

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

FINANCIAL STATEMENTS

JUNE 30, 2011

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

**Financial Statements
June 30, 2011**

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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, 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 did not audit the financial statements of the Oakdale Senior Housing Limited Partnership which represents 54% and 87% 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 *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 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, 2011, 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 \$1,987,991. 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, 2010, the Agency adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and Statement No. 59, *Financial Instruments Omnibus*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8, the budgetary comparison Schedules of the General Fund on page 32 and the Housing Special Revenue Fund on page 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements as a whole. The budgetary comparison schedule of the Debt Service Fund and Computation of Low and Moderate Income Housing Fund Excess Surplus are presented for purposes of additional analysis and are not a required part of the financial statements. The budgetary comparison schedule of the Debt Service Fund and the Computation of Low and Moderate Income Housing Fund Excess Surplus are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
January 9, 2012

**REDEVELOPMENT AGENCY OF
THE CITY OF OAKDALE**
Management's Discussion and Analysis
June 30, 2011

This discussion and analysis of the Redevelopment Agency of the City of Oakdale (the Agency) financial performance provides an overview of the Agency's financial activities for the fiscal year ended June 30, 2011. Please read the Management's Discussion and Analysis in conjunction with the Redevelopment Agency's financial statements, notes and supplementary schedules.

FINANCIAL HIGHLIGHTS

Liabilities of the Agency exceeded its assets in governmental activities at the close of the fiscal year 2011 by \$(12,084,813) (net deficit). Of this amount \$(15,192,905) is invested in capital assets, net of related debt, \$4,348,462 represents resources restricted for low/moderate income housing activities, and \$(1,240,370) represents unrestricted net assets.

Total revenues and transfers in the governmental activities decreased by \$30,737 from last fiscal year as a result of a decrease in tax increment revenue of \$40,615, a decrease of \$28,277 in interest earnings from lower interest rates, an increase in other revenues of \$8,155, and a decrease in transfers out of \$30,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. These statements include all activities of the Agency, using the integrated approach as prescribed by GASB Statement No. 34. The government-wide Statement of Net Assets and Statement of Activities provides information about the activities of the Agency as a whole and presents a long-term view of the Agency's finances. Fund financial statements show how Agency services are financed in the short term as well as what remains for future spending or what is needed to fund repayment of existing debt. Fund financial statements also report the Agency's operations in more detail than the government-wide statements by providing information about the Agency's most significant funds.

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 private-sector business.

The *statement of net assets* reports all financial resources of the Agency. The Agency presents the statement in a format that displays assets less liabilities equal net assets/ (deficit). 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 Agency'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 result in cash flows in future fiscal periods such as revenues pertaining to uncollected taxes and earned but unused vacation and sick leave.

The *governmental activities* of the Agency include general government, housing and debt service.

**REDEVELOPMENT AGENCY OF
THE CITY OF OAKDALE**
Management's Discussion and Analysis
June 30, 2011

Fund Financial Statements

Fund Financial Statements are designed to report information about groupings (*funds*) of related accounts, which are 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 finance-related legal compliance. All *funds* of the Agency are categorized as *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 balances of spendable resources available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the Agency's redevelopment programs.

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, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund 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 several individual governmental funds created according to their purpose. The individual fund information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for all the Agency's governmental funds.

Notes to the Basic Financial Statements

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16 to 31 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the Agency's budgetary comparison for certain governmental funds – general fund and special revenue fund.

**REDEVELOPMENT AGENCY OF
THE CITY OF OAKDALE**
Management's Discussion and Analysis
June 30, 2011

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Agency, it is also an important determinant of its ability to finance current and future redevelopment projects.

At the close of the fiscal year the Agency has a net deficit of \$(12,084,813). Of this amount \$2,747,126 is restricted for debt service, and \$4,348,462 for low and moderate-income housing. The remaining balance of \$19,180,401 represents a deficit, which will be covered from the collection of future tax increments and other revenues. The largest portion of the Agency's deficit is caused by the outstanding long-term obligations of \$22,539,391. Traditionally, the Agency carries a deficit to collect tax increments as mentioned earlier in the letter of transmittal. This is primarily due to the nature of tax increment financing method allowed under California law whereby a redevelopment agency issues bonds or incurs long-term debt to finance its redevelopment projects by pledging future tax increment revenues.

The Agency uses debt proceeds to finance its redevelopment projects which include land, housing, street improvements, water and wastewater facilities and community centers. Once redevelopment projects that are public facilities are completed by the Agency, the responsibilities for their continued maintenance and operations are transferred to the City of Oakdale including the capitalized redevelopment costs. Some of the facilities include:

- Water line improvements
- Sewer line improvements
- Parking Facilities
- Downtown Lighting
- Community Center
- Community Center Plaza

In addition, completed Joint Agency-Private Partnership projects with private developers are also transferred to the developers in accordance with the Development and Disposition Agreements. Although completed public facilities and joint Agency-Private Partnership projects are transferred to the City of Oakdale and private developers, respectively, the related debt remains with the Agency.

**REDEVELOPMENT AGENCY OF
THE CITY OF OAKDALE**
Management's Discussion and Analysis
June 30, 2011

Governmental activities. Total governmental expenses for the fiscal year exceeded revenues by \$2,502,330. Below is a table showing the governmental activities of the Agency for the fiscal years ended June 30, 2011 and 2010.

Agency's Changes in Net Assets
For the Fiscal Year Ended June 30, 2011 and 2010

	Governmental Activities	
	2011	2010
General Revenues:		
Property Taxes	2,751,302	1,636,474
Investment earnings	93,612	121,889
Other revenues	12,375	4,220
Total revenues	2,857,289	1,762,583
Expenses:		
Community Development	3,064,055	1,860,268
Transfer to component units	78,000	78,000
Transfer to City of Oakdale		30,000
Interest on long-term debt	2,217,564	1,191,758
Total expenses	5,359,619	3,160,026
Increase (decrease) in net assets	(2,502,330)	(1,397,443)
Net assets/(deficit)-beginning of fiscal year	(9,582,483)	(8,185,040)
Net assets/(deficit)-end of fiscal year	(12,084,813)	(9,582,483)

Total governmental revenues for the fiscal year were \$2,857,289 and \$1,762,583 for 2011 and 2010 respectively. Tax increment revenue, the primary source of revenue of the Agency, represents 96% and 93% of the total revenue for 2011 and 2010 respectively.

Total governmental expenses for the fiscal year were \$5,359,619 and \$3,160,026 for 2011 and 2010 respectively. Community development expenses include salaries and other administrative costs and supplies and services of the Agency.

**REDEVELOPMENT AGENCY OF
THE CITY OF OAKDALE**
Management's Discussion and Analysis
June 30, 2011

FINANCIAL ANALYSIS OF THE AGENCY'S FUNDS

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

Governmental funds. The focus of the Agency's *governmental funds* is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the Agency's financial requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Individual fund information of governmental funds reported by the Agency includes general fund, Housing special revenue fund, and debt service fund, which are all considered major funds. At the end of the current fiscal year, the Agency's governmental funds reported *combined fund balances* of \$9,588,116, a increase of \$208,547 in comparison with the prior fiscal year. Of this total amount, \$3,031,865 constitutes *unassigned fund balance*, which is available for redevelopment spending at the discretion of the Agency Board. The remainder of the fund balance is *nonspendable* or *restricted* to indicate that it is *not* available for new spending because it has been committed: 1) to pay debt service \$2,007,059, 2) to reflect the amount of assets that is long-term in nature and thus do not represent available spendable resources \$200,730, and 3) to reflect amounts restricted for low and moderate income housing \$4,348,462.

General fund. The Agency's general fund is used to account for the general and administrative expenditures. At the end of this fiscal year, the *unassigned fund balance* of the general fund was \$3,031,865 while total fund balance was \$3,232,595.

Housing special revenue fund. The housing special revenue fund is used to account for the portion of tax increment revenue designated for low and moderate-income housing. As required by the California Community Redevelopment Law, the Agency allocated 20 percent, \$586,969, of the tax increment received during the fiscal year for low and moderate income housing projects.

Debt service funds. The debt service fund has a total fund balance of \$2,007,059. The total fund balance in the Agency's debt service funds increased by \$236,727 from the previous fiscal year.

Redevelopment Agency Budgetary Highlights. At mid-year, with the recommendation from the City of Oakdale staff, the Agency Board of Directors revised the Agency's budget. Adjustments were made to capital projects to reflect additional expenditures. All budget amendments that either increase or decrease appropriations are approved by the Agency's Board of Directors.

For the Agency General Fund, actual ending revenues of \$2,174,212 were \$25,685 more than the final budgeted revenues of \$2,148,527. The variance was the result of higher property tax increment offset by lower interest earnings.

The Housing Fund actual ending revenues of \$642,592 were \$103,098 less than the final budgeted revenues of \$745,690. The majority of the variance was the decrease in investment earning.

For fiscal year 2012, the Redevelopment Agency's General Fund revenues are projected to increase by \$21,008 primarily from tax increments. Expenditures for the fund are budgeted to decrease by \$588,506 or 25%. Total budgeted revenues and expenses for the fiscal year are budgeted at \$2,195,220 and \$2,386,189, respectively.

**REDEVELOPMENT AGENCY OF
THE CITY OF OAKDALE
Management's Discussion and Analysis
June 30, 2011**

Debt Administration

Long-term Debt. At fiscal year end, the Agency's governmental activities had \$21,170,000 in long-term debt, not including original issue discounts, deferred loss on refunding, advances from the City of Oakdale, or compensated absences.

The table below sets forth the Agency's long-term debt as of June 30, 2011

	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Balance</u>	<u>Outstanding Balance</u>
General Obligations				
1997 Tax Allocation Revenue Bonds	July 2019	4.3 To 6.0%	\$7,845,000	\$5,805,000
2004 Tax Allocation Revenue Bonds	July 2033	2.0 To 5.0%	13,300,000	11,995,000
2011 Tax Allocation Revenue Bonds	July 2036	7.5	2,550,000	2,550,000
2011 Taxable Housing Tax Allocation Revenue Bonds	July 2036	9.75	<u>820,000</u>	<u>820,000</u>
			<u>\$24,515,000</u>	<u>\$21,170,000</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In preparing the budget for 2012, the Agency management looked at the following:

- The decrease in interest rates are providing less revenues from temporary investment of bond proceeds.
- Decrease in available revenues because of the State ERAF Shift.
- Decreasing property tax assessed values are providing a steady decreases in property tax increment revenue.
- As a result of the Supreme Court's decision regarding AB 1X 26, the City Council will consider electing to the "successor agency" to oversee the obligations of the Agency and the continuation of the housing set-aside program.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Agency's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Finance Director, City of Oakdale, 280 North Third Avenue.

REDEVELOPMENT AGENCY OF THE CITY OF OAKDALE
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Primary Government	Component Units	
	Governmental Activities	Oakdale Senior Housing LP	Senior Housing Corporation
ASSETS			
Cash and investments	\$ 1,557,879	\$ 15,206	\$ 159,891
Restricted cash and investments	3,802,425	249,054	
Accounts receivable	123,170	11,837	1,142
Interest receivable	1,258		724
Prepaid items		16,570	
Investment in limited partnership			1,987,991
Notes and loans receivable	4,384,367		
Deferred charges - net of accumulated amortization	561,172	25,300	
Capital assets not being depreciated	1,243,734	400,000	
Capital assets - net of accumulated depreciation	116,855	1,786,838	
Total Assets	11,790,860	2,504,805	2,149,748
LIABILITIES			
Accounts payable	271,081	23,059	
Accrued expenses	9,902		
Unearned revenue		498	
Interest payable	1,055,299	58,499	
Non-current liabilities:			
Due in one year	432,972	110,282	
Due in more than one year	22,106,419	2,377,755	
Total Liabilities	23,875,673	2,570,093	
NET ASSETS			
Invested in capital assets, net of related debt	(15,192,905)	398,405	
Restricted for:			
Low and moderate income housing	4,348,462		
Unrestricted	(1,240,370)	(463,693)	2,149,748
Total Net Assets (Deficit)	\$ (12,084,813)	\$ (65,288)	\$ 2,149,748

See accompanying notes to basic financial statements

**REDEVELOPMENT AGENCY OF THE CITY OF OAKDALE
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Program Revenues			
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Community development	\$ 3,064,055	\$ -	\$ -	\$ -
Interest on long-term debt	2,217,564			
Total Primary Government	5,281,619			
Component Units:				
Oakdale Senior Housing LP	657,983	543,556		
Senior Housing Corporation	15,645			
Total Component Units	673,628	543,556		
Total government	\$ 5,955,247	\$ 543,556	\$ -	\$ -

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

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
\$ (3,064,055)	\$ -	\$ -
(2,217,564)		
(5,281,619)		
	(114,427)	
		(15,645)
	(114,427)	(15,645)
(5,281,619)	(114,427)	(15,645)
2,751,302		
93,612	598	878
12,375	3,398	
(78,000)		78,000
2,779,289	3,996	78,878
(2,502,330)	(110,431)	63,233
(9,582,483)	45,143	2,086,515
\$ (12,084,813)	\$ (65,288)	\$ 2,149,748

**REDEVELOPMENT AGENCY OF THE CITY OF OAKDALE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	General Fund	Housing Special Revenue Fund	Debt Service Fund	Total Governmental Funds
ASSETS				
Cash and investments	\$ 1,117,283	\$ 138,358	\$ 302,238	\$ 1,557,879
Restricted cash and investments	2,085,354	10,814	1,706,257	3,802,425
Accounts receivable	98,536	24,634		123,170
Interest receivable	922	92	244	1,258
Loans receivable, net	200,730	4,183,637		4,384,367
Total Assets	\$ 3,502,825	\$ 4,357,535	\$ 2,008,739	\$ 9,869,099
LIABILITIES				
Accounts payable	\$ 264,360	\$ 5,041	\$ 1,680	\$ 271,081
Accrued expenditures	5,870	4,032		9,902
Total Liabilities	270,230	9,073	1,680	280,983
FUND BALANCES				
Nonspendable	200,730			200,730
Restricted for debt service			2,007,059	2,007,059
Restricted for low and moderate income housing		4,348,462		4,348,462
Unassigned	3,031,865			3,031,865
Total Fund Balances	3,232,595	4,348,462	2,007,059	9,588,116
Total Liabilities and Fund Balances	\$ 3,502,825	\$ 4,357,535	\$ 2,008,739	\$ 9,869,099

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, 2011**

FUND BALANCES - GOVERNMENTAL FUNDS \$ 9,588,116

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	\$ 1,366,846	
Less: accumulated depreciation	<u>(6,257)</u>	1,360,589

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.		(1,055,299)
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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	(21,170,000)	
Advances from the City of Oakdale	(1,603,828)	
Compensated absences	(54,538)	
Original issue discount on sale of bonds	252,909	
Deferred loss on bond refunding	<u>36,066</u>	(22,539,391)

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.

561,172

NET ASSETS (DEFICIT) OF GOVERNMENTAL ACTIVITIES		<u><u>\$ (12,084,813)</u></u>
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See accompanying notes to basic financial statements

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

	General Fund	Housing Special Revenue Fund	Debt Service Fund	Total Governmental Funds
REVENUES				
Property tax increment revenue	\$ 2,164,333	\$ 586,969	\$ -	\$ 2,751,302
Use of money and property	9,879	43,248	40,485	93,612
Other revenues		12,375		12,375
TOTAL REVENUES	2,174,212	642,592	40,485	2,857,289
EXPENDITURES				
Current:				
Community development	444,897	2,565,024	6,660	3,016,581
Capital outlay	872,283			872,283
Debt service:				
Principal	23,437		425,000	448,437
Interest	161,866		1,055,298	1,217,164
Cost of debt issuance	176,132	75,237		251,369
TOTAL EXPENDITURES	1,678,615	2,640,261	1,486,958	5,805,834
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	495,597	(1,997,669)	(1,446,473)	(2,948,545)
OTHER FINANCING SOURCES (USES):				
Proceeds from issuance of long-term debt	2,358,750	740,050	271,200	3,370,000
Tax allocation revenue bonds discount	(97,869)	(37,039)		(134,908)
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)	1,127,881	346,011	1,683,200	3,157,092
NET CHANGE IN FUND BALANCES	1,623,478	(1,651,658)	236,727	208,547
FUND BALANCES, July 1, 2010	1,609,117	6,000,120	1,770,332	9,379,569
FUND BALANCES, June 30, 2011	\$ 3,232,595	\$ 4,348,462	\$ 2,007,059	\$ 9,588,116

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, 2011**

NET CHANGE IN FUND BALANCES \$ 208,547

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	\$ 829,705	
Depreciation expense not reported in governmental funds	<u>(3,077)</u>	826,628

Disposition of capital assets is not reported in the governmental funds. This is the amount of the disposition of capital assets that occurred during the current period.		(25,095)
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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.

Issuance of long term debt	(3,370,000)	
Issuance cost and discount incurred during the period	386,277	
Repayment of debt principal is added back to fund balance	448,437	
Amortization expense of costs of issuance not reported in governmental funds	(16,284)	
Amortization expense of bond discount and deferred loss on refunding not reported in governmental funds	<u>(7,480)</u>	(2,559,050)

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 revenues or expenditures in governmental funds (net change):

Interest payable	(976,636)	
Compensated absences	<u>23,276</u>	<u>(953,360)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u>\$ (2,502,330)</u>
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See accompanying notes to basic financial statements

REDEVELOPMENT AGENCY OF THE CITY OF OAKDALE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

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 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, 2011

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 of all fund types excluding fiduciary. 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 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, 2011

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. The Local Agency Investment Fund 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, are depreciated using the straight line method over their estimated lives.

REDEVELOPMENT AGENCY OF THE CITY OF OAKDALE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2010 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, 2011 financial statement is included in this report.

**REDEVELOPMENT AGENCY OF THE CITY OF OAKDALE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

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, 2010 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. 54 and No. 59 during the fiscal year ended June 30, 2011.

GASB Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions

This Statement is effective for periods beginning June 15, 2010. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This Statement affected the Balance Sheet – Governmental Funds for the fiscal year ended June 30, 2011 by changing the classification of the fund balances. See Note 14 for detailed information on the effect on these financial statements.

GASB Statement No. 59 – Financial Instruments Omnibus

This Statement is effective for financial statements for periods beginning after June 15, 2010. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The implementation of this Statement did not have an effect on these financial statements.

NOTE 2 – CASH AND INVESTMENTS

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

Primary Government:	
Cash and investments	\$ 1,557,879
Restricted cash and investments	3,802,425
Component Units:	
Cash and investments	175,097
Restricted cash and investments	249,054
Total Cash and Investments	<u>\$ 5,784,455</u>

REDEVELOPMENT AGENCY OF THE CITY OF OAKDALE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2 – CASH AND INVESTMENTS (Continued)

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

	Primary Government	Component Units		Total
		Oakdale Senior Housing LP	Senior Housing Corporation	
Demand deposits	\$ -	\$ -	\$ 39,858	\$ 39,858
Certificates of deposit			101,350	101,350
Cash and investments, pooled with the City of Oakdale	1,557,879		18,683	1,576,562
Cash and investments, of limited partnership		264,260		264,260
Investments held with fiscal agent:				
Investment agreements	594,160			594,160
U.S. Treasury Money Market Funds	840,852			840,852
Mutual Funds	2,096,168			2,096,168
Commercial Paper	271,245			271,245
Total cash and investments	\$ 5,360,304	\$ 264,260	\$ 159,891	\$ 5,784,455

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	\$50 Million

REDEVELOPMENT AGENCY OF THE CITY OF OAKDALE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

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
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Mortgage-backed Securities	3 years	None	None
Bankers' Acceptances	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

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	\$ 101,350	\$ 101,350	\$ -	\$ -	\$ -
Held by Bond Trustee:					
Investment Agreements	594,160				594,160
U.S. Treasury Money Market Funds	840,852	840,852			
Mutual Funds	2,096,168	2,096,168			
Commercial Paper	271,245	271,245			
	<u>\$ 3,903,775</u>	<u>\$ 3,309,615</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 594,160</u>

**REDEVELOPMENT AGENCY OF THE CITY OF OAKDALE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The Agency has no investments (including investments held by bond trustees) that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above). 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	Rating as of Fiscal Year End				
			Exempt From Disclosure	AAA	AA	A	Not Rated
Certificates of Deposit Held by Bond Trustee:	\$ 101,350	N/A	\$ -	\$ -	\$ -	\$ -	\$ 101,350
Investment Agreements	594,160	N/A					594,160
U.S. Treasury Money Market Funds	840,852	N/A		840,852			
Mutual Funds	2,096,168	N/A		2,096,168			
Commercial Paper	271,245	N/A				271,245	
	<u>\$ 3,903,775</u>		<u>\$ -</u>	<u>\$ 2,937,020</u>	<u>\$ -</u>	<u>\$ 271,245</u>	<u>\$ 695,510</u>

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
US Bank	Commercial Paper	271,245
		<u>\$ 865,405</u>

\$865,405 of the cash and investments (amounts held by bond trustee) reported in the Governmental Activities and 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, which will mature on June 1, 2027, and commercial paper issued by US Bank N.A..

**REDEVELOPMENT AGENCY OF THE CITY OF OAKDALE
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2011**

NOTE 2 – CASH AND INVESTMENTS (Continued)

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.

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.	\$ 33,009
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.	73,467
Toneata Martocchio, receivable in installments of \$848 per month, including interest at 4%. Balance due December 1, 2012. Secured by deed of trust.	94,254
	\$ 200,730

**REDEVELOPMENT AGENCY OF THE CITY OF OAKDALE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 3 – NOTES RECEIVABLE (Continued)

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.	\$ 5,000
Soroptomist International of Oakdale, receivable in principal installments of \$278 per month, no interest required. Balance due February 27, 2027.	52,500
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.	64,288
Oakdale Senior Housing Limited Partnership, receivable in annual installments of \$70,691 including interest at 5%. Due August 1, 2023. Secured by deed of trust.	663,894
CIC Oakridge Apartments, LP, deferred loan receivable. No installment payments of principal or interest are required until April 6, 2065. Interest rate is 3%.	1,000,000
Central Valley Coalition for Affordable Housing, deferred loan receivable. No installment payments of principal or interest are required until May 24, 2066. Interest rate is 3%.	2,397,955
	\$ 4,183,637

NOTE 4 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2011, 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	\$ 922	\$ 92	\$ 244	\$ 1,258
Taxes	98,536	24,634		123,170
Total	\$ 99,458	\$ 24,726	\$ 244	\$ 124,428

NOTE 5 – INTERFUND ACTIVITY

The following represents the interfund activity of the Agency for the fiscal year ended June 30, 2011.

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, 2011

NOTE 6 – CAPITAL ASSETS

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

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Governmental Activities				
Nondepreciable capital assets				
Land	\$ 231,158	\$ -	\$ -	\$ 231,158
Construction in progress	207,966	829,705	(25,095)	1,012,576
Total nondepreciable capital assets	439,124	829,705	(25,095)	1,243,734
Depreciable capital assets				
Buildings	101,230			101,230
Improvements	21,882			21,882
Total depreciable capital assets	123,112			123,112
Less accumulated depreciation				
Buildings	(1,265)	(2,530)		(3,795)
Improvements	(1,915)	(547)		(2,462)
Total accumulated depreciation	(3,180)	(3,077)		(6,257)
Net depreciable capital assets	119,932	(3,077)		116,855
Net capital assets	\$ 559,056	\$ 826,628	\$ (25,095)	\$ 1,360,589

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, 2011 was \$89,236 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, 2011 was \$63,504, with amortization expense for the fiscal year of \$9,072. The total costs deferred as a result of the issuance of the 2011 tax allocation revenue bonds were \$176,132. The amortization period is 300 months. Accumulated amortization as of June 30, 2011 was \$587, with amortization expense for the fiscal year of \$587. The total costs deferred as a result of the issuance of the 2011 taxable housing tax allocation revenue bonds were \$75,237. The amortization period is 300 months. Accumulated amortization as of June 30, 2011 was \$251, with amortization expense for the fiscal year of \$251. Amortization is included in the interest on long-term debt in the Statement of Activities.

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, 2011:

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Due Within One Year
1997 Tax allocation revenue bonds loan	\$ 6,010,000	\$ -	\$ (205,000)	\$ 5,805,000	\$ 215,000
2004 Tax allocation revenue bonds loan	12,215,000		(220,000)	11,995,000	225,000
2011 Tax allocation revenue bonds loan		2,550,000		2,550,000	
2011 Taxable housing tax allocation revenue bonds loan		820,000		820,000	
Less: Original issue discounts	(123,913)	(134,908)	5,912	(252,909)	(10,914)
Deferred loss on refunding	(37,634)		1,568	(36,066)	(1,568)
Advances from the City of Oakdale	1,627,265		(23,437)	1,603,828	
Compensated absences	77,814		(23,276)	54,538	5,454
Total long-term liabilities	\$ 19,768,532	\$ 3,235,092	\$ (464,233)	\$ 22,539,391	\$ 432,972

**REDEVELOPMENT AGENCY OF THE CITY OF OAKDALE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 8 – LONG-TERM DEBT (Continued)

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.

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, 2011 is \$5,805,000.

The scheduled annual minimum debt service requirements at June 30, 2011 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 215,000	\$ 350,422	\$ 565,422
2013	230,000	338,060	568,060
2014	245,000	324,720	569,720
2015	260,000	310,266	570,266
2016	280,000	294,926	574,926
2017-2021	1,695,000	1,199,770	2,894,770
2022-2026	2,320,000	612,748	2,932,748
2027	560,000	34,160	594,160
	<u>\$ 5,805,000</u>	<u>\$ 3,465,072</u>	<u>\$ 9,270,072</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, 2011 is \$11,995,000.

The scheduled annual minimum debt service requirements at June 30, 2011 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 225,000	\$ 622,688	\$ 847,688
2013	235,000	613,970	848,970
2014	240,000	604,276	844,276
2015	250,000	594,076	844,076
2016	260,000	583,138	843,138
2017-2021	1,455,000	2,725,742	4,180,742
2022-2026	1,820,000	2,321,194	4,141,194
2027-2031	4,895,000	1,583,746	6,478,746
2032-2033	2,615,000	212,582	2,827,582
	<u>\$ 11,995,000</u>	<u>\$ 9,861,412</u>	<u>\$ 21,856,412</u>

**REDEVELOPMENT AGENCY OF THE CITY OF OAKDALE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 8 – LONG-TERM DEBT (Continued)

C. 2011 Tax Allocation Revenue Bonds Loan from the City of Oakdale Public Financing Authority

The City’s Financing Authority issued \$2,550,000 of 2011 Tax Allocation Revenue Bonds for the purpose of assisting the Agency to finance certain capital improvements within the Agency’s Central City Redevelopment Project Area, pay the costs of issuing the 2011 Non-Housing Bonds and fund a Reserve Account for the 2011 Non-Housing Bonds. The proceeds were loaned to the Agency pursuant to the loan agreement.

The 2011 loan bears interest at 7.5% and is payable semi-annually on December 1 and June 1 through 2036. The loan is subject to optional early redemption on or after June 1, 2034 from any available source with premium as specified in the agreements. The outstanding principal balance of the loan from the Financing Authority at June 30, 2011 is \$2,550,000.

The scheduled annual minimum debt service requirements at June 30, 2011 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ -	\$ 191,250	\$ 191,250
2013		191,250	191,250
2014		191,250	191,250
2015		191,250	191,250
2016		191,250	191,250
2017-2021		956,250	956,250
2022-2026		956,250	956,250
2027-2031		956,250	956,250
2032-2036	2,550,000	774,000	3,324,000
	<u>\$ 2,550,000</u>	<u>\$ 4,599,000</u>	<u>\$ 7,149,000</u>

D. 2011 Taxable housing Tax Allocation Revenue Bonds Loan from the City of Oakdale Public Financing Authority

The City’s Financing Authority issued \$820,000 of 2011 Tax Allocation Revenue Bonds for the purpose of assisting the Agency to finance low and moderate income housing projects within or of benefit to the Agency’s Central City Redevelopment Project Area, pay the costs of issuing the 2011 Housing Bonds, and fund a Reserve Account for the 2011 Housing Bonds. The proceeds were loaned to the Agency pursuant to the loan agreement.

The 2011 loan bears interest at 9.75% and is payable semi-annually on December 1 and June 1 through 2036. The loan is subject to optional early redemption on or after June 1, 2034 from any available source with premium as specified in the agreements. The outstanding principal balance of the loan from the Financing Authority at June 30, 2011 is \$820,000.

The scheduled annual minimum debt service requirements at June 30, 2011 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ -	\$ 79,950	\$ 79,950
2013		79,950	79,950
2014		79,950	79,950
2015		79,950	79,950
2016		79,950	79,950
2017-2021		399,750	399,750
2022-2026		399,750	399,750
2027-2031		399,750	399,750
2032-2036	820,000	324,675	1,144,675
	<u>\$ 820,000</u>	<u>\$ 1,923,675</u>	<u>\$ 2,743,675</u>

**REDEVELOPMENT AGENCY OF THE CITY OF OAKDALE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 8 – LONG-TERM DEBT (Continued)

E. 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 at 10% annually, and are repayable as directed by the Agency when funds are available. The balance at June 30, 2011 is \$1,603,828.

F. 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, 2011 is \$54,538.

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 August 1, 2023. This note is secured by a deed of trust on the land and building. The balance at June 30, 2011 is \$699,604.

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, 2011 is \$1,788,433.

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 include 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.

When both restricted and unrestricted net assets are available, restricted resources are depleted first before the unrestricted resources are used.

The following represents the restricted net assets of the Agency for the fiscal year ended June 30, 2011.

	Primary Government	Oakdale Senior Housing LP	Senior Housing Corporation
Invested in capital assets, net of related debt	\$ (15,192,905)	\$ 398,405	\$ -
Restricted for:			
Low and moderated income housing	4,348,462		
Unrestricted	(1,240,370)	(463,693)	2,149,748
Total	<u>\$ (12,084,813)</u>	<u>\$ (65,288)</u>	<u>\$ 2,149,748</u>

REDEVELOPMENT AGENCY OF THE CITY OF OAKDALE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

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.

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, 2011, 2010, and 2009 were \$78,000, \$78,000 and \$78,000, respectively.

SERAF Contingency. During the fiscal year 2008-2009, the State of California experienced a severe budgetary crisis. Various "budget trailer bills" were passed by the state legislature to balance the state's budget, including bills that required California redevelopment agencies to transfer funds to the Educational Revenue Augmentation Fund (ERAF) and Supplemental Educational Revenue Augmentation Fund (SERAF) administered by the various county auditor-controllers. Noted below is a general explanation of the SERAF legislation, together with the effect of this legislation on the Redevelopment Agency of the City of Oakdale (the Agency).

Pursuant to AB 26 4x, a budget trailer bill, California redevelopment agencies were required to make SERAF contributions totaling \$1.7 billion for the fiscal year 2009-2010 and \$350 million for the fiscal year 2010-2011. Under AB 26 4x, agencies may borrow a portions of the required contributions from their low and moderate income housing fund. Alternatively, sponsoring governmental agencies (the cities or counties) may elect to pay the SERAF contributions on behalf of their redevelopment agencies. On October 20, 2009, the (CRA) filed a class action lawsuit on behalf of all California redevelopment agencies challenging the SERAF obligations as unconstitutional.

The Agency's SERAF contribution is \$237,885 for the fiscal year 2010-2011. The Agency made the contribution for fiscal year 2010-2011.

Recent Changes in Legislation Affecting California Redevelopment Agencies. The Redevelopment Agency operates pursuant to the provisions of California Redevelopment Law (Health & Safety Code Section 33000 et seq.). On June 28, 2011, the California Legislature adopted Assembly Bill XI 26 (Dissolution Act) and Assembly Bill XI 27 (Continuation Act). The express purpose of the Dissolution Act was to provide for the elimination of redevelopment agencies, and to direct the orderly distribution of a former redevelopment agency's assets and liabilities. The purpose of Continuation Act was to provide a voluntary alternative for local governments to continue redevelopment activities. Taken together, these Acts require the Agency and its sponsoring community (the City) to take several legislative actions to implement their various provisions.

REDEVELOPMENT AGENCY OF THE CITY OF OAKDALE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011, the OSHC reported \$1,987,991 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 BALANCES

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, committed, assigned, and unassigned fund balance. The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form such as inventories, or are legally or contractually required to be maintained intact. Restricted fund balances are those that have externally imposed restrictions on their usage by creditors, such as through debt covenants, grantors, contributors, or laws and regulations. Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. The Agency does not have any committed and assigned fund balances at June 30, 2011.

NOTE 15 – FINANCIAL CONDITION

The Redevelopment Agency has a deficit net assets of \$12,084,813 at June 30, 2011. The Agency projects that future resources will be sufficient to pay long-term obligations as they become due.

NOTE 16 – SUBSEQUENT EVENT

On December 29, 2011, the California Supreme Court rendered an opinion upholding the State of California’s rights to abolish redevelopment agencies (Assembly Bill 1X 26). The California Supreme Court also rendered an opinion invalidating the State of California’s allowance of redevelopment agencies to make payments to various funds benefitting schools and special districts as a condition of continued operation (Assembly Bill 1X 27).

Under the timeline of AB 1X 26, if the City of Oakdale does not want to serve as the “successor agency” to its redevelopment agency, then it must submit a resolution to that effect to the County Auditor-Controller by January 13, 2012. If the City wishes to serve as the “successor agency”, no action is required and the redevelopment agency will be dissolved starting February 1, 2012.

**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, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property tax increment revenue	\$ 2,062,347	\$ 2,062,347	\$ 2,164,333	\$ 101,986
Use of money and property	86,180	86,180	9,879	(76,301)
TOTAL REVENUES	2,148,527	2,148,527	2,174,212	25,685
EXPENDITURES				
Current:				
Community development	323,163	323,163	444,897	(121,734)
Capital outlay	1,253,222	1,253,222	872,283	380,939
Debt Service:				
Principal	19,240	19,240	23,437	(4,197)
Interest	216,070	216,070	161,866	54,204
Cost of debt issuance			176,132	176,132
TOTAL EXPENDITURES	1,811,695	1,811,695	1,678,615	485,344
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	336,832	336,832	495,597	158,765
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of long-term debt			2,358,750	2,358,750
Tax allocation revenue bonds discount			(97,869)	(97,869)
Transfers out	(1,163,000)	(1,163,000)	(1,133,000)	30,000
TOTAL OTHER FINANCING SOURCES (USES)	(1,163,000)	(1,163,000)	1,127,881	2,290,881
NET CHANGE IN FUND BALANCE	(826,168)	(826,168)	1,623,478	2,449,646
FUND BALANCE, July 1, 2010	1,609,117	1,609,117	1,609,117	
FUND BALANCE, June 30, 2011	\$ 782,949	\$ 782,949	\$ 3,232,595	\$ 2,449,646

**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, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property tax increment revenue	\$ 585,000	\$ 585,000	\$ 586,969	\$ 1,969
Use of money and property	90,000	160,690	43,248	(117,442)
Other revenues			12,375	12,375
TOTAL REVENUES	675,000	745,690	642,592	(103,098)
EXPENDITURES				
Current:				
Community development		173,478	2,565,024	(2,391,546)
Debt Service:				
Cost of debt issuance			75,237	(75,237)
TOTAL EXPENDITURES		173,478	2,640,261	(2,466,783)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	675,000	572,212	(1,997,669)	(2,569,881)
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of long-term debt			740,050	740,050
Tax allocation revenue bonds discount			(37,039)	(37,039)
Transfers out		(357,000)	(279,000)	78,000
Transfers to component unit			(78,000)	(78,000)
TOTAL OTHER FINANCING SOURCES (USES)		(357,000)	346,011	703,011
NET CHANGE IN FUND BALANCE	675,000	215,212	(1,651,658)	(1,866,870)
FUND BALANCE, July 1, 2010	6,000,120	6,000,120	6,000,120	
FUND BALANCE, June 30, 2011	\$ 6,675,120	\$ 6,215,332	\$ 4,348,462	\$ (1,866,870)

**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, 2011**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Use of money and property	\$ 20,000	\$ 40,485	\$ 20,485
TOTAL REVENUES	20,000	40,485	20,485
EXPENDITURES			
Current:			
Community development	6,800	6,660	140
Debt Service:			
Principal	385,000	425,000	(40,000)
Interest	1,027,214	1,055,298	(28,084)
TOTAL EXPENDITURES	1,419,014	1,486,958	(67,944)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,399,014)	(1,446,473)	(47,459)
OTHER FINANCING SOURCES (USES)			
Proceeds from issuance of long-term debt		271,200	271,200
Transfers in	1,412,000	1,412,000	
TOTAL OTHER FINANCING SOURCES (USES)	1,412,000	1,683,200	271,200
NET CHANGE IN FUND BALANCE	12,986	236,727	223,741
FUND BALANCE, July 1, 2010	1,770,332	1,770,332	
FUND BALANCE, June 30, 2011	\$ 1,783,318	\$ 2,007,059	\$ 223,741

**REDEVELOPMENT AGENCY OF THE CITY OF OAKDALE
 COMPUTATION OF LOW AND MODERATE INCOME HOUSING FUND EXCESS SURPLUS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Low and Moderate Housing Funds All Project Funds</u>
Fund balance at June 30, 2011	<u>\$ 4,348,462</u>
Less unavailable amounts:	
Rehabilitation loans receivable	<u>4,183,637</u>
Available low and moderate income housing funds	<u>164,825</u>
Limitation (greater of \$1,000,000 or four years set-aside)	
Set-aside for last four years:	
2009-2010	594,589
2008-2009	626,939
2007-2008	601,997
2006-2007	627,733
Total set-aside	<u>2,451,258</u>
Base limitation	<u>\$ 1,000,000</u>
Greater amount	<u>\$ 2,451,258</u>
Computed Excess/Surplus	<u>NONE</u>



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**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 Redevelopment Agency of the City of Oakdale (Agency), a component unit of the City of Oakdale, California, as of and for the fiscal year ended June 30, 2011 which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated January 9, 2012. 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 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a 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.

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 one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the Schedule of Findings and Recommendations as item 2011-1.

The Agency's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Recommendations. 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 Agency's management, the Board of Directors, 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, LLP
Culver City, California
January 9, 2012



MOSS, LEVY & HARTZHEIM LLP

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**INDEPENDENT AUDITOR'S REPORT ON
CALIFORNIA REDEVELOPMENT AGENCIES COMPLIANCE**

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

Compliance

We have audited the Oakdale Redevelopment Agency (Agency)'s compliance with the *Guidelines for Compliance Audits of California Redevelopment Agencies* issued by the California State Controller applicable to the Agency for the fiscal year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of Agency's management. Our responsibility is to express an opinion on 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 the *Guidelines for Compliance Audits of California Redevelopment Agencies* issued by the California State Controller. 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 State laws and regulations occurred. An audit includes examining, on a test basis, evidence about 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 Agency's compliance with those requirements.

In our opinion, the Oakdale Redevelopment Agency complied, in all material respects, with the compliance requirements referred to above that are applicable to the compliance requirement for the fiscal year ended June 30, 2011. However, the results of our auditing procedures disclosed one instance of noncompliance that is required to be reported under *Guidelines for Compliance Audits of Redevelopment Agencies* issued by the California State Controller and which is described in the Schedule of Findings and Recommendations as item 2011-1.

Internal Control Over Compliance

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

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

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

We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Agency's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Recommendations. 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 Agency's Board of Directors, management, 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
Culver City, California
January 9, 2012

REDEVELOPMENT AGENCY OF THE CITY OF OAKDALE
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2011

Finding 2011-1

Criteria or Specific Requirement

Under Health and Safety Code Sections 33080.1, the Agency is required to file the Independent Auditor's Reports on financial statements and compliance within six months following the end of the Agency's fiscal year-end.

Condition Found

The Agency did not file the Independent Auditor's Reports on financial statements or compliance by December 31, 2011.

Recommendation

We recommend that the Agency file the Independent Auditor's Reports on financial statements and compliance by December 31, as specified under the Health and Safety Codes of the State of California.

Management's Response

We agree with the recommendation and in the future will submit our reports on financial statements by December 31st, as specified under the Health and Safety Codes of the State of California.

**REDEVELOPMENT AGENCY OF THE CITY OF OAKDALE
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
JUNE 30, 2011**

None noted.