
Proceeds from loans/advances	-	1,216,852	-
Transfers (out) to from the City of Whittier	-	-	-
Transfers in (note 7)	-	-	-
Transfers out (note 7)	(108,761)	(52,963)	-
Total Other Financing Sources (Uses)	(108,761)	1,163,889	-
NET CHANGE IN FUND BALANCES	112,572	61,055	17,474
FUND BALANCES, BEGINNING OF FISCAL YEAR	7,356,885	13,206,042	951,058
FUND BALANCES, END OF FISCAL YEAR	$ 7,469,457	13,267,097	968,532

See accompanying notes to basic financial statements.

DEBT SERVICE FUND

Whittier Boulevard	Commercial Corridor	Non-Major Governmental Funds	Total
1,155,763	2,219,142	1,178,583	9,265,041
4,127	51,608	99,636	256,085
-	-	2,631	9,193
1,159,890	2,270,750	1,280,850	9,530,319
-	-	721,413	721,413
24,186	49,279	94,251	259,729
125,464	624,771	276,355	1,383,148
403,072	-	515,236	1,790,438
17,457	554,776	4,974	1,584,849
854,913	855,000	186,000	3,860,026
295,944	592,394	535,596	2,814,334
1,721,036	2,676,220	2,333,825	12,413,937
(561,146)	(405,470)	(1,052,975)	(2,883,618)
505,403	-	380,000	2,102,255
-	-	(3,550)	(3,550)
-	-	3,124,681	3,124,681
-	(2,758,085)	(204,872)	(3,124,681)
505,403	(2,758,085)	3,296,259	2,098,705
(55,743)	(3,163,555)	2,243,284	(784,913)
1,360,538	11,497,594	22,772,414	57,144,531
1,304,795	8,334,039	25,015,698	56,359,618

WHITTIER REDEVELOPMENT AGENCY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

Net Change in Fund Balances - Governmental Funds		$ (784,913)
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 cost of these assets are allocated over their estimated useful lives and reported as depreciation expense. The components of capital outlay related costs not reported in the statement of activities for the current period are as follows:		
Depreciation expense		(21,659)
Repayment of long-term debt principal is reported as an expenditure in governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. However, the principal payments reduced the liabilities in the statement of net assets and do not result in an expense in the statement of activities. The Agency's long-term debt was reduced because principal payments were made to bondholders.		
Tax allocation bonds	675,000	
Tax allocation loans	370,000	1,045,000
Advances and loan repayments are reported as revenues and expenditures in governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. However, advances and repayment of advances increase/reduce the liabilities in the statement of net assets and do not result in income/expense in the statement of activities. The Agency's advances were increased/reduced because of the net advance/payments made to the note holder.		
Loan payable additions	(1,275,202)	
Advances from the City of Whittier	(827,053)	(2,102,255)
Repayment of loans payable	1,029,427	
Repayment of advances from the City of Whittier	1,785,599	2,815,026
Accrued interest expense on long-term debt is reported in the statement of activities but does not require the use of current financial resources. Amortization of bond premiums, discounts and deferred amounts on refunding are expensed as a component of interest expense on the statement of activities. This amount represents the net accrued interest expense and the amortization of bond premiums, discounts and deferred amounts on refunding not reported in governmental funds.		
Decrease in accrued interest expense	7,509	
Amortization of deferred charges	(39,375)	(31,866)
Change in net assets of governmental activities		$ 919,333

See accompanying notes to basic financial statements.

WHITTIER REDEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
LOW AND MODERATE HOUSING – EARTHQUAKE RECOVERY SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Tax increment	$ 691,000	691,000	674,425	(16,575)
Use of money and property	16,400	16,400	34,076	17,676
Other	-	-	6,562	6,562
Total Revenues	707,400	707,400	715,063	7,663
EXPENDITURES				
Current:				
Professional services	14,820	14,820	12,667	2,153
Debt service:				
Principal	124,000	124,000	124,000	-
Interest and fiscal charges	357,063	357,063	357,063	-
Total Expenditures	495,883	495,883	493,730	2,153
Excess (Deficiency) of Revenues Over (Under) Expenditures	211,517	211,517	221,333	5,510
OTHER FINANCING SOURCES (USES)				
Transfers out	(33,000)	(275,192)	(108,761)	166,431
Total Other Financing Sources (Uses)	(33,000)	(275,192)	(108,761)	166,431
Net Change in Fund Balance	178,517	(63,675)	112,572	171,941
Fund Balance at Beginning of Fiscal Year	7,356,885	7,356,885	7,356,885	-
Fund Balance at End of Fiscal Year	$ 7,535,402	7,293,210	7,469,457	171,941

See accompanying notes to basic financial statements.

NOTE 1 – DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose

The Whittier Redevelopment Agency (the Agency) was established on September 21, 1971 pursuant to the State of California Health and Safety Code, Section 33000. Its purpose is to prepare and carry out plans for the improvement, rehabilitation, and development of blighted areas within the territorial limits of the City of Whittier (the City).

The Agency is an integral part of the reporting entity of the City; therefore, the accompanying component unit financial statements of the Agency are included within the scope of the basic financial statements of the City because the City Council is the governing board over the operations of the Agency. Only the funds of the Agency are included herein; therefore, these financial statements do not purport to represent the financial position or results of operations of the City of Whittier, California.

Four project areas have been created within the Agency as follows:

Greenleaf/Uptown Project Area
Created February 1974, amended November 1993

Whittier Boulevard Project Area
Created November 1978, amended February 1992

Whittier Earthquake Recovery Project Area
Created November 1987

Commercial Corridor Project Area
Created March 2002

B. Basis of Accounting and Measurement Focus

The *basic financial statements* of the Agency are composed of the following:

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to Basic Financial Statements

NOTE 1 – DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting and Measurement Focus (Continued)

Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole.

Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the Agency.

The accompanying government-wide financial statements for the Agency present negative net assets because the primary activity of the Agency is to issue debt to provide incentives for redevelopment activities.

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transaction are recognized in accordance with the requirements of GASB Statement No. 33.

Program revenues include charges for services and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

NOTE 1 – DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting and Measurement Focus (Continued)

Fund Financial Statements

The underlying accounting system of the Agency is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually and non-major funds in the aggregate for governmental funds.

C. Major Funds

Governmental Accounting Standards Board Statement (GASB) No. 34 defines major funds and requires that the Agency's major governmental type funds be identified and presented separately in the fund financial statements. Major funds are defined as funds that have either assets, liabilities, revenues, or expenditures equal to ten percent of their fund-type total and five percent of the grand total.

The Agency reported the following major governmental funds in the accompanying financial statements:

Low and Moderate Housing - Earthquake Recovery Special Revenue Fund - To account for financial resources supplied by the 20% set-aside of the property tax increment restricted for low and moderate income housing in the Earthquake Recovery Project Area.

Earthquake Recovery, Greenleaf/Uptown, Whittier Boulevard and Commercial Corridor Debt Service Funds - These funds account for debt service payments on the Agency's long-term debt issues within each of their respective project areas.

NOTE 1 – DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the current financial resources measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable and available*. The Agency considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds from general long-term debt issuance and acquisitions under capital leases are reported as *other financing sources*.

Non-exchange transactions, in which the Agency gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Under the terms of grant agreements, the Agency funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. The Agency's policy is to first apply restricted before unrestricted revenue.

E. Accounting Policies

Revenue

The Agency's primary source of revenue is property taxes, referred to as "tax increment". Property taxes allocated to the Agency are computed in the following manner:

a. The assessed valuation of all property in the Project Area is determined on the date of adoption of the Redevelopment Plan by a designation of a fiscal year assessment roll.

b. Property taxes related to any incremental increase in assessed values after the adoption of a Redevelopment Plan are allocated to the Agency.

NOTE 1 – DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Accounting Policies (Continued)

The Agency has no power to levy and collect taxes and any legislative property tax reduction would lower the amount of tax revenues that would otherwise be available to pay the principal and interest on bonds or loans. Conversely, any increase in the tax rate or assessed valuation or any elimination of present exemptions would increase the amount of tax revenues that would be available to pay principal and interest on bonds or loans.

The Agency is also authorized to finance the Redevelopment Plan from other sources, including assistance from the City, the State and Federal government, interest income and the issuance of Agency debt.

Property Taxes

Revenue is recognized in the fiscal year for which the tax and assessment is levied. The County of Los Angeles levies, bills, and collects property taxes for the Agency; the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1 of the preceding fiscal year.

Secured property tax is due in two installments, on November 1 and February 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1 and becomes delinquent on August 31.

F. Budgets and Budgetary Accounting

Budgets for governmental funds (which include encumbrances, land acquisitions and dispositions, and escrow fund releases) are adopted on a basis which differs from accounting principles generally accepted in the United States of America (US-GAAP).

The Governing Board approves each year's budget submitted by the Executive Director prior to the beginning of the new fiscal year. Supplemental appropriations, where required during the period, are also approved by the Board. In most cases, expenditures may not exceed appropriations at the fund level. At year end, all operating budget appropriations lapse with the exception of encumbrances and continuing appropriations.

G. Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, deferred loss on refundings, and issuance costs, are deferred and amortized over the life of the bonds.

NOTE 1 – DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. Land held for resale

Land held for resale is capitalized at the lower of acquisition cost or estimated resale value.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments are reported as follows in the accompanying financial statements:

Cash and investments	$	12,383,484
Restricted assets:		
Cash and investments		33,604,298
Total cash and investments	$	45,987,782

Cash and investments held by the Agency at June 30, 2011 consisted of the following:

Deposits	$	815,618
Investments		45,172,164
Total cash and investments	$	45,987,782

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by the California Government Code and the Agency's Investment Policy

The table below identifies the investment types that are authorized for the Agency by the California Government Code (or the Agency's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Agency's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the Agency, rather than the general provisions of the California Government Code or the Agency's investment policy.

Investment Types Authorized by State Law	Authorized by Investment Policy	Maximum Maturity*	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer*
Local Agency Investment Fund (LAIF)	Yes	N/A	50%	None
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	60%	None
Certificates of Deposits	Yes	5 years	30%	None
Bankers Acceptance, Prime Quality	Yes	180 days	20%	10%
Commercial Paper, Prime Quality	Yes	270 days	20%	10%
Medium Term Corporate Notes	Yes	5 years	30%	None
JPA Pools (other investment pools)	Yes	N/A	20%	None

*Based on state law requirements or investment policy requirements, whichever is more restrictive

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Agency's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Certificates of Deposits with Bank Savings & Loans	None	None	None
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	5 years	None	None
Commercial Paper	5 years	None	None
Money Market Mutual Funds - U.S. Treasury	N/A	None	None
Investment Contracts	30 years	None	None
Medium-Term Corporate Notes, Prime Quality	5 years	None	None
Local Agency Investment Fund (State Pool)	None	None	None
California-Sponsored Investment Pool	None	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Agency’s investments are managed to provide sufficient liquidity for operations and meeting debt service obligations.

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Information about the sensitivity of the fair values of the Agency's investments and those held by bond trustees to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity:

		Remaining Maturity (in Months)
Investment Type	Total	6 Months or less
Local Agency Investment Fund (State Pool)	$ 10,403,467	10,403,467
U.S. Treasury Bill	1,999,960	1,999,960
Held by Fiscal Agent:		
Money Market Funds	1,547,408	1,547,408
Local Agency Investment Fund (State Pool)	27,903,445	27,903,445
U.S. Treasury Bill	2,422,952	2,422,952
Federal Agency Securities	894,932	894,932
Total	$ 45,172,164	45,172,164

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Agency's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

				Rating as of Fiscal Year End	
Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	AAA	Not Rated
Local Agency Investment Fund (State Pool)	$ 10,403,467	N/A	-	-	10,403,467
U.S. Treasury Bill	1,999,960	N/A	1,999,960	-	-
Held by Fiscal Agent:					
Money Market Funds	1,547,408	AAA	-	1,547,408	-
Local Agency Investment Fund (State Pool)	27,903,445	N/A	-	-	27,903,445
U.S. Treasury Bill	2,422,952	N/A	2,422,952	-	-
Federal Agency Securities	894,932	AAA	-	894,932	-
Total	$ 45,172,164		4,422,912	2,442,340	38,306,912

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

The investment policy of the Agency contains limitations on the amount that can be invested in any one issuer. There were no investments in any one issuer (other than U.S. Treasury securities, mutual funds and external investment pools) that represent 5% or more of total Agency investments.

Custodial Credit Risk

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 its 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 (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

For investments identified herein as held by bond trustee, the bond trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the Agency.

Investment in State Investment Pool

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

NOTE 3 – NOTES AND LOANS RECEIVABLE

	Outstanding Balance June 30, 2011
During the 2000-01 fiscal year, the Agency implemented the Whittier CARE loan program. The program provides non-interest bearing loans to eligible homeowners for improvements to their owner or tenant occupied residence located in a specified area. The loans range from $2,000 to $25,000, are secured by agreements and covenants and may be written off after 5 years if the homeowner is in compliance with the program's requirements. Repayment occurs if the property is sold or the requirements are not complied with within the 5 year period. As of June 30, 2011, thirty-six families have received CARE loans and thirty-four loans were either paid or forgiven.	$ 50,175
During fiscal year 1997-98, the Agency approved the First-Time Homebuyer Program. Since then, the Agency has loaned $1,585,000 to seventy-seven families. The program provides "silent second" loans to homebuyers of low and moderate income. The loans are interest free with no payments for the first five years, after which the borrowers pay 5% per year. Starting in the sixth year, one-fifteenth of the loan is forgiven each year, so that at the end of 20 years the entire loan is forgiven. If the Borrower ceases to be the owner-occupant, the loan becomes due and payable. During the fiscal year ended June 30, 2011, $46,892 in loan principal was either paid or forgiven.	253,089
During fiscal year 1985-86, the Agency loaned the developer of the William Penn Manor Project, $500,000 for the site acquisition. During fiscal year 1989-90, William Penn Manor borrowed an additional $103,401 from the Agency, using Community Development Block Grant Funds, for a total of $603,401. This loan is non-interest bearing and is to be repaid to the Agency upon the recording of a construction loan to the developer for development of the site and the sale, transfer, conveyance, or refinancing of the site, or any part thereof, by developer, with the exception that such sale, transfer, conveyance, or refinancing must be approved in writing by the Agency. The loan is evidenced by a promissory note and secured by a first deed of trust. The William Penn Manor project is the development of the William Penn Manor, a 75 unit dwelling project to be occupied by low income senior citizens.	603,401

NOTE 3 – NOTES AND LOANS RECEIVABLE (CONTINUED)

	Outstanding Balance June 30, 2011
During fiscal year 2010-11, the Agency implemented the Gables of Whittier affordable Home Ownership Loan Program ("Program"). The Program provides "silent second" loans to homebuyers of low and moderate income. Homes purchased under this program have specific resale restrictions that intend to maintain the affordable units for a minimum of 45 years. The Agency's assistance is a deferred loan with no annual accruing interest, except in some cases for the Equity Appreciation Share in which the homebuyer has intentions to resale the property. The loan will not become due unless a sale or transfer of the property to an eligible buyer occurs. As of June 30, 2011, eight families received assistance from the Program.	1,177,600
During the fiscal year 1999-2000, the City and the Whittier Redevelopment Agency (Agency) had entered into an affordable housing project agreement with Seasons Uptown Whittier, L.P. (Hoover). In the agreement, the City and Agency would assist Hoover in the financing of the acquisition and development of the 50 senior apartment units project by providing Hoover with two residual receipts loans from the Agency's Low and Moderate Income Housing Fund and the City's HOME fund. The first promissory note with the original principal of $845,045 is an interest compounded loan at the long-term applicable federal rate as defined in Internal Revenue Code Section 1274(d)(1). The second promissory note in the original principal amount of $494,003 is a non-interest bearing loan. Both notes shall be paid over a period of fifty-five years and secured by a first deed of trust. The borrower is obligated to repay the principal amount of the notes and the accrued interest each month in which there is positive cash flow as defined in the notes. During the fiscal year 2010-11, $12,382 was repaid.	1,028,548
Totals	$ 3,112,813

NOTES 4 – INVESTMENT – LAND HELD FOR RESALE

The Whittier Redevelopment Agency has acquired several parcels of land as part of its primary purpose to develop or redevelop blighted properties. During the fiscal year ended June 30, 2011, the Agency purchased property on Washington and Whittier Boulevard in the amount of $2,738,871 for future development. The Agency records these parcels as "land held for resale" in its financial records.

At June 30, 2011, the net realizable value for all land held for resale totaled $8,340,075.

NOTE 5 – CAPTIAL ASSETS

All capital assets with an initial cost of $10,000 are capitalized and valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair value on the date contributed.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these capital assets. The amount charged to depreciation expense each fiscal year represents that fiscal year's pro rata share of the cost of capital assets.

Governmental Accounting Standards Board Statement (GASB) No. 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. Depreciation of all capital assets is charged as an expense against operations each fiscal year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the balance sheet as a reduction in the book value of capital assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the capital asset constructed, net of interest earned on the invested proceeds over the same period.

Buildings and improvements are depreciated using the straight line method over estimated useful lives of 30 years. Machinery and equipment is depreciated over 7 years using the straight line method.

Capital asset activity for the fiscal year ended June 30, 2011 was as follows:

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Capital assets, not being depreciated:				
Land	$ 2,625,434	-	-	2,625,434
Total capital assets, not being depreciated	2,625,434	-	-	2,625,434
Capital assets, being depreciated:				
Buildings and improvements	1,797,600	-	-	1,797,600
Total capital assets, being depreciated	1,797,600	-	-	1,797,600
Less accumulated depreciation for:				
Buildings and improvements	(1,602,668)	(21,659)	-	(1,624,327)
Total accumulated depreciation	(1,602,668)	(21,659)	-	(1,624,327)
Total capital assets, being depreciated, net	194,932	(21,659)	-	173,273
Capital assets, net	$ 2,820,366	(21,659)	-	2,798,707

Depreciation expense of $21,659 was charged to community development in the Statement of Activities.

NOTE 6 – LONG-TERM DEBT

A. 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, 2011:

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Due in One Year
Greenleaf/Uptown Project Area:					
Loans:					
2010-11 Operating Loan	$ -	200,000	(200,000)	-	-
2007B Taxable Tax Allocation Bonds	3,017,000	-	(62,000)	2,955,000	65,000
Public Financing Authority -					
2002 Tax Allocation Loan Issue	5,770,000	-	(290,000)	5,480,000	305,000
Total Greenleaf/Uptown Project Area	8,787,000	200,000	(552,000)	8,435,000	370,000
Earthquake Recovery Project Area:					
Loans:					
Quad Sales Tax Loan	345,599	344,722	(345,599)	344,722	-
Loan from Developer:					
Principal (Quad)	3,052,960	856,783	(644,514)	3,265,229	702,000
Matured interest added to Principal (Quad)	212,284	15,347	-	227,631	-
2005 Tax Allocation Bonds	7,140,000	-	(160,000)	6,980,000	165,000
2007B Taxable Tax Allocation Bonds	6,034,000	-	(124,000)	5,910,000	130,000
Public Financing Authority -					
2007 Tax Allocation Loan Issue	8,690,000	-	(200,000)	8,490,000	200,000
Total Earthquake Recovery Project Area	25,474,843	1,216,852	(1,474,113)	25,217,582	1,197,000
Whittier Boulevard Project Area:					
Loans:					
Urbatec Construction Loan	2,744,532	-	-	2,744,532	-
1994-95 Operating Loan	405,000	-	-	405,000	-
1995-96 Operating Loan	314,200	-	-	314,200	-
1996-97 Operating Loan	160,000	-	-	160,000	-
1997-98 Operating Loan	300,000	-	-	300,000	-
2002-03 Operating Loan	50,000	-	-	50,000	-
2003-04 Operating Loan	50,000	-	-	50,000	-
2004-05 Operating Loan	121,931	-	-	121,931	-
2005-06 Operating Loan	70,000	-	-	70,000	-
2006-07 Operating Loan	150,000	-	-	150,000	-
2010-11 Operating Loan	-	30,000	(30,000)	-	-
Urbatec Sales Tax Loan	1,465,246	102,331	-	1,567,577	-
Matured interest added to principal:					
Urbatec Construction Loan	660,478	-	(270,000)	390,478	-
1994-95 Operating Loan	95,495	-	-	95,495	-
1995-96 Operating Loan	41,753	-	-	41,753	-
1996-97 Operating Loan	14,316	-	-	14,316	-
Loan from Developer (Urbatec):					
Principal - DDA	1,225,488	379,066	(384,913)	1,219,641	416,000
Matured interest added to principal:	265,583	24,006	-	289,589	-
2007B Taxable Tax Allocation Bonds	3,017,000	-	(62,000)	2,955,000	65,000
Public Financing Authority -					
2007 Tax Allocation Loan Issue	6,005,000	-	(170,000)	5,835,000	175,000
Total Whittier Boulevard Project Area	$ 17,156,022	535,403	(916,913)	16,774,512	656,000

NOTE 6 – LONG-TERM DEBT (CONTINUED)

A. Changes in Long-Term Debt (Continued)

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Due in One Year
Commercial Corridor Project Area:					
Loans:					
2009-10 Operating Loan	$ 550,000	-	(550,000)	-	-
2010-11 Operating Loan	-	150,000	(100,000)	50,000	-
2007A Tax Allocation Bonds	12,145,000	-	(205,000)	11,940,000	215,000
2007B Taxable Tax Allocation Bonds	3,017,000	-	(62,000)	2,955,000	65,000
Total Commercial Corridor Project Area	15,712,000	150,000	(917,000)	14,945,000	280,000
Total Long-Term Debt	$ 67,129,865	2,102,255	(3,860,026)	65,372,094	2,503,000

2005 Tax Allocation Bonds

On June 14, 2005, the Whittier Redevelopment Agency issued $7,730,000 of 2005 Tax Allocation Bonds. Proceeds from the sale of the Bonds will be used to (i) finance redevelopment activities within or for the benefit of the Agency's Whittier Earthquake Recovery Redevelopment Project (the "Project Area"), (ii) purchase a reserve fund surety bond in lieu of cash funding a reserve account for the Bonds; and (iii) provide for the costs of issuing. The principal of the bonds is payable commencing on November 1, 2006 through November 1, 2035, and interest is payable semi-annually each May 1 and November 1 beginning November 1, 2005. Interest rates range from 3.0% to 5.0%. The reserve requirement was $488,458 and the reserve as of June 30, 2011 was $488,500. The bond principal amount outstanding at June 30, 2011 is $6,980,000.

The future minimum debt commitment is as follows:

Year Ending June 30,	Principal	Interest	Total
2012	$ 165,000	314,142	479,142
2013	170,000	308,801	478,801
2014	175,000	302,976	477,976
2015	185,000	296,676	481,676
2016	190,000	289,995	479,995
2017-2021	1,080,000	1,330,013	2,410,013
2022-2026	1,315,000	1,079,290	2,394,290
2027-2031	1,625,000	729,375	2,354,375
2032-2036	2,075,000	269,375	2,344,375
	$ 6,980,000	4,920,643	11,900,643

NOTE 6 – LONG-TERM DEBT (CONTINUED)

B. 2007A Tax Allocation Bonds

On May 24, 2007, the Whittier Redevelopment Agency issued $18,695,000 of Tax Allocation Bonds, 2007 Series A ("Bonds"), Proceeds from the sale of the Bonds will be used to (i) finance redevelopment activities within or for the benefit of the Agency's Commercial Corridor Redevelopment Project (the "Project Area.") in the City of Whittier, (ii) fund a reserve account for the Bonds, (iii) fund net capitalizable interest with respect to a position of the Bonds through May 1, 2010, and (iv) provide for the costs of issuing the Bonds. The principal of the Bonds is payable commencing on November 1, 2007 through November 1, 2038, and interest is payable semiannually each May 1 and November 1 beginning November 1, 2007. Interest rates range from 3.9% to 4.875%. The reserve requirement was $801,000 and the reserve as of June 30, 2011 was $801,000. The principal amount outstanding at June 30, 2011 is $11,940,000.

Year Ending June 30,	Principal	Interest	Total
2012	$ 215,000	581,195	796,195
2013	220,000	571,950	791,950
2014	230,000	562,160	792,160
2015	240,000	551,700	791,700
2016	250,000	540,550	790,550
2017-2021	1,450,000	2,508,505	3,958,505
2022-2026	1,835,000	2,112,762	3,947,762
2027-2031	2,340,000	1,593,750	3,933,750
2032-2036	2,985,000	931,125	3,916,125
2037-2039	2,175,000	166,625	2,341,625
	$ 11,940,000	10,120,322	22,060,322

NOTE 6 – LONG-TERM DEBT (CONTINUED)

C. 2007B Taxable Tax Allocation Bonds

On May 24, 2007, the Whittier Redevelopment Agency issued $15,660,000 of Taxable Tax Allocation Bonds, 2007 Series B ("Bonds"). Proceeds from the sale of the Bonds will be used to (i) finance low and moderate income housing activities throughout the geographic boundaries of the City of Whittier, (ii) fund a reserve account for the Bonds; and (iii) provide for the costs of issuing the Bonds. The principal of the bonds is payable commencing on November 1, 2007 through November 1, 2038, and interest is payable semi-annually each May 1 and November 1 beginning November 1, 2008. Interest rates range from 5.50% to 6.09%. The reserve requirement was $1,212,808 and the reserve as of June 30, 2011 was $1,213,635. The principal amount outstanding at June 30, 2011 is $14,775,000.

Year Ending June 30,	Principal	Interest	Total
2012	$ 325,000	875,196	1,200,196
2013	340,000	856,908	1,196,908
2014	360,000	837,658	1,197,658
2015	380,000	817,308	1,197,308
2016	395,000	795,995	1,190,995
2017-2021	2,315,000	3,608,232	5,923,232
2022-2026	3,055,000	2,801,555	5,856,555
2027-2031	3,105,000	1,825,633	4,930,633
2032-2036	2,665,000	955,670	3,620,670
2037-2039	1,835,000	174,584	2,009,584
	$ 14,775,000	13,548,739	28,323,739

NOTE 6 – LONG-TERM DEBT (CONTINUED)

D. City Loans

The City of Whittier has loaned/advanced the Agency funds annually for operations. The total amount of loans outstanding at June 30, 2011 was $12,350,004. With the exception of the 2002 Public Financing Authority loan, all loans accrue interest annually. Interest is either paid annually or added to the principal portion of the loan. Due to the nature of the loans, no repayment period has been stated in the loan; rather interest and principal are repaid when funds become available.

The following is a schedule of changes in loan/advance balances for the fiscal year ending June 30, 2011:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Due in One Year
Greenleaf/Uptown Project Area	$ 5,770,000	200,000	(490,000)	5,480,000	305,000
Earthquake Recovery Project Area	345,599	344,722	(345,599)	344,722	-
Whittier Boulevard Project Area	6,642,951	132,331	(300,000)	6,475,282	-
Commercial Corridor Project Area	550,000	150,000	(650,000)	50,000	-
	$ 13,308,550	827,053	(1,785,599)	12,350,004	305,000

These balances are included in part (a) of this note.

E. Whittier Public Financing Authority 2002 Tax Allocation Loan

During the fiscal year ended June 30, 2002, the Agency entered into a $7,505,000 loan agreement with the Whittier Public Financing Authority ("Authority") whereby the Authority agreed to loan the proceeds of its 2002 Tax Allocation Revenue Bonds, Series A, to the Greenleaf/Uptown Project Area of the Agency.

The principal of the loan is payable in installments commencing on November 1, 2003 through November 1, 2023 and interest is payable semi-annually each November 1 and May 1 beginning November 1, 2002 at rates ranging from 2.50% to 5.60%.

Principal and interest on the loan is payable by the Agency to the bond trustee, as assignee of the Authority under the indenture.

The amount of loan principal outstanding at June 30, 2011 is $5,480,000.

NOTE 6 – LONG-TERM DEBT (CONTINUED)

F. Whittier Public Financing Authority 2002 Tax Allocation Loan (Continued)

The following schedule represents the minimum debt service requirements of the loan:

Year Ending June 30,	Principal	Interest	Total
2012	$ 305,000	288,473	593,473
2013	320,000	273,000	593,000
2014	335,000	256,290	591,290
2015	350,000	238,305	588,305
2016	370,000	219,040	589,040
2017-2021	2,180,000	759,446	2,939,446
2022-2024	1,620,000	136,950	1,756,950
	$ 5,480,000	2,171,504	7,651,504

G. Whittier Public Financing Authority 2007 Tax Allocation Loan

On August 1, 2007, the Agency entered into a $15,425,000 loan agreement with the Whittier Public Financing Authority whereby the Authority agreed to loan the proceeds of its 2007 Revenue Bonds, Series A, to the Whittier Boulevard Redevelopment Project Area of the Agency in the amount of $6,320,000. The remaining proceeds in the amount of $9,105,000 were loaned to the Earthquake Recovery Redevelopment Project Area of the Agency. The proceeds of $5,790,000 were used to advance refund the 1998 Tax Allocation Refunding Bonds ("1998 TABS").

The principal of the loan is payable in installments commencing on November 1, 2008 through November 1, 2038 and interest is payable semi-annually each November 1 and May 1 beginning November 1, 2008. Interest rates range from 4.00% to 5.00%. Principal and interest on the loan is payable by the Agency to the bond trustee, as assignee of the Authority under the indenture. The 1998 TABS were deposited in an irrevocable trust with an escrow agent. As a result, these 1998 TABS are considered to be defeased and the liability for those bonds has been removed from the statement of net assets.

The advance refunding resulted in a difference between the reacquisition price (amount placed in the escrow account) and the net carrying amount of the old debt of $162,513. This difference, reported in the accompanying financial statements as a deferred refunding charge, is being charged to operations through the year 2038 using the straight line method. The Authority completed the advance refunding to reduce the cash flows associated with its debt service payments over the next 30 years by $617,202 and to obtain a net economic gain (difference between the present values of the debt service payments on the old debt and the new debt) of $364,048. The amount of the Bonds outstanding at June 30, 2011 is $14,325,000.

NOTE 6 – LONG-TERM DEBT (CONTINUED)

G. Whittier Public Financing Authority 2007 Tax Allocation Loan (Continued)

The principal of the loan is payable in installments commencing on November 1, 2008 through November 1, 2038 and interest is payable semi-annually each November 1 and May 1 beginning November 1, 2008. Interest rates range from 4.00% to 5.00%. Principal and interest on the loan is payable by the Agency to the bond trustee, as assignee of the Authority under the indenture. The amount of loan principal outstanding at June 30, 2011 is $14,325,000.

The following schedule represents the minimum debt service requirements of the loan:

Year Ending June 30,	Principal	Interest	Total
2012	$ 375,000	668,463	1,043,463
2013	385,000	653,263	1,038,263
2014	390,000	637,763	1,027,763
2015	395,000	622,063	1,017,063
2016	400,000	606,162	1,006,162
2017-2021	2,090,000	2,777,403	4,867,403
2022-2026	4,230,000	1,944,092	6,174,092
2027-2031	2,695,000	1,188,125	3,883,125
2032-2036	1,310,000	635,750	1,945,750
2037-2039	2,055,000	156,625	2,211,625
	$ 14,325,000	9,889,709	24,214,709

NOTE 6 – LONG-TERM DEBT (CONTINUED)

H. Description of Other Loans Outstanding as of June 30, 2011 is as follows:

	Outstanding Balance June 30, 2011
Quad Loan - the Whittier Redevelopment Agency has obligated an amount to GMS Realty, the owner of the Whittier Quad Shopping Center, pursuant to a Disposition and Development Agreement (DDA) dated October 20, 1988, a First Implementation Agreement dated November 16, 1990, a Second Implementation Agreement dated November 16, 1995 and an Amended and Restated DDA dated August 9, 1996. The Agency orginally entered into a Disposition and Development Agreement with Ahmanson, a developer, for the development of the Whittier Quad, a retail and commercial shopping center. The Quad was sold to GMS Realty during fiscal year 1996-97. The amended DDA staes that the Agency has obligated 61.6% of gross property tax increment and 50% of sales tax revenues generated by the project. These two revenue sources will be used by the Agency to reimburse the developer for assessment district payments and City administrative costs on the Community Facilities District Bond 91-1 issued to finance the project less certain costs related to the December 1998 Refunding Bond. In the event, however, that the tax increment and 50% of the sales tax generated by the Center are insufficient to cover the reimbursement, the balance becomes a loan from the owner of the Quad to the Agency at an annual interest rate of 8% from 1991-92 through 19993-94, 0% from 1994-95 through 1997-98, 3% from 1988-99 through 2001-02, 6% from 2002-03 through 2004-05 and 7% thereafter. Repayment of the remaining debt is still limited to the project's property tax increment and 50% of the sales tax.	$ 3,492,860

NOTE 6 – LONG-TERM DEBT (CONTINUED)

H. Description of Other Loans Outstanding as of June 30, 2011 is as follows (Continued):

	Outstanding Balance June 30, 2011
Urbatec Loan - The Agency entered into a Disposition and Development Agreement (DDA) with Urbatec, a developer, for the development of the Whittier Marketplace, a retail and commercial shopping center. The Agency obligated 80% of net tax increment and 50% of sales tax revenues generated by the project. The agreement was dated August 1988, amended in January, 1989 and amended through court order in June, 1996. These two revenue sources will be used by the Agency to reimburse the developer for assessment district payments less $50,000 and certain City administrative costs on the Community Facilities District Bond 89-1 issued to finance the project, refunded in August 1998.	
In the event, however, that the tax increment and 50% of the sales tax generated by the center are insufficient to cover the reimbursement, the balance becomes a loan from Urbatec to the Agency at 2% annual interest (was at 8% prior to fiscal year 1996-97). Repayment of the remaining debt is still limited to the project's property tax increment and 50% of the sales tax.	1,509,230
Total Loans Payable	$ 5,002,090

No minimum debt service request is presented due to the fact the repayments are calculated based on sales tax revenue generated from the projects as well as tax increment received on the property.

NOTE 7 – INTERFUND ACTIVITY

Interfund activities are as follows:

Advances to/from other funds:

Low and Moderate Housing - Earthquake Recovery Special Revenue Fund to Earthquake Recovery Debt Service Fund	$ 847,707
Non-major Governmental Funds to	
Greenleaf/Uptown Debt Service Fund	732,025
Whittier Boulevard Debt Service Fund	487,517
Commercial Corridor Debt Service Fund	546,878
Total	$ 2,614,127

Advances to/from other funds represents borrowings for the Agency's allocation to the Supplemental Educational Revenue Augmentation Funds ("SERAF") pursuant to Health and Safety Code §33690(c). During the fiscal year ended June 30, 2010, the California State Legislature enacted ABX4 26, which added §33690 and §33690.5 to the Community Development Law (Health and Safety Code §33000 et. seq.) requiring redevelopment agencies to make certain payments to its County SERAF in fiscal years 2009-10 and 2010-11. Health and Safety Code §33690(c) provides that if a redevelopment agency is unable to make its full SERAF payment for 2009-10 with redevelopment funds, the agency may borrow from its Low and Moderate Income Housing Fund set aside monies. The borrowed funds are to be fully repaid to the Low and Moderate Income Housing Funds by June 30, 2015.

Transfers between funds:

Non-major Governmental Fund from		
Low and Moderate Housing - Earthquake Recovery Special Revenue Fund	$ 108,761	(A)
Earthquake Recovery Debt Service Fund	52,963	(B)
Commercial Corridor Debt Service Fund	2,758,085	(B)
Non-major Governmental Funds	204,872	(A)
Total	$ 3,124,681	

Transfers were used to: (A) reimburse Combined Low and Moderate Income Housing fund for expenditures incurred and (B) transfer capital project expenditures reimbursed from bond proceeds in debt service funds to capital project funds.

NOTE 8 – PLEDGED REVENUES

The Agency has a number of debt issuances outstanding that are collateralized by the pledging of the redevelopment agency tax increment revenues. The amount and term of the remainder of these commitments are indicated in the debt service to maturity tables presented in the accompanying notes. The purposes for which the proceeds of the related debt issuances were utilized are disclosed in the debt descriptions in the accompanying notes. For the current year, debt service payments as a percentage of the pledged gross revenue (or net of certain expenses where so required by the debt agreement) are indicated in the table below.

These percentages also approximate the relationship of debt service to pledged revenue for the remainder of the term of the commitment:

Description of Pledged Revnue	Annual Amount of Pledged Revenue (net of expenses, where required)	Annual Debt Service Payments (of all debt sercured by this revenue)	Debt Service as a Percentage of Pledged Revenue
Tax Increment:			
Earthquake Project Area	$ 3,372,124	1,569,877	47%
Greenleaf/Uptown Project Area	1,674,286	832,272	50%
Whittier Boulevard Project Area	1,444,704	684,200	47%
Commercial Corridor Project Area	2,773,927	1,035,444	37%
Total	$ 9,265,041	4,121,793	

NOTE 9 – NET ASSETS/FUND BALANCE

GASB Statement No. 34 added the concept of Net Assets, which is measured on the full accrual basis, to the concept of Fund Balance, which is measured on the modified accrual basis.

Net Assets
Net Assets are divided into three captions under GASB Statement No. 34. These captions apply only to Net Assets as determined at the government-wide level, and are described below:

Invested in Capital Assets describes the portion of Net Assets which is represented by the current net book value of the Agency's capital assets. Amount as of June 30, 2011 was $2,798,707.

Restricted describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Agency cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low and moderate income housing purposes. The amount as of June 30, 2011 restricted for low and moderate housing was $9,752,659.

Unrestricted describes the portion of Net Assets which are not restricted as to use. The deficit amount as of June 30, 2011 was $18,111,885.

Fund Balance
Fund balance is classified in accordance with GASB issued Statement No. 54, which classifies fund balance into five different components. The components are nonspendable, restricted, committed, assigned and unassigned.

- *Nonspendable* resources are not in spendable form or required to be maintained intact such as an endowment.
- *Restricted* resources are subject to externally enforceable legal restrictions or imposed by law through constitutional provisions or enabling legislation.
- *Committed* resources are constrained to specific purposes by a formal action of the Agency Board such as an ordinance or resolution. The constraint remains binding unless removed in the same formal manner by the Agency Board. Agency action to commit fund balance must occur within the fiscal period while the amount committed may be determined subsequently.
- *Assigned* resources are constrained by the Agency’s intent to be used for specific purposes, but are neither restricted nor committed.
- Per GASB 54, the unassigned classification is to be used when there are negative residual resources in excess of what can be properly classified as nonspendable, restricted, committed or assigned.

NOTE 9 – NET ASSETS/FUND BALANCE (CONTINUED)

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the Agency's policy is to first apply restricted fund balance. When expenditures are incurred for purposes for which committed, assigned or unassigned fund balances are available, the Agency's policy is to first apply committed fund balance. It is at the discretion of the Agency Boards's designee to then apply the remaining expenditures to assigned or unassigned fund balance.

The City Controller has the authority to assign unrestricted fund balance amounts where the Agency's intent is for those amounts to be used for specific purposes. This delegation of authority is for the sole purpose of reporting these amounts in the annual financial statements.

The details of the fund balance classifications as of June 30, 2011 are presented below:

	Special Revenue Fund	Debt Service Funds					
	Low and Moderate Housing-Earthquake Recovery	Earthquake Recovery	Greenleaf/ Uptown	Whittier Boulevard	Commercial Corridor	Non-Major Governmental Funds	Total
Restricted for:							
Community development	$ 7,469,457	-	-	-	-	22,339,357	29,808,814
Bond reserve account	-	-	-	448,000	-	-	448,000
Payment of debt service	-	13,267,097	968,532	856,795	8,334,039	-	23,426,463
Total Restricted	7,469,457	13,267,097	968,532	1,304,795	8,334,039	22,339,357	53,683,277
Assigned:							
Capital improvement project	-	-	-	-	-	2,676,341	2,676,341
Total Assigned	-	-	-	-	-	2,676,341	2,676,341
	$ 7,469,457	13,267,097	968,532	1,304,795	8,334,039	25,015,698	56,359,618

NOTE 10 – SUPPLEMENTAL EDUCATIONAL REVENUE AUGMENTATION FUNDS (SERAF)

On July 24, 2009, the State Legislature passed Assembly Bill ABX4 26, which requires redevelopment agencies statewide to deposit a total of $2.05 billion of property tax increment in county "Supplemental" Educational Revenue Augmentation Funds (SERAF) to be distributed to meet the State's Proposition 98 obligations to schools. The SERAF revenue shift of $2.05 billion is made over two years, $1.7 billion is prior fiscal year 2009-2010 and $349.9 million in current fiscal year 2010-2011. The SERAF would then be paid to school districts and the county offices of education which have students residing in redevelopment project areas, or residing in affordable housing projects financially assisted by a redevelopment agency, thereby relieving the State of payments to those schools. The Agency made a payment of $3,024,847 in fiscal year 2009-2010, and made a current year payment of $622,763. Payments are to be made by May 10 of each respective fiscal year and are being accounted for by the Agency as expenditure in the line item "Supplemental Educational Revenue Augmentation Fund."

There are certain claims against the Agency which have been denied and referred to the Agency insurance carrier. The Agency believes that none of these claims will exceed insurance coverage.

NOTE 11 – COMMITMENTS AND CONTIGENCIES

When adopting its budget for fiscal year 2010-2011, the State of California reflected in that budget a shift of a significant portion of tax increment revenue from redevelopment agencies to school districts for fiscal year 2011-2012.

On June 29, 2011, the Governor of the State of California signed Assembly Bills X1 26 and 27 as part of the State's budget package. Assembly Bill X1 26 requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill X1 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program, each city would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter. Assembly Bill X1 27 indicates that the city "may use any available funds not otherwise obligated for other uses" to make this payment. The City of Whittier intends to use available monies of its redevelopment agency for this purpose and the City and Agency have approved a reimbursement agreement to accomplish that objective. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the state legislature.

Assembly Bill X1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by Assembly Bill X1 26. Additionally, the City might be impacted if reimbursements previously paid by the redevelopment agency to the City for shared administrative services are reduced or eliminated.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills X1 26 and 27 on the grounds that these bills violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay of all of Assembly Bill X1 27 and most of Assembly Bill X1 26. The California Supreme Court stated in its order that "the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012." A second order issued by the California Supreme Court on August 17, 2011 indicated that certain provisions of Assembly Bills X1 26 and 27 were still in effect and not affected by its previous stay, including requirements to file an appeal of the determination of the community remittance payment by August 15, the requirement to adopt an Enforceable Obligation Payment Schedule ("EOPS") by August 29, 2011, and the requirement to prepare a preliminary draft of the initial Recognized Obligation Payment Schedule ("ROPS") by September 30, 2011.

NOTE 11 – COMMITMENTS AND CONTIGENCIES (CONTINUED)

Since the stay provided by Assembly Bill X1 26 only affects enforcement, each agency must adopt an Enforceable Obligation Payment Schedule (EOPS) and draft Recognized Obligation Payment Schedule (ROPS) prior to September 30, as required by the statute. Enforceable obligations include bonds, loans and payments required by the federal or State government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in ABX1 26.

NOTE 12 – SUBSEQUENT EVENT

On July 26, 2011, the City Ordinance No. 2978 was adopted, indicating that the City will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the agency, in the event Assembly Bills X1 26 and/or 27 are upheld as constitutional. The initial payment by the City is estimated to be $2.66 million with one half due on January 15, 2012 and the other half due on May 15, 2012. Thereafter, an estimated $2.66 million will be due annually. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the State Legislature. The semi-annual payments will be due on January 15 and May 15 of each year and would increase or decrease with changes in the tax increment. Additionally, an increased amount would be due to schools if any “new debt” is incurred. This ordinance also requires the Agency to transfer annual portions of its tax increment to the City in amounts not to exceed the annual community remittance payments to enable the City, directly or indirectly, to make the annual remittance payments. The City Council does not intend, by enactment of this ordinance, to pledge any of its General Fund revenues or assets to make the remittance payments. Assembly Bill X1 27 allows a one-year reprieve on the agency’s obligation to contribute 20% of tax increment to the low-and-moderate-income housing fund so as to permit the Agency to assemble sufficient funds to make its initial payments. Failure to make these payments would require agencies to be terminated under the provisions of AB X1 26.

Management believes that the Agency will have sufficient funds to pay its obligations as they become due during the fiscal year ending June 30, 2012. The nature and extent of the operation of redevelopment agencies in the State of California beyond that time frame are dependent upon the outcome of litigation surrounding the actions of the state. In the event that Assembly Bills X1 26 and/or 27 are specifically found by the courts to be unconstitutional, there is possibility that future legislative acts may create new challenges to the ability of redevelopment agencies in the State of California to continue in view of the California State Legislature’s stated intent to eliminate California redevelopment agencies and to reduce their funding.

On August 23, 2011, the Redevelopment Agency adopted the Enforceable Obligation payment Schedule (EOPS), and on September 13, 2011, the Recognized Obligation Payment Schedule (ROPS) was also adopted.

NOTE 12 – SUBSEQUENT EVENT (CONTINUED)

The nature and extent of the operation of redevelopment agencies in the State of California beyond the time of the initial stay, the second stay by the California Supreme Court and the litigation filed by the City of Cerritos and its Agency is unclear and it appears that the operation and future viability of redevelopment agencies in California are dependent upon the outcome of these lawsuits.

SUPPLEMENTARY INFORMATION

WHITTIER REDEVELOPMENT AGENCY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
TAX INCREMENT – EARTHQUAKE RECOVERY DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Tax increment	$ 2,766,000	2,766,000	2,697,699	(68,301)
Use of money and property	67,000	67,000	59,190	(7,810)
Total Revenues	2,833,000	2,833,000	2,756,889	(76,111)
EXPENDITURES				
Current:				
Professional services	60,320	60,320	55,540	4,780
Community development	217,247	217,247	218,160	(913)
Public improvement costs	883,186	883,186	872,130	11,056
Pass through payments	650,000	650,000	632,594	17,406
Debt service:				
Principal	1,405,599	1,405,599	1,350,113	55,486
Interest and fiscal charges	731,493	731,493	731,186	307
Total Expenditures	3,947,845	3,947,845	3,859,723	88,122
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,114,845)	(1,114,845)	(1,102,834)	12,011
OTHER FINANCING SOURCES (USES)				
Proceeds from loans/advances	1,265,186	1,265,186	1,216,852	(48,334)
Transfers out	(500,000)	(500,000)	(52,963)	447,037
Total Other Financing Sources (Uses)	765,186	765,186	1,163,889	398,703
Net Change in Fund Balance	(349,659)	(349,659)	61,055	410,714
Fund Balance at Beginning of Fiscal Year	13,206,042	13,206,042	13,206,042	-
Fund Balance at End of Fiscal Year	$ 12,856,383	12,856,383	13,267,097	410,714

WHITTIER REDEVELOPMENT AGENCY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
TAX INCREMENT – GREENLEAF/UPTOWN DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Tax increment	$ 1,403,000	1,403,000	1,339,429	(63,571)
Use of money and property	7,000	7,000	7,448	448
Total Revenues	1,410,000	1,410,000	1,346,877	(63,123)
EXPENDITURES				
Current:				
Professional services	29,060	29,060	23,806	5,254
Community development	107,975	107,975	138,398	(30,423)
Pass through payments	459,000	459,000	375,048	83,952
Debt service:				
Principal	490,000	490,000	490,000	-
Interest and fiscal charges	300,463	300,463	302,151	(1,688)
Total Expenditures	1,386,498	1,386,498	1,329,403	57,095
Excess (Deficiency) of Revenues Over (Under) Expenditures	23,502	23,502	17,474	(6,028)
OTHER FINANCING SOURCES (USES)				
Transfers in	200,000	200,000	-	(200,000)
Total Other Financing Sources (Uses)	200,000	200,000	-	(200,000)
Net Change in Fund Balance	223,502	223,502	17,474	(206,028)
Fund Balance at Beginning of Fiscal Year	951,058	951,058	951,058	-
Fund Balance at End of Fiscal Year	$ 1,174,560	1,174,560	968,532	(206,028)

WHITTIER REDEVELOPMENT AGENCY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
TAX INCREMENT – WHITTIER BOULEVARD DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Tax increment	$ 1,338,000	1,338,000	1,155,763	(182,237)
Use of money and property	5,700	5,700	4,127	(1,573)
Total Revenues	1,343,700	1,343,700	1,159,890	(183,810)
EXPENDITURES				
Current:				
Professional services	29,760	29,760	24,186	5,574
Community development	121,998	121,998	125,464	(3,466)
Public improvement costs	402,581	402,581	403,072	(491)
Pass through payments	63,000	63,000	17,457	45,543
Debt service:				
Principal	880,000	880,000	854,913	25,087
Interest and fiscal charges	298,095	298,095	295,944	2,151
Total Expenditures	1,795,434	1,795,434	1,721,036	74,398
Excess (Deficiency) of Revenues Over (Under) Expenditures	(451,734)	(451,734)	(561,146)	(109,412)
OTHER FINANCING SOURCES (USES)				
Proceeds from loans/advances	516,581	516,581	505,403	(11,178)
Total Other Financing Sources (Uses)	516,581	516,581	505,403	(11,178)
Net Change in Fund Balance	64,847	64,847	(55,743)	(120,590)
Fund Balance at Beginning of Fiscal Year	1,360,538	1,360,538	1,360,538	-
Fund Balance at End of Fiscal Year	$ 1,425,385	1,425,385	1,304,795	(120,590)

WHITTIER REDEVELOPMENT AGENCY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
TAX INCREMENT – COMMERCIAL CORRIDOR DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Tax increment	$ 2,441,000	2,441,000	2,219,142	(221,858)
Use of money and property	107,000	107,000	51,608	(55,392)
Total Revenues	2,548,000	2,548,000	2,270,750	(277,250)
EXPENDITURES				
Current:				
Professional services	53,820	53,820	49,279	4,541
Community development	820,941	820,941	624,771	196,170
Pass through payments	610,000	910,000	554,776	355,224
Debt service:				
Principal	1,000,000	1,000,000	855,000	145,000
Interest and fiscal charges	902,136	902,136	592,394	309,742
Total Expenditures	3,386,897	3,686,897	2,676,220	1,010,677
Excess (Deficiency) of Revenues Over (Under) Expenditures	(838,897)	(1,138,897)	(405,470)	733,427
OTHER FINANCING SOURCES (USES)				
Transfers out	(3,050,000)	(3,050,000)	(2,758,085)	291,915
Total Other Financing Sources (Uses)	(3,050,000)	(3,050,000)	(2,758,085)	291,915
Net Change in Fund Balance	(3,888,897)	(4,188,897)	(3,163,555)	1,025,342
Fund Balance at Beginning of Fiscal Year	11,497,594	11,497,594	11,497,594	-
Fund Balance at End of Fiscal Year	$ 7,608,697	7,308,697	8,334,039	1,025,342

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Low and Moderate Housing - Commercial Corridor - to account for financial resources supplied by the 20% set-aside of the property tax increment segregated for low and moderate income housing in the Commercial Corridor Project Area.

Low and Moderate Housing - Greenleaf/Uptown - to account for financial resources supplied by the 20% set-aside of the property tax increment segregated for low and moderate income housing in the Greenleaf/Uptown Project Area.

Low and Moderate Housing - Whittier Boulevard - to account for financial resources supplied by the 20% set-aside of the property tax increment segregated for low and moderate income housing in the Whittier Boulevard Project Area.

Combined Low and Moderate Income Housing Special Revenue Fund - This fund receives transfers from project area low and moderate income housing funds and uses these accounts for redevelopment related purposes.

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities.

Whittier Boulevard Capital Projects - to account for financial resources segregated for the acquisition of construction of capital facilities and also costs to administer the Whittier Boulevard Project Area.

Earthquake Recovery and Greenleaf/Uptown Capital Projects Funds - This fund accounts for redevelopment project capital outlays in the Earthquake Recovery project area.

Greenleaf/Uptown Capital Projects Fund – This fund accounts for redevelopment project capital outlays in the Greenleaf/Uptown Project Area.

Commercial Corridor Capital Projects - to account for financial resources segregated for the acquisition or construction of capital facilities and also costs to administer the Commercial Corridor Project Area.

WHITTIER REDEVELOPMENT AGENCY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	Special Revenue Funds			
	Low and Moderate Housing- Commercial Corridor	Low and Moderate Housing- Greenleaf/ Uptown	Low and Moderate Housing- Whittier Boulevard	Combined Low and Moderate Income Housing
ASSETS				
Cash and investments	$ 470,890	2,146,776	1,195,937	-
Restricted assets:				
Cash and investments	3,094,751	3,094,751	3,094,751	-
Receivables:				
Tax increment	43,829	35,290	16,291	-
Interest	2,707	8,122	3,896	-
Notes and loans	-	-	603,401	1,480,864
Due from City of Whittier	-	198	-	-
Advances to other funds	546,878	732,025	487,517	-
Land held for resale	-	-	-	-
Total Assets	$ 4,159,055	6,017,162	5,401,793	1,480,864
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	-	672	-	-
Due to City of Whittier	-	-	-	-
Deposits payable	-	-	-	-
Total Liabilities	-	672	-	-
Fund Balances:				
Restricted	4,159,055	6,016,490	5,401,793	1,480,864
Assigned	-	-	-	-
Total Fund Balances	4,159,055	6,016,490	5,401,793	1,480,864
Total Liabilities and Fund Balances	$ 4,159,055	6,017,162	5,401,793	1,480,864

Capital Projects Funds				
Whittier Boulevard Capital Projects	Earthquake Recovery Capital Projects	Greenleaf/ Uptown Capital Projects	Commercial Corridor Capital Projects	Total
56,877	1,035,275	249,856	590,218	5,745,829
39,950	-	801,347	-	10,125,550
-	-	-	-	95,410
107	1,569	281	793	17,475
-	-	-	-	2,084,265
-	-	-	-	198
-	-	-	-	1,766,420
684,000	529,100	1,329,184	2,738,871	5,281,155
780,934	1,565,944	2,380,668	3,329,882	25,116,302
39,950	4,359	1,181	21,874	68,036
125	5,068	1,500	875	7,568
-	-	-	25,000	25,000
40,075	9,427	2,681	47,749	100,604
684,000	529,100	1,329,184	2,738,871	22,339,357
56,859	1,027,417	1,048,803	543,262	2,676,341
740,859	1,556,517	2,377,987	3,282,133	25,015,698
780,934	1,565,944	2,380,668	3,329,882	25,116,302

WHITTIER REDEVELOPMENT AGENCY
COMBININNG STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	Special Revenue Funds			
	Low and Moderate Housing- Commercial Corridor	Low and Moderate Housing- Greenleaf/ Uptown	Low and Moderate Housing- Whittier Boulevard	Combined Low and Moderate Income Housing
REVENUES				
Tax increment	$ 554,785	334,857	288,941	-
Use of money and property	11,860	19,715	15,474	31,167
Other	-	-	-	-
Total Revenues	566,645	354,572	304,415	31,167
EXPENDITURES				
Current:				
Administrative costs	-	-	-	139,948
Professional services	11,516	5,984	5,645	16,864
Community development	-	-	-	276,355
Public improvement costs	-	-	-	-
Pass through payments	-	-	-	-
Debt service:				
Principal	62,000	62,000	62,000	-
Interest and fiscal charges	178,532	178,532	178,532	-
Total Expenditures	252,048	246,516	246,177	433,167
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	314,597	108,056	58,238	(402,000)
OTHER FINANCING SOURCES (USES)				
Proceeds from loans/advances	-	-	-	-
Transfers (out) to from the City of Whittie	-	-	-	-
Transfers in	-	-	-	313,633
Transfers out	(20,041)	(134,831)	(50,000)	-
Total Other Financing Sources (Uses)	(20,041)	(134,831)	(50,000)	313,633
NET CHANGE IN FUND BALANCES	294,556	(26,775)	8,238	(88,367)
FUND BALANCES, BEGINNING OF FISCAL YEAR	3,864,499	6,043,265	5,393,555	1,569,231
FUND BALANCES, END OF FISCAL YEAR.	$ 4,159,055	6,016,490	5,401,793	1,480,864

Capital Projects Funds				
Whittier Boulevard Capital Projects	Earthquake Recovery Capital Projects	Greenleaf/ Uptown Capital Projects	Commerical Corridor Capital Projects	Total
-	-	-	-	1,178,583
419	4,926	13,454	2,621	99,636
2,631	-	-	-	2,631
3,050	4,926	13,454	2,621	1,280,850
-	137,131	136,608	307,726	721,413
2,413	21,190	13,195	17,444	94,251
-	-	-	-	276,355
11,492	239,572	12,564	251,608	515,236
4,974	-	-	-	4,974
-	-	-	-	186,000
-	-	-	-	535,596
18,879	397,893	162,367	576,778	2,333,825
(15,829)	(392,967)	(148,913)	(574,157)	(1,052,975)
30,000	-	200,000	150,000	380,000
-	-	(3,550)	-	(3,550)
-	52,963	-	2,758,085	3,124,681
-	-	-	-	(204,872)
30,000	52,963	196,450	2,908,085	3,296,259
14,171	(340,004)	47,537	2,333,928	2,243,284
726,688	1,896,521	2,330,450	948,205	22,772,414
740,859	1,556,517	2,377,987	3,282,133	25,015,698

WHITTIER REDEVELOPMENT AGENCY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
LOW AND MODERATE HOUSING – COMMERCIAL CORRIDOR SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Tax increment	$ 610,000	610,000	554,785	(55,215)
Use of money and property	11,100	11,100	11,860	760
Total Revenues	621,100	621,100	566,645	(54,455)
EXPENDITURES				
Current:				
Professional services	12,800	12,800	11,516	1,284
Debt Service:				
Principal	62,000	62,000	62,000	-
Interest and fiscal charges	178,532	178,532	178,532	-
Total Expenditures	253,332	253,332	252,048	1,284
Excess (Deficiency) of Revenues Over (Under) Expenditures	367,768	367,768	314,597	(53,171)
OTHER FINANCING SOURCES (USES)				
Transfers out	(40,000)	(2,623,400)	(20,041)	2,603,359
Total Other Financing Sources (Uses)	(40,000)	(2,623,400)	(20,041)	2,603,359
Net Change in Fund Balance	327,768	(2,255,632)	294,556	2,550,188
Fund Balance at Beginning of Fiscal Year	3,864,499	3,864,499	3,864,499	-
Fund Balance at End of Fiscal Year	$ 4,192,267	1,608,867	4,159,055	2,550,188

WHITTIER REDEVELOPMENT AGENCY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
LOW AND MODERATE HOUSING – GREENLEAF/UPTOWN SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Tax increment	$ 351,000	351,000	334,857	(16,143)
Use of money and property	28,900	28,900	19,715	(9,185)
Total Revenues	379,900	379,900	354,572	(25,328)
EXPENDITURES				
Current:				
Professional services	7,620	7,620	5,984	1,636
Debt Service:				
Principal	62,000	62,000	62,000	-
Interest and fiscal charges	178,532	178,532	178,532	-
Total Expenditures	248,152	248,152	246,516	1,636
Excess (Deficiency) of Revenues Over (Under) Expenditures	131,748	131,748	108,056	(23,692)
OTHER FINANCING SOURCES (USES)				
Transfers out	(159,609)	(159,609)	(134,831)	24,778
Total Other Financing Sources (Uses)	(159,609)	(159,609)	(134,831)	24,778
Net Change in Fund Balance	(27,861)	(27,861)	(26,775)	1,086
Fund Balance at Beginning of Fiscal Year	6,043,265	6,043,265	6,043,265	-
Fund Balance at End of Fiscal Year	$ 6,015,404	6,015,404	6,016,490	1,086

WHITTIER REDEVELOPMENT AGENCY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
LOW AND MODERATE HOUSING – WHITTIER BOULEVARD SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Tax increment	$ 335,000	335,000	288,941	(46,059)
Use of money and property	26,900	26,900	15,474	(11,426)
Total Revenues	361,900	361,900	304,415	(57,485)
EXPENDITURES				
Current:				
Professional services	7,300	7,300	5,645	1,655
Debt Service:				
Principal	62,000	62,000	62,000	-
Interest and fiscal charges	178,532	178,532	178,532	-
Total Expenditures	247,832	247,832	246,177	1,655
Excess (Deficiency) of Revenues Over (Under) Expenditures	114,068	114,068	58,238	(55,830)
OTHER FINANCING SOURCES (USES)				
Transfers out	(50,000)	(2,853,254)	(50,000)	2,803,254
Total Other Financing Sources (Uses)	(50,000)	(2,853,254)	(50,000)	2,803,254
Net Change in Fund Balance	64,068	(2,739,186)	8,238	2,747,424
Fund Balance at Beginning of Fiscal Year	5,393,555	5,393,555	5,393,555	-
Fund Balance at End of Fiscal Year	$ 5,457,623	2,654,369	5,401,793	2,747,424

WHITTIER REDEVELOPMENT AGENCY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
COMBINED LOW AND MODERATE INCOME HOUSING SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Use of money and property	$ 28,000	28,000	31,167	3,167
Total Revenues	28,000	28,000	31,167	3,167
EXPENDITURES				
Current:				
Administrative costs	142,959	142,959	139,948	3,011
Professional services	33,650	33,650	16,864	16,786
Community development	134,000	5,860,593	276,355	5,584,238
Total Expenditures	310,609	6,037,202	433,167	5,604,035
Excess (Deficiency) of Revenues Over (Under) Expenditures	(282,609)	(6,009,202)	(402,000)	5,607,202
OTHER FINANCING SOURCES (USES)				
Transfers in	3,108,201	5,911,455	313,633	(5,597,822)
Total Other Financing Sources (Uses)	3,108,201	5,911,455	313,633	(5,597,822)
Net Change in Fund Balance	2,825,592	(97,747)	(88,367)	9,380
Fund Balance at Beginning of Fiscal Year	1,569,231	1,569,231	1,569,231	-
Fund Balance at End of Fiscal Year	$ 4,394,823	1,471,484	1,480,864	9,380

WHITTIER REDEVELOPMENT AGENCY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
WHITTIER BOULEVARD CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Use of money and property	$ 300	300	419	119
Other	-	-	2,631	2,631
Total Revenues	300	300	3,050	2,750
EXPENDITURES				
Current:				
Professional services	9,900	9,900	2,413	7,487
Public improvement costs	26,498	26,498	11,492	15,006
Pass through payments	5,759	5,759	4,974	785
Total Expenditures	42,157	42,157	18,879	23,278
Excess (Deficiency) of Revenues Over (Under) Expenditures	(41,857)	(41,857)	(15,829)	26,028
OTHER FINANCING SOURCES (USES)				
Proceeds from loans/advances	30,000	30,000	30,000	-
Total Other Financing Sources (Uses)	30,000	30,000	30,000	-
Net Change in Fund Balance	(11,857)	(11,857)	14,171	26,028
Fund Balance at Beginning of Fiscal Year	726,688	726,688	726,688	-
Fund Balance at End of Fiscal Year	$ 714,831	714,831	740,859	26,028

WHITTIER REDEVELOPMENT AGENCY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - EARTHQUAKE RECOVERY CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Use of money and property	$ 4,000	4,000	4,926	926
Total Revenues	4,000	4,000	4,926	926
EXPENDITURES				
Current:				
Administrative costs	136,161	136,161	137,131	(970)
Professional services	39,650	39,650	21,190	18,460
Public improvement costs	1,086,315	1,341,832	239,572	1,102,260
Total Expenditures	1,262,126	1,517,643	397,893	1,119,750
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,258,126)	(1,513,643)	(392,967)	1,120,676
OTHER FINANCING SOURCES (USES)				
Proceeds from loans/advances				
Transfers in	-	500,000	52,963	(447,037)
Total Other Financing Sources (Uses)	-	500,000	52,963	(447,037)
Net Change in Fund Balance	(1,258,126)	(1,013,643)	(340,004)	673,639
Fund Balance at Beginning of Fiscal Year	1,896,521	1,896,521	1,896,521	-
Fund Balance at End of Fiscal Year	$ 638,395	882,878	1,556,517	673,639

WHITTIER REDEVELOPMENT AGENCY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GREENLEAF/UPTOWN CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Use of money and property	$ 15,900	15,900	13,454	(2,446)
Total Revenues	15,900	15,900	13,454	(2,446)
EXPENDITURES				
Current:				
Administrative costs	135,161	135,161	136,608	(1,447)
Professional services	28,650	28,650	13,195	15,455
Public improvement costs	186,150	218,861	12,564	206,297
Total Expenditures	349,961	382,672	162,367	220,305
Excess (Deficiency) of Revenues Over (Under) Expenditures	(334,061)	(366,772)	(148,913)	217,859
OTHER FINANCING SOURCES (USES)				
Proceeds from loans/advances	200,000	200,000	200,000	-
Transfer (out) to from the City of Whittier	-	-	(3,550)	(3,550)
Transfers out	(200,000)	(200,000)	-	200,000
Total Other Financing Sources (Uses)	-	-	196,450	196,450
Net Change in Fund Balance	(334,061)	(366,772)	47,537	414,309
Fund Balance at Beginning of Fiscal Year	2,330,450	2,330,450	2,330,450	-
Fund Balance at End of Fiscal Year	$ 1,996,389	1,963,678	2,377,987	414,309

WHITTIER REDEVELOPMENT AGENCY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - COMMERICAL CORRIDOR CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Use of money and property	$ 1,500	1,500	2,621	1,121
Total Revenues	1,500	1,500	2,621	1,121
EXPENDITURES				
Current:				
Administrative costs	307,280	307,280	307,726	(446)
Professional services	53,650	53,650	17,444	36,206
Public improvement costs	605,800	1,028,037	251,608	776,429
Total Expenditures	966,730	1,388,967	576,778	812,189
Excess (Deficiency) of Revenues Over (Under) Expenditures	(965,230)	(1,387,467)	(574,157)	813,310
OTHER FINANCING SOURCES (USES)				
Proceeds from loans/advances	150,000	150,000	150,000	-
Transfers in	-	3,050,000	2,758,085	(291,915)
Total Other Financing Sources (Uses)	150,000	3,200,000	2,908,085	(291,915)
Net Change in Fund Balance	(815,230)	1,812,533	2,333,928	521,395
Fund Balance at Beginning of Fiscal Year	948,205	948,205	948,205	-
Fund Balance at End of Fiscal Year	$ 132,975	2,760,738	3,282,133	521,395

WHITTIER REDEVELOPMENT AGENCY
COMPUTATION OF LOW/MODERATE HOUSING FUND
EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Low and Moderate Housing Funds - All Project Areas July 1, 2010	
Opening Fund Balance		$ 24,227,435
Less Unavailable Amounts:		
Unspent debt proceeds	(14,200,000)	
Land held for resale	(3,058,920)	
Notes and loans receivable	(2,172,632)	
Advances to other funds	(3,234,038)	
		(22,665,590)
Available Low and Moderate Income Housing Funds		$ 1,561,845
Limitation (greater of $1,000,000 or four years set-aside)		
Set-Aside for last four years		
2006-2007	1,589,379	
2007-2008	1,954,820	
2008-2009	1,974,940	
2009-2010	1,881,035	
Total	$ 7,400,174	
Base Limitation	$ 1,000,000	
		$ 7,400,174
Greater Amount		
Computed Excess Surplus		None

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Whittier Redevelopment Agency
Whittier, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund of Whittier Redevelopment Agency (the Agency), a component unit of the City of Whittier, California, as of and for the year ended June 30, 2011, which collectively comprise the Agency's basic financial statements and have issued our report thereon, dated December 22, 2011. Our report refers to the Agency's adoption of the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in 2011. Additionally, our report refers to Notes 11 and 12 relating to the impact of recent legislation for California Redevelopment Agencies. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contract and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

This report is intended solely for the information of the Board of Directors, and Agency's management, others within the entity and the State Controller and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 22, 2011

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON CALIFORNIA REDEVELOPMENT AGENCIES, AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE *GUIDELINES FOR COMPLIANCE AUDITS OF CALIFORNIA REDEVELOPMENT AGENCIES* AS INTERPRETED IN THE *SUGGESTED AUDITING PROCEDURES FOR ACCOMPLISHING COMPLIANCE AUDITS OF CALIFORNIA REDEVELOPMENT AGENCIES*

Board of Directors
Whittier Redevelopment Agency
Whittier, California

Compliance

We have audited the Whittier Redevelopment Agency (the 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 the Agency's management. Our responsibility is to express an opinion on the 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 *Guidelines for Compliance Audits of California Redevelopment Agencies, June 2011,* issued by the State Controller and as interpreted in the *Suggested 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 the Agency 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 program for the year ended June 30, 2011. However, the results of our tests disclosed an instances of noncompliance or other matters that are required to be reported under the *Guidelines for Compliance Audits of California Redevelopment Agencies* which are described in the accompanying schedule of findings and responses as 2011-1 and 2011-2.

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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 above.

The Agency's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Agency's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, Agency's management, other within the entity and the State Controller and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 22, 2011

FINDING 2011-1

Planning and Administrative Costs
Compliance Section: Affordable Housing

Criteria or Specific Requirement:

Planning and administrative expenditures incurred by the Low/Mod Housing Fund must be supported by a written determination showing that the planning and administrative costs were necessary for the production, improvement, or preservation, of low and moderate income housing, in accordance with Health and Safety Code Section 33334.3(d). Further, the written determination must be made annually in writing.

Condition Found:

The Agency did not prepare a written determination as required by Health and Safety Code Section 33334.3(d).

Context:

The condition was noted during compliance testing in accordance with *Guidelines for Compliance Audits of California Redevelopment Agencies.*

Cause:

The Agency's policies and procedures did not ensure that the written determination required by the aforementioned Health and Safety code section, was performed on an annual basis.

Effect:

Planning and administrative expenditures incurred in the Low/Mod fund were not supported by a written determination showing that the planning and administrative costs were necessary for the production, improvement, or preservation, of low and moderate income housing, in accordance with Health and Safety Code Section 33334.3(d).

Recommendation:

We recommend that the Agency prepare and submit a written determination showing that the planning and administrative costs appropriated in the Low/Mod Housing fund are necessary for the production, improvement, or preservation, of low and moderate income housing, in accordance with Health and Safety Code Section 33334.3(d).

Views of Responsible Officials and Planned Corrective Action:

The Agency believes it has complied with the requirements of HSC 33334.3(d) through the Agency's annual budget adoption process. However, in December 2011, the Agency will have the Board approve documentation supporting the planning and administrative costs associated with the Low/Mod Housing Fund.

FINDING 2011-2

Five-Year Implementation Plan Adoption and Public Hearing
Compliance Section: Five-Year Implementation Plans

Criteria or Specific Requirement:

Redevelopment agencies must produce Implementation Plans, in accordance with Health and Safety Code Sections 33490 and 33413(b), for each project area every five years. Additionally, at the end of the third year after adoption of an implementation plan, agencies must hold a public hearing to review the five-year implementation plan, in accordance with Health and Safety Code Section 33490(c).

Condition Found:

The Agency did not prepare an Implementation Plan as required by Health and Safety Code Sections 33490 and 33413(b) and did not hold a public hearing at the third year after adoption of the plan as required per Health and Safety Code Section 33490(c). The most recent Implementation Plan was prepared in December 2005 and covered the 5-year period 2005-2009.

Context:

The condition was noted during compliance testing in accordance with *Guidelines for Compliance Audits of California Redevelopment Agencies.*

Cause:

The Agency did not maintain policies and procedures to ensure that the Implementation Plan required by the aforementioned Health and Safety code sections, was performed every five years and that a public hearing was held after the third year after adoption of the plan.

(Continued)

Effect:

An Implementation Plan and required references to specific goals and objectives of the Agency and an annual housing program was not prepared and adopted, in accordance with Health and Safety Code Sections 33490 and 33413(b). Additionally, a public hearing to review the five-year implementation plan was not performed, in accordance with Health and Safety Code Section 33490(c).

Recommendation:

We recommend that the Agency prepare and submit an Implementation Plan, in accordance with Health and Safety Code Sections 33490 and 33413(b) and implement procedures to ensure that a public hearing to review the five-year implementation plan is performed, in accordance with Health and Safety Code Section 33490(c).

Views of Responsible Officials and Planned Corrective Action:

The Agency will be returning to the Agency's Board in December 2011 to begin the process of renewing its 5 year implementation plan. The plan would have been updated prior to this time had it not been for the Court's action related to two Assembly Bills, which potentially impacted the future existence of the Agency and the direction not to take any action related to implementation plans.