

**THE REDEVELOPMENT AGENCY
OF THE CITY OF OAKDALE**

FINANCIAL STATEMENTS

JUNE 30, 2009

**THE REDEVELOPMENT AGENCY
OF THE CITY OF OAKDALE**

**Financial Statements
June 30, 2009**

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MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA

9107 WILSHIRE BLVD., SUITE 400
BEVERLY HILLS, CA 90210
TEL: 310.273.2745
FAX: 310.273.1689
www.mlhcpas.com

INDEPENDENT AUDITOR'S REPORT

Members of the Board
of the Oakdale Redevelopment Agency
Oakdale, California

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, and each major fund of the Oakdale Redevelopment Agency (the Agency), a component unit of the City of Oakdale, California, as of and for the fiscal year ended June 30, 2009, 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 did not audit the financial statements of the Oakdale Senior Housing Limited Partnership which represents 59% and 99% of the assets and revenues, respectively, of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Oakdale Senior Housing Limited Partnership is based on the report of the other auditors.

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 *Governmental 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 as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, and each major fund of the Agency as of June 30, 2009, and the respective changes in the financial position for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 13 of the Notes to Basic Financial Statements, the Senior Housing Corporation, a component unit of the Agency, has an investment in a limited partnership of \$1,852,353. The investment represents its partnership capital of the Oakdale Senior Housing Limited Partnership, a component unit of the Agency.

As discussed in Note 1 of the notes to the basic financial statements effective July 1, 2008, the Oakdale Redevelopment Agency adopted Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*; GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*; GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; and GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December xx, 2009, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control on financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting and 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 Management's Discussion and Analysis on pages 3 through 8, the budgetary comparison Schedules of the General Fund on page 31 and the Housing Special Revenue Fund on page 32 are not required parts of the Agency's basic financial statement but is supplementary information required by the Governmental Accounting Standards Board. 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 introductory section and budgetary comparison schedule of the Debt Service Fund are presented for purposes of additional analysis and are not required parts of the basic financial statements. The budgetary comparison schedule of the Debt Service Fund has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Beverly Hills, California
December xx, 2009

FINANCIAL SECTION

REDEVELOPMENT AGENCY OF THE CITY OF OAKDALE
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Primary Government	Component Units	
	Governmental Activities	Oakdale Senior Housing LP	Senior Housing Corporation
ASSETS			
Cash and investments	\$ 8,083,455	\$ 42,287	\$ 156,899
Restricted cash and investments	1,435,027	278,032	
Accounts receivable	139,125		
Interest receivable	26,907	1,583	39
Prepays		15,544	
Investment in limited partnership			1,852,353
Notes and loans receivable	1,099,405		
Deferred charges - net of accumulated amortization	341,533	28,437	
Land held for resale	470,273		
Capital assets not being depreciated	588,655	400,000	
Capital assets - net of accumulated depreciation	20,514	2,072,096	
Total Assets	12,204,894	2,837,979	2,009,291
LIABILITIES			
Accounts payable	122,432	59,750	
Accrued expenditures	11,006		
Interest payable	84,227	25,336	
Non-current liabilities:			
Due in one year	404,155	69,387	
Due in more than one year	19,768,114	2,519,975	
Total Liabilities	20,389,934	2,674,448	
NET ASSETS			
Invested in capital assets, net of related debt		(88,829)	
Restricted for:			
Debt service	1,350,800		
Low and moderate income housing	5,824,231		
Unrestricted	(15,360,071)	252,360	2,009,291
Total Net Assets (Deficit)	\$ (8,185,040)	\$ 163,531	\$ 2,009,291

See accompanying notes to basic financial statements

**REDEVELOPMENT AGENCY OF THE CITY OF OAKDALE
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Program Revenues			
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Community development	\$ 2,071,739	\$ -	\$ -	\$ -
Interest on long-term debt	1,213,963			
Total Primary Government	3,285,702			
Component Units:				
Oakdale Senior Housing LP	694,139	515,982		70,692
Senior Housing Corporation	2,521			
Total Component Units	696,660	515,982		70,692
Total government	\$ 3,982,362	\$ 515,982	\$ -	\$ 70,692

General Revenues and Transfers:

Taxes:

 Property tax

Use of money and property

Other revenues

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets (Deficit) - Beginning of fiscal year

Prior period adjustments

Net Assets (Deficit) - Beginning of fiscal year, restated

Net Assets (Deficit) - End of fiscal year

See accompanying notes to basic financial statements

Net (Expense) Revenue and
Change In Net Assets

Primary Government Governmental Activities	Oakdale Senior Housing LP	Senior Housing Corporation
\$ (2,071,739)	\$ -	\$ -
(1,213,963)		
(3,285,702)		
	(107,465)	
		(2,521)
	(107,465)	(2,521)
(3,285,702)	(107,465)	(2,521)
3,134,694		
249,813	4,215	3,365
	30,021	
(78,000)		78,000
3,306,507	34,236	81,365
20,805	(73,229)	78,844
(7,870,065)	236,760	1,930,447
(335,780)		
(8,205,845)	236,760	1,930,447
\$ (8,185,040)	\$ 163,531	\$ 2,009,291

**REDEVELOPMENT AGENCY OF THE CITY OF OAKDALE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009**

	General Fund	Housing Special Revenue Fund	Debt Service Fund	Total Governmental Funds
ASSETS				
Cash and investments	\$ 3,345,905	\$ 4,433,837	\$ 303,713	\$ 8,083,455
Restricted cash and investments			1,435,027	1,435,027
Accounts receivable	100,068	39,057		139,125
Interest receivable	11,572	13,424	1,911	26,907
Loans receivable	228,012	871,393		1,099,405
Land held for resale		470,273		470,273
Total Assets	\$ 3,685,557	\$ 5,827,984	\$ 1,740,651	\$ 11,254,192
LIABILITIES				
Accounts payable	\$ 120,418	\$ 334	\$ 1,680	\$ 122,432
Accrued expenditures	7,587	3,419		11,006
Total Liabilities	128,005	3,753	1,680	133,438
FUND BALANCES				
Reserved for:				
Low and moderate housing		4,482,565		4,482,565
Debt service			1,435,027	1,435,027
Loans receivable	228,012	871,393		1,099,405
Land held for resale		470,273		470,273
Unreserved, undesignated	3,329,540		303,944	3,633,484
Total Fund Balances	3,557,552	5,824,231	1,738,971	11,120,754
Total Liabilities and Fund Balances	\$ 3,685,557	\$ 5,827,984	\$ 1,740,651	\$ 11,254,192

See accompanying notes to basic financial statements

**REDEVELOPMENT AGENCY OF THE CITY OF OAKDALE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009**

FUND BALANCES - GOVERNMENTAL FUNDS \$ 11,120,754

Amounts reported for Governmental Activities in the Statement of Net Assets are different because of the following:

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.

Capital assets	\$	610,537	
Less: accumulated depreciation		(1,368)	
			609,169

Interest payable on long-term debt does not require current financial resources, therefore, interest payable is not reported as a liability in the Governmental Funds.			(84,227)
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The liabilities below are not due and payable in the current period and therefore are not reported in the Governmental Funds:

Tax allocation bonds		(18,630,000)	
Advances from the City of Oakdale		(1,648,497)	
Compensated absences		(62,404)	
Original issue discount on sale of bonds		129,430	
Deferred loss on bond refunding		39,202	
			(20,172,269)

Deferred charges represent costs associated with the issuance of long-term debt which are deferred and amortized over the period during which the debt is outstanding. The costs are reported as expenditures of current financial resources in Governmental Funds.			341,533
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NET ASSETS (DEFICIT) OF GOVERNMENTAL ACTIVITIES			\$ (8,185,040)
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See accompanying notes to basic financial statements

**REDEVELOPMENT AGENCY OF THE CITY OF OAKDALE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	General Fund	Housing Special Revenue Fund	Debt Service Fund	Total Governmental Funds
REVENUES				
Property tax increment revenue	\$ 2,507,755	\$ 626,939	\$ -	\$ 3,134,694
Use of money and property	74,249	120,933	54,631	249,813
TOTAL REVENUES	2,582,004	747,872	54,631	3,384,507
EXPENDITURES				
Current:				
Community development	635,841	119,336	6,660	761,837
Capital outlay	657,877			657,877
Debt service:				
Principal	19,965		385,000	404,965
Interest	166,067		1,027,208	1,193,275
TOTAL EXPENDITURES	1,479,750	119,336	1,418,868	3,017,954
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,102,254	628,536	(1,364,237)	366,553
OTHER FINANCING SOURCES (USES):				
Transfers in			1,412,000	1,412,000
Transfers out	(1,133,000)	(279,000)		(1,412,000)
Transfers to component unit		(78,000)		(78,000)
TOTAL OTHER FINANCING SOURCES (USES)	(1,133,000)	(357,000)	1,412,000	(78,000)
NET CHANGE IN FUND BALANCES	(30,746)	271,536	47,763	288,553
FUND BALANCES, JULY 1, 2008	3,924,078	5,552,695	1,691,208	11,167,981
PRIOR PERIOD ADJUSTMENTS	(335,780)			(335,780)
FUND BALANCES, JULY 1, 2008, RESTATED	3,588,298	5,552,695	1,691,208	10,832,201
FUND BALANCES, JUNE 30, 2009	\$ 3,557,552	\$ 5,824,231	\$ 1,738,971	\$ 11,120,754

See accompanying notes to basic financial statements

**REDEVELOPMENT AGENCY OF THE CITY OF OAKDALE
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NET CHANGE IN FUND BALANCES \$ 288,553

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay expenditures are, therefore, added back to fund balances	\$ 648,946	
Construction in progress transferred to the City of Oakdale	(1,284,856)	
Depreciation expense not reported in governmental funds	<u>(547)</u>	
		(636,457)

Loss on disposition of capital assets is not reported in the governmental funds. This is the loss on the disposition of capital assets that occurred during the current period.		(10,000)
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Costs associated with the issuance of long-term debt are reported as expenditures in the governmental funds, but in the Statement of Net Assets, the costs are deferred and amortized throughout the period during which the related debt is outstanding. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.

Repayment of debt principal is added back to fund balance	404,965	
Amortization expense of costs of issuance not reported in governmental funds	(15,446)	
Amortization expense of bonds discount and deferred loss on refunding not reported in governmental funds	<u>(7,085)</u>	
		382,434

The amounts below, included in the Statement of Activities, do not provide or (require) the use of current financial resources and therefore, are not reported as revenue or expenditures in governmental funds (net change):

Interest payable	1,843	
Compensated absences	<u>(5,568)</u>	
		<u>(3,725)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 20,805

See accompanying notes to basic financial statements

REDEVELOPMENT AGENCY OF THE CITY OF OAKDALE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose

The Redevelopment Agency of the City of Oakdale (Agency) was established in 1981 by the Oakdale City Council as a public entity legally separate from the City of Oakdale (the City). The Agency has the broad authority to acquire, rehabilitate, develop, administer, and sell or lease property in a “Redevelopment Area.” Redevelopment projects may be developed in cooperation with private developers. Redevelopment projects are also developed under cooperation agreements between the Agency and the City. The cooperation agreements call for the City to provide general, administrative, and other services in exchange for amounts paid by the Agency.

The Agency generally finances redevelopment projects through the issuance of tax allocation bonds. These bonds are payable from the incremental portion of property taxes collected within a project area relating to the increase in assessed valuation resulting from redevelopment. The County of Stanislaus (the County) collects these incremental tax revenues on behalf of the Agency.

B. Reporting Entity

The Agency is considered a component unit of the City since the Agency Board consists exclusively of the Mayor and the four members of the City Council. Consequently, the Agency’s financial statements are blended in the City’s basic financial statements.

The Agency has defined the reporting entity in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, amended by GASB Statement No. 39, “The Financial Reporting Entity” which provides guidance for the determining which governmental activities, organizations, and functions should be included in its reporting entity. The component units discussed in the following paragraph are included in the Agency’s reporting entity because of the significance of their operational or financial relationship with the Agency. The discretely presented component units are reported in separate columns in the government-wide financial statement (see note below for description) to emphasize that they are legally separate entities from the Agency.

Discretely Presented Component Units

Oakdale Senior Housing Corporation (OSHC) – A nonprofit corporation created to serve as General Partner in Oakdale Senior Housing Limited Partnership (OSHLP) (a component unit described below). It is a component unit of the Agency because the governing board of OSHC is appointed by the board of the Agency. The Agency is legally obligated to finance any deficits of OSHC. The Executive Director of the Agency also serves as the Executive Director of OSHC.

Oakdale Senior Housing Limited Partnership (OSHLP) – A California limited partnership created to own and operate an 80 unit low to moderate income senior housing complex in the City of Oakdale, known as Oak Haven. It is a component unit because the Agency appoints the board of the general partner. Additionally, it is a component unit because through contractual arrangements, the Agency is responsible for all financial matters, including the oversight of the management agent hired to oversee the daily operations. The Agency has a guarantee to fund operating deficits and through an investment agreement provide a minimum of \$40,000 annually to subsidize rents.

C. Basis of Presentation

The Agency’s basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

REDEVELOPMENT AGENCY OF THE CITY OF OAKDALE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (continued)

Government-wide Statements: The Statement of Net Assets and the Statement of Activities include the financial activities of the overall Agency government. Eliminations have been made to minimize the double counting of internal activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Agency's activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Agency's funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column. The Agency considers all its funds to be major funds.

D. Major Funds

Governmental Accounting Standards Board Statement 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 has determined that all of its funds are major funds.

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

General Fund – This fund is the Agency's primary operating fund. It accounts for all financial resources of the Agency.

Housing Special Revenue Fund – This fund accounts for the portion of City and County tax increment funds received for redevelopment related purposes and set aside for low-and-moderate-income housing.

Debt Service Fund – This fund accounts for debt service payments on the Agency's long-term debt issue.

E. 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 long-term debt, and claims and judgments, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of long-term debt are reported as *other financing sources*.

REDEVELOPMENT AGENCY OF THE CITY OF OAKDALE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Basis of Accounting (continued)

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.

Other revenues susceptible to accrual include other taxes, intergovernmental revenues, interest, and charges for services.

F. Cash and Investments

In order to maximize the flexibility of its investment program and to aid in cash budgeting, the Agency pools the cash of all funds, except for monies deposited with fiscal agents in accordance with related bond indentures. The cash and investments balance in each fund represents that fund's equity share of the Agency's cash and investment pool. As the Agency places no restrictions on the deposit or withdrawal of a particular fund's equity in the pool, the pool operates like a demand deposit account for the participating funds.

Interest income earned on pooled cash and investments is allocated quarterly. Interest income on restricted cash and investments with fiscal agents is credited directly to the related fund.

Investments for the Agency are reported at fair value. LAIF is operated in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Agency.

G. Capital Assets

Capital assets are defined by the Agency as assets with an initial, individual cost of \$5,000 for property, plant and equipment. All capital assets are 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.

GASB Statement 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 statement of net assets as a reduction in the book value of capital assets.

Property, plant and equipment of the Agency, as well as the component units, is depreciated using the straight line method over their estimated lives.

REDEVELOPMENT AGENCY OF THE CITY OF OAKDALE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Property Taxes

The Agency receives property tax in the form of tax increments. Tax increments are derived from the increase in assessed value of tax rate areas from the date first established as the redevelopment area to the current date, multiplied by the area tax rate. The property tax rate pursuant to the state constitution is 1 % of assessed value plus any amount necessary to provide coverage of debt established prior to 1977.

The County Tax Collector is responsible for all property tax collections. Taxes and assessments on secured and utility rolls which constitute a lien against the property, may be paid in two installments; the first installment is due on November 1 of the fiscal year and is delinquent if not paid by December 10, the second installment is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the county for late payments.

The Agency has elected under state law (TEETER) to receive all of the annual property assessments in three installments as follows: December 55%, April 40%, and June 5%. All penalties, interest, and other billed costs remain with the County.

I. Long-Term Obligations

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 issuance costs are deferred and amortized over the life of the bonds. This item is reported as deferred charges and is amortized over the term of the related debt.

In the fund financial statements, bond issuance costs are recognized at the time bonds are issued. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures and all other amounts are reported as other financing sources or uses.

J. Restricted Assets

Certain proceeds of revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

K. 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.

L. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized by the Agency.

M. Fiscal Years

The fiscal year of the Agency begins on July 1 and ends on June 30. The fiscal year of the Oakdale Senior Housing Limited Partnership begins on January 1 and ends on December 31. The December 31, 2008 financial statement is included in this report. The fiscal year of the Senior Housing Corporation begins on July 1 and ends on June 30. The June 30, 2009 financial statement is included in this report.

REDEVELOPMENT AGENCY OF THE CITY OF OAKDALE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Component Unit

The audited financial statements for the Oakdale Senior Housing Limited Partnership are available at the office of the general partner at 280 North 3rd Ave, Oakdale, California. Cropper Accountancy Corporation, located in Walnut Creek, California, performed the audit. Their opinion on the financial statements for the year ended December 31, 2008 was unqualified.

O. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all funds. All annual appropriations lapse at fiscal year end. Prior to June 30, the proposed budget is presented to the Agency Board for review. The Agency Board holds public hearings and may add to, subtract from or change appropriations. Encumbrance accounting is employed in governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. Expenditures may not legally exceed budgeted appropriations at the department level. During the year, several supplementary appropriations were necessary.

P. New Accounting Pronouncements

The Agency implemented the requirements of GASB Statements No. 49, No. 52, No. 55, and No. 56 during the fiscal year ended June 30, 2009.

Governmental Accounting Standards Board Statement No. 49

For the fiscal year ended June 30, 2009 the Agency implemented Governmental Accounting Standards Board (GASB) Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations." The Statement is effective for periods beginning after December 15, 2007. The Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the document excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of net assets, such as landfill closure and postclosure care and nuclear power plant decommissioning.

Governmental Accounting Standards Board Statement No. 52

For the fiscal year ended June 30, 2009, the Agency implemented GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments". The Statement is effective for periods beginning after June 15, 2008. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value.

Governmental Accounting Standards Board Statement No. 55

For the fiscal year ended June 30, 2009, the Agency implemented GASB Statement No. 55, "The hierarchy of Generally Accepted Accounting Principles for State and Local Governments". The Statement is effective as of April 2, 2009. The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles.

REDEVELOPMENT AGENCY OF THE CITY OF OAKDALE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. New Accounting Pronouncements (Continued)

Governmental Accounting Standards Board Statement No. 56

For the fiscal year ended June 30, 2009, the Agency implemented GASB Statement No. 56, “Codification of Accounting and Financing Reporting Guidance Contained in the AICPA Statements of Auditing Standards”. The Statement is effective as of April 16, 2009. The objective of this Statement is to incorporate into the Governmental Accounting Standards Board’s (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants’ Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles – related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than in the auditing literature.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments are reported as follows in the Statement of Net Assets:

Primary Government:	
Cash and investments	\$ 8,083,455
Restricted cash and investments	1,435,027
Component Units:	
Cash and investments	199,186
Restricted cash and investments	<u>278,032</u>
Total Cash and Investments	<u>\$ 9,995,700</u>

Cash and investments held by the Agency at June 30, 2009 consisted of the following:

	Primary Government	Component Units		Total
		Oakdale Senior Housing LP	Senior Housing Corporation	
Demand deposits	\$ -	\$ -	\$ 17,515	\$ 17,515
Certificates of deposit			113,776	113,776
Cash and investments, pooled with the City of Oakdale	8,083,455		25,608	8,109,063
Cash and investments, of limited partnership		320,319		320,319
Investments held with fiscal agent:				
Investment agreements	594,160			594,160
U.S. Treasury Money Market Funds	840,867			840,867
Total cash and investments	<u>\$ 9,518,482</u>	<u>\$ 320,319</u>	<u>\$ 156,899</u>	<u>\$ 9,995,700</u>

REDEVELOPMENT AGENCY OF THE CITY OF OAKDALE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 2 – CASH AND INVESTMENTS (Continued)

The Agency's pooled deposits are held in accounts shared by all funds of the City. See the City of Oakdale's annual financial report for further details on the pooled deposits. See Oakdale Senior Housing Limited Partnership financial statements for details on cash and investments of the limited partnership.

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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Government Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	10%	None
U.S. Government Agency Issues	5 years	None	None
Banker's Acceptances	270 days	40%	30%
Commercial Paper, Prime Quality	180 days	40%	10%
Time Certificates of Deposit	3 years	25%	None
Negotiable Certificates of Deposit	3 years	30%	None
Repurchase and Reverse Repurchase Agreements	1 year	20%	None
Medium-Term Notes	5 years	30%	15%
Mutual Funds	5 years	20%	10%
Money Market Mutual Funds	5 years	20%	10%
Local Agency Investment Fund (State Pool)	N/A	None	None

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 the 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
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Mortgage-backed Securities	3 years	None	None
Banker's Acceptance	360 days	None	None
Commercial Paper	None	None	None
Negotiable Certificates of Deposit	None	None	None
Investment Agreements	None	None	None
Repurchase Agreements	30 days	None	None
Money Market Mutual Funds	N/A	None	None
Local Agency Investment Fund (State Pool)	N/A	None	None

REDEVELOPMENT AGENCY OF THE CITY OF OAKDALE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 2 – CASH AND INVESTMENTS (Continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates 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. One of the ways that the Agency manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flows and liquidity needed for operations.

Information about the sensitivity of the fair values of the Agency's investments 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 (see the City's annual financial report for risk disclosure relating to the pooled cash and investments with the City of Oakdale).

Investment Type	Totals	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25-60 Months	More Than 60 Months
Certificates of Deposit Held by Bond Trustee:	\$ 113,776	\$ 113,776	\$ -	\$ -	\$ -
Investment Agreements	594,160				594,160
Money Market Funds	840,867	840,867			
	<u>\$ 1,548,803</u>	<u>\$ 954,643</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 594,160</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The Agency's investments (including investments held by bond trustees) include the following investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above). The Agency does not hold any specific investments that need to be reported here. See the City's Comprehensive Financial Report for more information regarding these disclosures.

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.

Investment Type	Amount	Maximum Legal Rating	Exempt From Disclosures	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
Certificates of Deposit Held by Bond Trustee:	\$ 113,776	N/A	\$ -	\$ -	\$ -	\$ -	\$ 113,776
Investment Agreements	594,160	N/A					594,160
Money Market Funds	840,867	N/A		840,867			
	<u>\$ 1,548,803</u>		<u>\$ -</u>	<u>\$ 840,867</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 707,936</u>

REDEVELOPMENT AGENCY OF THE CITY OF OAKDALE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 2 – CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer. 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’s investments are as follows:

Issuer	Type	Amount
Societe Generale New York	Investment Agreements	\$ 594,160

\$594,160 of the cash and investments (amounts held by bond trustee) reported in the Debt Service Fund (a major fund of the Agency) are held in the form of nonnegotiable unrated investment contracts issued by Societe Generale New York.

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 fair 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.

See the City of Oakdale’s Annual Financial Report for more information relating to custodial credit risk for amounts reported as cash and investments pooled with the City.

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.

REDEVELOPMENT AGENCY OF THE CITY OF OAKDALE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 3 – NOTES RECEIVABLE

Notes receivable amounts primarily represent loans made for redevelopment, economic development, and property rehabilitation.

General Fund

John and Susan Dayton, receivable in installments of \$416 per month, including interest at 3%. Balance due May 30, 2017. Secured by deed of trust.	\$ 41,137
Cowboy Museum, receivable in installments of \$306 per month, no interest required. Note to continue until principal sum is paid, Secured by deed of trust.	80,813
Toneata Martocchio, receivable in installments of \$848 per month, including interest at 4%. Balance due December 1, 2012. Secured by deed of trust.	106,062
	\$ 228,012

Housing Special Revenue Fund

First Time Home Buyer, deferred notes receivable. No installment payments of principal or interest are required until the loans reach their 30-year maturity. Interest rate will be 5% below the rate of the homeowners' first loan but no less than 1%. Secured by deed of trust.	\$ 7,690
Soroptomist International of Oakdale, receivable in principal installments of \$278 per month, no interest required. Balance due February 27, 2027.	58,889
Children's Guardian Fund, receivable in installments of \$278 or more per month, no interest required. Note to continue until principal sum is paid. Secured by deed of trust.	71,200
Oakdale Senior Housing Limited Partnership receivable in annual installments of \$5,000 including interest at 5%. Due September 2028. Secured by deed of trust.	733,614
	\$ 871,393

NOTE 4 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2009, for the Agency's individual major funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows. All receivables are expected to be collected within one year.

	General	Housing Special Revenue	Debt Service	Total
Receivables:				
Interest	\$ 11,572	\$ 13,424	\$ 1,911	\$ 26,907
Taxes	100,068	39,057		139,125
Total	\$ 111,640	\$ 52,481	\$ 1,911	\$ 166,032

NOTE 5 – INTERFUND ACTIVITY

The following represents the interfund activity of the Agency for the fiscal year ended June 30, 2009.

Interfund Transfers

	Transfers In	Transfers Out
General Fund	\$ -	\$ 1,133,000
Housing Special Revenue Fund		279,000
Debt Service Fund	1,412,000	
Total	\$ 1,412,000	\$ 1,412,000

REDEVELOPMENT AGENCY OF THE CITY OF OAKDALE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009 was as follows:

	Balance July 1, 2008	Additions	Deletions	Transfers to the City of Oakdale	Balance June 30, 2009
Governmental Activities					
Nondepreciable capital assets					
Land	\$ 205,858	\$ -	\$ -	\$ -	\$ 205,858
Construction in progress	1,028,707	648,946	(10,000)	(1,284,856)	382,797
Total nondepreciable capital assets	<u>1,234,565</u>	<u>648,946</u>	<u>(10,000)</u>	<u>(1,284,856)</u>	<u>588,655</u>
Depreciable capital assets:					
Improvements	21,882				21,882
Total depreciable capital assets	<u>21,882</u>				<u>21,882</u>
Less accumulated depreciation					
Improvements	(821)	(547)			(1,368)
Total accumulated depreciation	<u>(821)</u>	<u>(547)</u>			<u>(1,368)</u>
Net depreciable capital assets	<u>21,061</u>	<u>(547)</u>			<u>20,514</u>
Net capital assets	<u>\$ 1,255,626</u>	<u>\$ 648,399</u>	<u>\$ (10,000)</u>	<u>\$ (1,284,856)</u>	<u>\$ 609,169</u>

NOTE 7 – DEFERRED CHARGES

Deferred charges consist of issuance costs and discounts for various debt issues. The total costs deferred as a result of the issuance of the 1997 tax allocation revenue bonds were \$191,207. The amortization period is 360 months. Accumulated amortization as of June 30, 2009 was \$76,488, with amortization expense for the fiscal year of \$6,374. The total costs deferred as a result of the issuance of the 2004 tax allocation revenue bonds were \$272,174. The amortization period is 360 months. Accumulated amortization as of June 30, 2009 was \$45,360, with amortization expense for the fiscal year of \$9,072.

NOTE 8 – LONG-TERM DEBT

The following is a summary of long-term debt activity of the Agency for the fiscal year ended June 30, 2009:

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Due Within One Year
1997 Tax allocation revenue bonds	\$ 6,380,000	\$ -	\$ (180,000)	\$ 6,200,000	\$ 190,000
2004 Tax allocation revenue bonds	12,635,000		(205,000)	12,430,000	215,000
Less: Original issue discounts	(134,947)		5,517	(129,430)	(5,517)
Deferred loss on refunding	(40,770)		1,568	(39,202)	(1,568)
Advances from the City of Oakdale	1,668,462		(19,965)	1,648,497	
Compensated absences	56,836	5,568		62,404	6,240
Total long-term liabilities	<u>\$ 20,564,581</u>	<u>\$ 5,568</u>	<u>\$ (397,880)</u>	<u>\$ 20,172,269</u>	<u>\$ 404,155</u>

A. 1997 Tax Allocation Revenue Bonds Loan from the City of Oakdale Public Financing Authority:

The City's Financing Authority issued \$7,845,000 of 1997 Tax Allocation Revenue Bonds, for the purpose of assisting the Agency in advance refunding and defeasing \$3,110,000 of the 1989 Revenue Bonds, Series A to the Authority. The proceeds were loaned to the Agency pursuant to the loan agreement.

**REDEVELOPMENT AGENCY OF THE CITY OF OAKDALE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 8 – LONG-TERM DEBT (Continued)

**A. 1997 Tax Allocation Revenue Bonds Loan from the City of Oakdale Public Financing Authority:
(Continued)**

The 1997 loan bears interest between 4.3 % and 6.0 % and is payable semi-annually on December 1 and June 1 through 2027. The loan is subject to optional early redemption on or after June 1, 2007 from any available source with premium as specified in the agreements. The loan is secured by a first pledge and lien on the Agency's incremental tax revenues excluding amounts required to be set aside in the Agency's Housing Fund. The outstanding principal balance of the loan from the Financing Authority at June 30, 2009 is \$6,200,000.

The scheduled annual minimum debt service requirements at June 30, 2009 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ 190,000	\$ 372,747	\$ 562,747
2011	205,000	362,108	567,108
2012	215,000	350,423	565,423
2013	230,000	338,060	568,060
2014	245,000	324,720	569,720
2015-2019	1,490,000	1,384,665	2,874,665
2020-2024	2,050,000	870,775	2,920,775
2025-2027	1,575,000	196,420	1,771,420
	<u>\$ 6,200,000</u>	<u>\$ 4,199,918</u>	<u>\$ 10,399,918</u>

B. 2004 Tax Allocation Revenue Bonds Loan from the City of Oakdale Public Financing Authority:

The City's Financing Authority issued \$13,330,000 of 2004 Tax Allocation Revenue Bonds for the purpose of assisting the Agency in advance refunding and defeasing \$1,395,000 of the 1992 Revenue Bond Series A to the Authority. The proceeds were loaned to the Agency pursuant to the loan agreement.

The 2004 loan bears interest between 2.0 % and 5.0 % and is payable semi-annually on December 1 and June 1 through 2033. The loan is subject to optional early redemption on or after June 1, 2014 from any available source with premium as specified in the agreements. The loan is secured by a first pledge and lien on the Agency's incremental tax revenues excluding amounts required to be set aside in the Agency's Low and Moderate Income Housing Fund. The outstanding principal balance of the loan from the Financing Authority at June 30, 2009 is \$12,430,000.

The scheduled annual minimum debt service requirements at June 30, 2009 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ 215,000	\$ 637,974	\$ 852,974
2011	220,000	630,664	850,664
2012	225,000	622,689	847,689
2013	235,000	613,970	848,970
2014	240,000	604,276	844,276
2015-2019	1,350,000	2,853,860	4,203,860
2020-2024	1,655,000	2,499,543	4,154,543
2025-2029	3,315,000	1,981,493	5,296,493
2030-2033	4,975,000	685,581	5,660,581
	<u>\$ 12,430,000</u>	<u>\$ 11,130,050</u>	<u>\$ 23,560,050</u>

REDEVELOPMENT AGENCY OF THE CITY OF OAKDALE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 8 – LONG-TERM DEBT (Continued)

C. Advances from City of Oakdale

The advance payable to the City of Oakdale represents cash advances provided to the Agency by the City. The advances provided funds for administrative costs and is repayable out of tax increment revenues of the Agency. The advances bear interest 10% annually, and are repayable as directed by the Agency when funds are available. The balance at June 30, 2009 is \$1,648,497.

D. Compensated Absences

The Agency accrues accumulated vacation, sick pay, compensatory time, and holiday benefits due to its employees. The total amount due at June 30, 2009 is \$62,404.

NOTE 9 – COMPONENT UNITS – LONG-TERM DEBT

Note payable to City of Oakdale Redevelopment Agency, due in annual installments of \$70,691, for thirty years, including interest at 5% per annum, commencing August 1, 1999, maturing July 1, 2023. This note is secured by a deed of trust on the land and building. The balance at June 30, 2009 is \$733,614.

Note payable to the California Housing Finance Agency, due in monthly interest and principal payments of \$12,686. These payments began April 1, 2003, and matures March 1, 2033. This note is secured by a deed of trust on the land and building. The balance at June 30, 2009 is \$1,855,748.

NOTE 10 – NET ASSETS

GASB Statement No. 34 adds 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 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, net of related debt describes the portion of Net Assets which is represented by the current net book value of the Agency's capital assets, less the outstanding balance of any debt issued to finance these assets.

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 debt service requirements and redevelopment funds restricted to low and moderate income housing purposes. None of the restricted Net Assets are restricted by enabling legislation.

Unrestricted describes the portion of Net Assets which is not restricted as to use.

NOTE 11 – RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries insurance.

The City of Oakdale participates with other public entities in a joint exercise of powers agreement, which establishes the Central San Joaquin Valley Risk Management Authority (CSJVRMA). The City is covered for the first \$1,000,000 of each general liability claim and \$250,000 of each worker's compensation claim through the CSJVRMA. The CSJVRMA participates in an excess pool which provides general liability coverage from \$1,000,000 to \$10,000,000. The CSJVRMA participates in an excess pool that provides worker's compensation coverage from \$250,000 to \$500,000 and purchases excess insurance above the \$500,000 to the statutory limit.

REDEVELOPMENT AGENCY OF THE CITY OF OAKDALE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 12 – CONTINGENCIES AND COMMITMENTS

Litigation. The Agency and City are involved in litigation incurred in the normal course of conducting business. Management believes that, based upon consultation with its counsel, these cases, in the aggregate, are not expected to result in a material adverse financial impact on the City or Agency.

Investment agreement The Agency has agreed to invest \$400,000 of principal received from Oakdale Senior Housing Corporation (Corporation) and pay the Corporation an annual minimum return of \$40,000. The annual payments shall be from principal and interest earned on principal and if necessary from the Agency funds up to the minimum of \$40,000 a year. The payments are due on July 1 of each year beginning July 1, 1994, and continue for 15 years. This agreement was established to provide the Corporation with a guaranteed income stream to augment rental income from the Senior Housing Project in order to maintain low rental rates. The annual payments made for the fiscal years ended June 30, 2009 and 2008 were \$78,000 and \$77,690, respectively.

Disposition and Development Agreements The Agency maintains disposition and development agreements (DDA's) in conducting redevelopment activities. Under the terms of the Historic Properties DDA dated March 2004, the Agency agreed to a \$30,000 contribution to the redevelopment project upon completion. At June 30, 2009, the project was still in progress and the contribution and obligation will be recorded in the period when the redevelopment project is completed.

NOTE 13 – SENIOR HOUSING CORPORATION – INVESTMENT IN LIMITED PARTNERSHIP

The Oakdale Senior Housing Corporation (OSHC) is the general partner of the Oakdale Senior Housing Limited Partnership (OSHLP). Pursuant to the terms of the partnership agreement, the OSHC contributes, on an annual basis, to the operations and its partnership capital account of the OSHLP. At June 30, 2009, the OSHC reported \$1,852,353 as "Investment in Limited Partnership", representing its partnership capital of the OSHLP. Upon dissolution of the OSHLP, net assets of the partnership will be distributed based on the terms of the partnership agreement which may not represent the balance of the OSHC's partnership capital.

NOTE 14 – FUND EQUITY

Reservation of Fund Balances

The Agency has established certain fund balance reserve accounts to report the amounts in the following funds which represent available spendable resources restricted for a specified purpose:

	General Fund	Housing Special Revenue Fund	Debt Service Fund
	<u> </u>	<u> </u>	<u> </u>
Reserved for:			
Low and moderate housing	\$ -	\$ 4,482,565	\$ -
Loans receivable	228,012	871,393	
Debt service			1,435,027
Land held for resale		470,273	
Total	<u>\$ 228,012</u>	<u>\$ 5,824,231</u>	<u>\$ 1,435,027</u>

NOTE 16 – FINANCIAL CONDITION

The Redevelopment Agency has a deficit in net assets of \$8,185,040 at June 30, 2009. The Agency projects that future resources will be sufficient to pay long-term obligations as they become due.

NOTE 17 – PRIOR PERIOD ADJUSTMENTS

A prior period adjustment of (\$335,780) was made on the Statement of Activities and General Fund due to an understatement of accounts payable in the prior year.

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REQUIRED SUPPLEMENTAL INFORMATION

**REDEVELOPMENT AGENCY OF THE CITY OF OAKDALE
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property tax increment revenue	\$ 2,300,000	\$ 2,300,000	\$ 2,507,755	\$ 207,755
Use of money and property	67,000	67,000	74,249	7,249
TOTAL REVENUES	2,367,000	2,367,000	2,582,004	215,004
EXPENDITURES				
Current:				
Community development	367,883	369,311	635,841	(266,530)
Capital outlay		2,995,677	657,877	2,337,800
Debt Service:				
Principal	19,240	19,240	19,965	(725)
Interest	216,070	216,070	166,067	50,003
TOTAL EXPENDITURES	603,193	3,600,298	1,479,750	2,120,548
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,763,807	(1,233,298)	1,102,254	2,335,552
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,133,000)	(1,133,000)	(1,133,000)	
TOTAL OTHER FINANCING SOURCES (USES)	(1,133,000)	(1,133,000)	(1,133,000)	
NET CHANGE IN FUND BALANCE	630,807	(2,366,298)	(30,746)	2,335,552
FUND BALANCE, JULY 1, 2008	3,924,078	3,924,078	3,924,078	
PRIOR PERIOD ADJUSTMENT			(335,780)	(335,780)
FUND BALANCE, JULY 1, 2008, RESTATED	3,924,078	3,924,078	3,588,298	(335,780)
FUND BALANCE, JUNE 30, 2009	<u>\$ 4,554,885</u>	<u>\$ 1,557,780</u>	<u>\$ 3,557,552</u>	<u>\$ 1,999,772</u>

**REDEVELOPMENT AGENCY OF THE CITY OF OAKDALE
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
HOUSING SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property tax increment revenue	\$ 585,000	\$ 585,000	\$ 626,939	\$ 41,939
Use of money and property	190,690	190,690	120,933	(69,757)
TOTAL REVENUES	775,690	775,690	747,872	(27,818)
EXPENDITURES				
Current:				
Community development	157,605	157,605	119,336	38,269
Capital outlay	490,000	1,490,000		1,490,000
TOTAL EXPENDITURES	647,605	1,647,605	119,336	1,528,269
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	128,085	(871,915)	628,536	1,500,451
OTHER FINANCING SOURCES (USES)				
Transfers out	(279,000)	(279,000)	(279,000)	
Transfers to component unit	(78,000)	(78,000)	(78,000)	
TOTAL OTHER FINANCING SOURCES (USES)	(357,000)	(357,000)	(357,000)	
NET CHANGE IN FUND BALANCE	(228,915)	(1,228,915)	271,536	1,500,451
FUND BALANCE, JULY 1, 2008	5,552,695	5,552,695	5,552,695	
FUND BALANCE, JUNE 30, 2009	\$ 5,323,780	\$ 4,323,780	\$ 5,824,231	\$ 1,500,451

OTHER SUPPLEMENTAL INFORMATION

**REDEVELOPMENT AGENCY OF THE CITY OF OAKDALE
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Use of money and property	\$ 20,000	\$ 54,631	\$ 34,631
TOTAL REVENUES	<u>20,000</u>	<u>54,631</u>	<u>34,631</u>
EXPENDITURES			
Current:			
Community development	6,800	6,660	140
Debt Service:			
Principal	385,000	385,000	
Interest	1,027,214	1,027,208	6
TOTAL EXPENDITURES	<u>1,419,014</u>	<u>1,418,868</u>	<u>146</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,399,014)</u>	<u>(1,364,237)</u>	<u>34,777</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>1,412,000</u>	<u>1,412,000</u>	
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,412,000</u>	<u>1,412,000</u>	
NET CHANGE IN FUND BALANCE	12,986	47,763	34,777
FUND BALANCE, JULY 1, 2008	<u>1,691,208</u>	<u>1,691,208</u>	
FUND BALANCE, JUNE 30, 2009	<u>\$ 1,704,194</u>	<u>\$ 1,738,971</u>	<u>\$ 34,777</u>



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA

9107 WILSHIRE BLVD., SUITE 400
BEVERLY HILLS, CA 90210
TEL: 310.273.2745
FAX: 310.273.1689
www.mlhcpas.com

**INDEPENDENT AUDITOR'S 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**

Members of the Board
of the Redevelopment Agency of the City of Oakdale
Oakdale, California

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, and each major fund of the Oakdale Redevelopment Agency (Agency), a component unit of the City of Oakdale, California, as of and for the fiscal year ended June 30, 2009 which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December xx, 2009. 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

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing auditing procedures for the purpose of expressing our opinions 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 control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that, there is more than a remote likelihood that a misstatement of Agency's financial statements that is more than inconsequential will not be prevented or detected by Agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be 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.

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, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions include those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies* issued by the California State Controller. 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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Agency's management, the City Council, the bond trustees, and the California State Controller's Office Division of Accounting and Reporting, and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Beverly Hills, California
December xx, 2009