

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
ACTION AGENDA SUMMARY

DEPT: Planning and Community Development *138*

BOARD AGENDA # *D-1

Urgent Routine

AGENDA DATE December 22, 2009

CEO Concurs with Recommendation YES NO
(Information Attached)

4/5 Vote Required YES NO

SUBJECT:

Approval to Accept the Stanislaus County Redevelopment Agency Fiscal Year 2008-2009 Financial Report and Annual Audit; Accept the Fiscal Year 2008-2009 Redevelopment Agency Activities Report; and, Authorize Submittal to the California State Department of Housing and Community Development (HCD)

STAFF RECOMMENDATIONS:

1. Accept the Stanislaus County Redevelopment Agency Fiscal Year 2008-2009 Financial Report and Annual Audit as prepared.
2. Accept the Fiscal Year 2008-2009 Redevelopment Agency Activities Report.
3. Authorize the submittal of both reports to the California State Department of Housing and Community Development.

FISCAL IMPACT:

There are no fiscal impacts associated with this item. Costs associated with the preparation of both reports are included in the annual budget approved for the Stanislaus County Redevelopment Agency.

BOARD ACTION AS FOLLOWS:

No. 2009-872

On motion of Supervisor Chiesa, Seconded by Supervisor Grover

and approved by the following vote,

Ayes: Supervisors: O'Brien, Chiesa, Grover, Monteith, and Chairman DeMartini

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

1) X Approved as recommended

2) _____ Denied

3) _____ Approved as amended

4) _____ Other:

MOTION:

Christine Ferraro

ATTEST: CHRISTINE FERRARO TALLMAN, Clerk

File No.

Approval to Accept the Stanislaus County Redevelopment Agency Fiscal Year 2008-2009 Financial Report and Annual Audit; Accept the Fiscal Year 2008-2009 Redevelopment Agency Activities Report; and, Authorize Submittal to the California State Department of Housing and Community Development (HCD)

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DISCUSSION:

On December 15, 2009, the Stanislaus County Redevelopment Agency reviewed and accepted the Agency's Annual Audit and Activities Report for Fiscal Year 2008-2009, and authorized its submittal to the Board of Supervisors.

Section 33080.1 of the State of California Health and Safety Code requires every redevelopment agency to present a financial report to its legislative body within six months of the end of the agency's fiscal year. The report shall contain all of the following:

- (a) An independent financial audit report for the previous fiscal year.
- (b) A fiscal statement for the previous year.
- (c) A description of the agency's activities affecting housing and displacement.

The Stanislaus County Redevelopment Agency retained the services of County of Stanislaus Internal Audit Division to conduct the required program and fiscal audits. They have been completed utilizing Generally Accepted Auditing Standards (GAAS). They have concluded that, in all material respects, the financial position of the Stanislaus County Redevelopment Agency as of June 30, 2009, and the results of its operations for the year then ended, are in conformity with GAAS principles.

A copy of the Financial Statement for the fiscal year ending June 30, 2009 is attached and labeled Attachment A. The description of the Agency's activities relating to housing and displacement for the same timeframe is presented as Attachment B. Both are recommended for acceptance by the Agency Board. These reports will be filed with the State Controller and submitted to the Board of Supervisors, as required, before December 31, 2009.

Fiscal Year 2008-2009 Financial Highlights:

- Total Agency revenues were \$7,559,703.
- Housing Fund revenue for the fiscal year was \$256,824, and set-aside transfer of \$1,967,736.
- Agency's total net assets increased by \$2,295,231, mainly as a result of several factors including, but not limited to a delay in initiating construction of the Empire Storm Drain Project, the potential for the State requiring a Supplemental Educational Revenue Augmentation Fund (SERAF) payment, and holding of Down Payment Assistance funds for use in conjunction with Community Development Block Grant Neighborhood Stabilization Project Funds.

Approval to Accept the Stanislaus County Redevelopment Agency Fiscal Year 2008-2009 Financial Report and Annual Audit; Accept the Fiscal Year 2008-2009 Redevelopment Agency Activities Report; and, Authorize Submittal to the California State Department of Housing and Community Development (HCD)

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Capital Assets

At the end of Fiscal Year 2008-2009, the contracted construction on behalf of the Agency for the Keyes Improvement Project, phase one was completed, with project to date expenditures of \$1,870,684. Phase two construction on this project is expected to be completed during Fiscal Year 2009-2010. Fund balances and assets are expected to decrease significantly in 2009-2010 because of construction expenditures.

Debt Administration

Each of the Agency's debt instruments is discussed in the financial statements. The Agency enters into debt primarily to finance infrastructure and other capital improvements in the Redevelopment Area, all for the purpose of improving market values and eliminating blight. As of June 30, 2009, the Agency's debt comprised of three (3) obligations:

- Bret Harte Sewer - State Water Quality Control Board;
- Salida Storm Drain - United States Department of Agriculture; and
- Keyes Storm Drain System - 2005 Tax Allocation Bond.

Summary of Audit Results

The audit summarizes that the Agency continues to experience positive financial health, which is in part due to an ongoing conservative approach to assure that obligations may be comfortably met on an annual basis. During the 2008-2009 Fiscal Year, incremental property taxes decreased by 9%, and investment income decreased as well. Due to the ongoing economic downturn, the Agency anticipates incremental property taxes to further decrease in Fiscal Year 2009-2010. In addition, due to budget shortfalls at the State level, the Agency will be required to transfer \$2,818,256 to the Supplemental Educational Revenue Augmentation Funds (SERAF) by May 10, 2010. As a result, the Agency will keep its focus on the changing economic and housing markets in order to protect its assets, and will stay proactive and flexible, if necessary, to assure the current programs and projects will continue to serve the residents of Stanislaus County. It is important to emphasize that the funding for the remainder of the Keyes Improvement Project is secured, and that construction will be completed as planned, and as previously budgeted for.

A copy of the Financial Statement for the year ended June 30, 2009 is attached and labeled Attachment A. The description of the Agency's activities for the same timeframe is presented as Attachment B. Both are now recommended for acceptance, along with authorization to submit them to the California State Department of Housing and Community Development.

Approval to Accept the Stanislaus County Redevelopment Agency Fiscal Year 2008-2009 Financial Report and Annual Audit; Accept the Fiscal Year 2008-2009 Redevelopment Agency Activities Report; and, Authorize Submittal to the California State Department of Housing and Community Development (HCD)

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POLICY ISSUES:

It is the policy of the Agency to direct its staff to prepare required reports and submit them to appropriate agencies. These reports respond to the Board of Supervisor's priorities of promoting a safe community, a well-planned infrastructure system, a strong local economy, effective partnerships, efficient delivery of public services and a healthy community.

STAFFING IMPACT:

There are no staffing impacts associated with this item.

ATTACHMENTS:

- A. Financial Statements for the year ended June 30, 2009
- B. Fiscal Year 2008-2009 Redevelopment Agency Activities Report

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**STANISLAUS COUNTY
REDEVELOPMENT AGENCY
(A COMPONENT UNIT OF STANISLAUS COUNTY)**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2009**

STANISLAUS COUNTY REDEVELOPMENT AGENCY

Financial Statements
For the Year Ended June 30, 2009

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STANISLAUS COUNTY REDEVELOPMENT AGENCY

Financial Statements
For the Year Ended June 30, 2009

AGENCY MEMBERS

<u>Name</u>	<u>Position</u>
William O'Brien	District 1
Vito Chiesa	District 2
Jeff Grover, Vice-Chairman	District 3
Dick Monteith	District 4
Jim DeMartini, Chairman	District 5



AUDITOR-CONTROLLER

Larry D. Haugh
Auditor - Controller

1010 10th Street, Suite 5100, Modesto, CA 95354
P O Box 770, Modesto, CA 95353-0770
Phone: 209.525.6398 Fax: 209.525.6487

AUDITOR'S REPORT

To the Board of Supervisors
Stanislaus County
Redevelopment Agency
Modesto, California

We have audited the accompanying financial statements of the governmental activities of Stanislaus County Redevelopment Agency, component unit of Stanislaus County, California, as of and for the year ended June 30, 2009, which collectively comprise the Stanislaus County Redevelopment Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Stanislaus County Redevelopment Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In connection with the audit contained herein, there are certain disclosures that are necessary pursuant to Government Auditing Standards Statement #3.

As required by various statutes within the California Government Code, County Auditor-Controllers are mandated to perform certain accounting, auditing and financial reporting functions. These activities, in themselves, necessarily impair Government Auditing Standards independence standards. Specifically, "auditors should not audit their own work or provide non audit services in situations where the amounts or services involved are significant and/or material to the subject matter of the audit."

Although the Auditor-Controller is statutorily obligated to maintain the accounts of departments, districts or funds that are contained within the county treasury, we believe that the following safeguard and division of responsibility exist. The staff that has the responsibility to perform audits within the Auditor-Controller Department has no other responsibility of the accounts and records being audited including the approval or posting of financial transactions that would therefore enable the reader of this report to rely on the information contained herein.

In our opinion, except for the disclosure for Government Auditing Standards #3 as noted above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Stanislaus County Redevelopment Agency as of June 30, 2009, and the respective changes in financial position thereof and the respective budgetary comparison for the Capital Projects Fund and the Low/Moderate Income Housing Set Aside Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2009, on our consideration of the Stanislaus County Redevelopment 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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis information on pages 3 through 7 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Lauren Klein
Certified Public Accountant
Internal Audit Division Manager
County of Stanislaus
Modesto, California

October 28, 2009

STANISLAUS COUNTY REDEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009

The Agency issues its financial statements in the format prescribed by the provisions of Government Accounting Standards Board Statement (GASB) Statement Number 34, which requires the Agency to provide this overview of its financial activities for the fiscal year. Please read this overview in conjunction with your reading of the accompanying basic financial statements.

THE PURPOSE OF THE AGENCY

The Agency's purpose under California law is to eliminate urban blight in the Project Area within the unincorporated limits of Stanislaus County. The Agency is given certain powers under the law to assist it in that endeavor. The Agency may incur indebtedness to finance redevelopment of property within the project area. The Agency may not assess or receive property taxes, but it may receive any increases in property taxes over the base year amounts. The base year is the year the property in the Agency's area became subject to redevelopment. The increases are called property tax increments. State Law requires that 20% of the property tax increments received must be used to increase the supply of low and moderate income housing. The Agency has elected to voluntarily increase the Housing set-aside to 25%. The Agency also has agreements with other pre-existing governmental entities within its redevelopment area under which it passes through a portion of the property tax increments it receives.

FISCAL YEAR 2008/09 FINANCIAL HIGHLIGHTS

- Total agency revenues were \$7,559,703.
- Housing fund revenue for the fiscal year was \$256,824, and set-aside transfer of \$1,967,736.
- Agency's total net assets increased by \$2,295,231.

BASIC FINANCIAL STATEMENTS

The annual financial report consists of two components: 1) government-wide financial statements and the fund financial statements and 2) notes to the financial statements.

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

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

The *statement of activities* presents information showing how the 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.

The government-wide financial statements can be found on pages 8 through 9 of this report.

STANISLAUS COUNTY REDEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009

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

Governmental funds focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view of the Agency's general government operations and the basic services it provides.

The Agency adopts an annual appropriated budget for its capital projects fund and its special revenue fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with the budgets.

The governmental fund financial statements can be found on pages 10 through 13 of this report.

Notes to the financial statements – The notes 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 through 26 of this report.

CONDENSED FINANCIAL STATEMENTS

The following tables summarize the 1) Statement of Net Assets and 2) Statement of Activities. Both tables are summarized for the last two years.

NET ASSETS	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
<u>Assets</u>		
Current assets	\$ 22,428,038	\$ 15,896,690
Noncurrent assets	<u>10,337,807</u>	<u>13,761,435</u>
Total assets	<u>32,765,845</u>	<u>29,658,125</u>
 <u>Liabilities</u>		
Current Liabilities	3,159,031	1,701,862
Noncurrent liabilities	<u>19,172,285</u>	<u>19,816,965</u>
Total liabilities	<u>22,331,316</u>	<u>21,518,827</u>
 <u>Net Assets</u>		
Restricted	15,815,541	17,445,449
Unrestricted	<u>(5,381,012)</u>	<u>(9,306,151)</u>
Total net assets	<u>\$10,434,529</u>	<u>\$ 8,139,298</u>

STANISLAUS COUNTY REDEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009

At the end of the current fiscal year net assets increased by \$2,295,231, as a result of several factors including, but not limited to a delay in initiating construction of the Empire Storm Drain Project, the potential for the State requiring a SERAF payment, and holding of Down Payment Assistance funds for use in conjunction with Community Development Block Grant Neighborhood Stabilization Program funds. A portion of the Agency's net assets represents resources that are subject to external restriction.

The Agency began construction of the Keyes storm drainage collection and transfer system. The Agency has a deficit in unrestricted net assets. The deficit in unrestricted net assets is due to the nature of redevelopment financing.

CHANGES IN NET ASSETS

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
<u>Revenue</u>		
Program revenue	\$ -	\$ -
General revenue	<u>7,559,703</u>	<u>7,826,095</u>
Total revenue	7,559,703	7,826,095
Total expenses	<u>5,264,472</u>	<u>2,625,789</u>
Change in net assets	2,295,231	5,200,306
Net assets, beginning of year, restated	<u>8,139,298</u>	<u>2,938,992</u>
Net assets, end of year	<u>\$ 10,434,529</u>	<u>\$ 8,139,298</u>

During the current fiscal year, incremental property taxes decreased by \$577,650 or 9%. Most of this decrease resulted from decreased taxable values. In addition, investment income decreased by \$385,280, due to lower investment yields. Along with decreased revenue, debt service expense decreased during the current fiscal year by \$43,877, due primarily to maturities related to the long-term debt.

OVERALL FINANCIAL POSITION

The net asset information shown above illustrates that the agency continues to experience positive financial health. The annual budget process conservatively estimates future income and does not propose any commitments that weaken this conservative approach. The net increase in assets, indicate an annual ability to comfortably meet the liability obligation. However, due to the ongoing economic downturn, the Agency will keep its focus on the changing economic and housing markets in order to protect its assets, and will stay proactive and flexible, if necessary, to assure the current programs and projects will continue to serve the residents of Stanislaus County.

STANISLAUS COUNTY REDEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009

SIGNIFICANT CHANGES IN FUND BALANCES

The fund balance listed on the fund financial statements for all three funds increased during the fiscal year. The three funds increased due to several factors including but not limited to a delay in initiating construction of the Empire Storm Drain Project, the potential for the State requiring a SERAF payment, holding of Down Payment Assistance funds for use in conjunction with Community Development Block Grant Neighborhood Stabilization Program funds, and an increase in required debt reserve for the USDA debt.

FUND BUDGETARY HIGHLIGHTS

Variances between original and final general fund budget amounts and variances between final budget and actual results usually are reflective of two influences.

One is the receipt of property tax revenue. This could be more or less than what was projected and budgeted. Historically, the agency has experienced a greater rather than lesser amount of tax increment revenue than what was budgeted. This is a positive impact.

The second influence is a mid-year receipt of a mandate to respond to a budget weakness at the state level (e.g. ERAF payment). Obviously, this would be an unexpected and negative impact to the budget of the Agency.

However, the annual budget has always been prepared using a conservative approach. When unforeseen financial requirements arise, the Agency has been able to respond without placing current obligations at risk to assist in the satisfaction of debt.

CAPITAL ASSETS

At the end of the current fiscal year contracted construction on behalf of the Agency for the Keyes Storm Drain project, phase one was completed, with project to date expenditures of \$1,870,684. Phase two construction on this project is expected to be completed during fiscal year 2009-2010. Fund Balances and Assets are expected to decrease significantly in 2009-2010 because of construction expenditures.

DEBT ADMINISTRATION

Each of the Agency's debt instruments is discussed in the financial statements. The Agency enters into debt primarily to finance infrastructure and other capital improvements in the redevelopment area, all for the purpose of improving market values and eliminating blight. At June 30, 2009, the Agency's debt comprised of three (3) obligations, one of which (Keyes TAB) is secured by property tax increment revenues.

Debt obligations are listed below with the identified year for retirement and the project for which the indebtedness was created.

STANISLAUS COUNTY REDEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009

<u>FUND SOURCE</u>	<u>PROJECT</u>	<u>YEAR</u>
California State Water Board	Bret Harte Sewer	2015
2005 Tax Allocation Bond (TAB)	Keyes Storm Drain system	2036
United States Dept. of Agriculture	Salida Storm Drain system	2041

Available credit to the Agency has been reduced due to the additional debt of the TAB. However, in calculating the amount of the 2005 TAB, consideration was given to the anticipation of projects and activities that may be identified for implementation during the current year and beyond. The Agency will move forward with completion of the Keyes Storm Drain project as funding is secure, and will program subsequent projects only as the revenue impacts of the economic downturn on the Redevelopment Agency's budget are realized.

INFRASTRUCTURE ASSETS

The agency does not possess any infrastructure assets.

CURRENTLY KNOWN CONDITIONS

There are no known facts, decisions or conditions that would have a significant effect on the financial health of the agency.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

These component unit financial statements are intended to provide citizens, taxpayers, investors, and creditors with a general overview of the Agency's finances. Questions about this report should be directed to the Redevelopment Agency at 1010 10th Street, Modesto, California 95354.

STANISLAUS COUNTY REDEVELOPMENT AGENCY
STATEMENT OF NET ASSETS
June 30, 2009

	<u>Governmental Activities</u>
ASSETS	
<u>Current assets:</u>	
Cash and investments	\$ 22,335,814
Receivables:	
Accounts	120
Interest	78,405
Note	1,204
Bond issuance costs, net of amortization	12,495
Total current assets	<u>22,428,038</u>
<u>Noncurrent assets:</u>	
Restricted cash and investments	8,796,749
Restricted cash with fiscal agent	1,193,773
Notes receivable	22,424
Bond issuance costs, net of amortization	324,861
Total noncurrent assets	<u>10,337,807</u>
Total assets	<u>32,765,845</u>
 LIABILITIES	
<u>Current liabilities:</u>	
Accounts payable	\$ 1,706,904
Accrued payroll and benefits	7,473
Interest payable	399,974
Due to Stanislaus County	400,000
Bonds & notes payable	644,680
Total current liabilities	<u>3,159,031</u>
<u>Noncurrent liabilities:</u>	
Bonds & notes payable	<u>19,172,285</u>
Total noncurrent liabilities	<u>19,172,285</u>
Total liabilities	<u>22,331,316</u>
 NET ASSETS	
Restricted for:	
Debt service	10,129,273
Housing set-aside	5,686,268
Unrestricted	<u>(5,381,012)</u>
Total net assets	<u>\$ 10,434,529</u>

The accompanying notes to the financial statements are an integral part of this statement

STANISLAUS COUNTY REDEVELOPMENT AGENCY
STATEMENT OF ACTIVITIES
June 30, 2009

		PROGRAM REVENUES			NET (EXPENSES) REVENUE AND CHANGES IN NET ASSETS
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total Governmental</u>
Governmental Activities:					
Redevelopment activities	\$ 4,295,200	\$ -	\$ -	\$ -	\$ (4,295,200)
Debt service	<u>969,272</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(969,272)</u>
Total Governmental Activities	<u>\$ 5,264,472</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(5,264,472)</u>
		General revenues:			
					5,706,789
					976,063
					876,851
					<u>7,559,703</u>
					2,295,231
					<u>8,139,298</u>
					<u>\$ 10,434,529</u>

The accompanying notes to the financial statements are an integral part of this statement

STANISLAUS COUNTY REDEVELOPMENT AGENCY
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2009

	Capital Projects <u>Fund</u>	Low/Moderate Income Housing <u>Set-Aside Fund</u>	Debt Service <u>Fund</u>	Total Governmental <u>Activities</u>
ASSETS				
Cash and investments	\$ 15,558,465	\$ 6,638,936	\$ 138,412	\$ 22,335,813
Receivables:				
Accounts	120	-	-	120
Interest	63,940	14,125	340	78,405
Note	23,628	-	-	23,628
Interfund receivable	-	280,003	-	280,003
Restricted assets:				
Cash and investments	8,796,748	-	-	8,796,748
Cash with fiscal agent	<u>1,193,773</u>	<u>-</u>	<u>-</u>	<u>1,193,773</u>
 Total assets	 <u>\$ 25,636,674</u>	 <u>\$ 6,933,064</u>	 <u>\$ 138,752</u>	 <u>\$ 32,708,490</u>
LIABILITIES				
Accounts payable	\$ 1,589,308	\$ 117,596	\$ -	\$ 1,706,904
Accrued payroll and benefits	7,473	-	-	7,473
Interfund payable	280,003	-	-	280,003
Due to Stanislaus County	<u>400,000</u>	<u>-</u>	<u>-</u>	<u>400,000</u>
 Total liabilities	 <u>2,276,784</u>	 <u>117,596</u>	 <u>-</u>	 <u>2,394,380</u>
FUND BALANCE				
Reserved for:				
Debt Service	9,990,521	-	138,752	10,129,273
Encumbrances	13,099,782	230,416	-	13,330,198
Unreserved	<u>269,587</u>	<u>6,585,052</u>	<u>-</u>	<u>6,854,639</u>
 Total fund balance	 <u>23,359,890</u>	 <u>6,815,468</u>	 <u>138,752</u>	 <u>30,314,110</u>
 Total liabilities and fund balance	 <u>\$ 25,636,674</u>	 <u>\$ 6,933,064</u>	 <u>\$ 138,752</u>	 <u>\$ 32,708,490</u>

The accompanying notes to the financial statements are an integral part of this statement

STANISLAUS COUNTY REDEVELOPMENT AGENCY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2009

Total governmental fund balances \$ 30,314,110

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

Bond issuance costs (assets) consumed in governmental activities are not financial resources when reported as expenditures. 337,358

Some liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Those liabilities consist of:

Bonds payable	(14,445,000)
Notes payable	(5,371,965)
Accrued interest payable	<u>(399,974)</u>

Net assets of governmental activities \$ 10,434,529

The accompanying notes to the financial statements are an integral part of this statement

STANISLAUS COUNTY REDEVELOPMENT AGENCY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
June 30, 2009

	Capital Projects <u>Fund</u>	Low/Moderate Income Housing <u>Set-Aside Fund</u>	Debt Service <u>Fund</u>	Total Governmental <u>Activities</u>
REVENUE				
Property tax increment	\$ 5,706,789	\$ -	\$ -	\$ 5,706,789
Investment income	780,393	191,069	4,601	976,063
Other	811,096	65,755	-	876,851
	<u>7,298,278</u>	<u>256,824</u>	<u>4,601</u>	<u>7,559,703</u>
EXPENDITURES				
Redevelopment activities	3,858,206	436,995	-	4,295,201
Debt Service:				
Principal retirement	485,000	140,330	-	625,330
Interest and fees	927,923	38,821	-	966,744
	<u>5,271,129</u>	<u>616,146</u>	<u>-</u>	<u>5,887,275</u>
Excess (deficiency) revenues over (under) expenditures	<u>2,027,149</u>	<u>(359,322)</u>	<u>4,601</u>	<u>1,672,428</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,967,736	24,500	1,992,236
Transfers out	(1,992,236)	-	-	(1,992,236)
	<u>(1,992,236)</u>	<u>1,967,736</u>	<u>24,500</u>	<u>-</u>
CHANGES IN FUND BALANCES	34,913	1,608,414	29,101	1,672,428
FUND BALANCES, beginning of year	<u>23,324,977</u>	<u>5,207,054</u>	<u>109,651</u>	<u>28,641,682</u>
FUND BALANCES, end of year	<u>\$ 23,359,890</u>	<u>\$ 6,815,468</u>	<u>\$ 138,752</u>	<u>\$ 30,314,110</u>

The accompanying notes to the financial statements are an integral part of this statement

STANISLAUS COUNTY REDEVELOPMENT AGENCY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
June 30, 2009

Net change in fund balances - total governmental funds \$ 1,672,428

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

The repayment of the principal of long-term debt consumes the financial resources of governmental funds.

Long term debt maturities 625,330

Some items recorded in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Decrease in bond issuance costs (12,494)

Decrease in accrued interest payable 9,967

Change in net assets of governmental activities \$ 2,295,231

The accompanying notes to the financial statements are an integral part of this statement

STANISLAUS COUNTY REDEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
BUDGET AND ACTUAL ON BUDGETARY BASIS
CAPITAL PROJECTS FUND
June 30, 2009

	Original <u>Budget</u>	Final <u>Budget</u>	Actual <u>Amount</u>	Variance with <u>Final Budget</u>
REVENUE				
Property tax increment	\$ 4,500,000	\$ 4,500,000	\$ 5,706,789	\$ 1,206,789
Investment income	300,000	300,000	780,393	480,393
Other	<u>65,500</u>	<u>857,078</u>	<u>811,096</u>	<u>(45,982)</u>
 Total revenue	 <u>4,865,500</u>	 <u>5,657,078</u>	 <u>7,298,278</u>	 <u>1,641,200</u>
EXPENDITURES				
Redevelopment activities	7,342,809	25,203,361	3,858,206	21,345,155
Debt Service:				
Principal retirement	485,000	485,000	485,000	-
Interest and fees	<u>930,000</u>	<u>930,000</u>	<u>927,923</u>	<u>2,077</u>
 Total expenditures	 <u>8,757,809</u>	 <u>26,618,361</u>	 <u>5,271,129</u>	 <u>21,347,232</u>
 Excess (deficiency) revenues over (under) expenditures	 (3,892,309)	 (20,961,283)	 2,027,149	 22,988,432
OTHER FINANCING (USES)				
Transfers out	<u>(1,755,000)</u>	<u>(2,255,000)</u>	<u>(1,992,236)</u>	<u>262,764</u>
 CHANGES IN FUND BALANCES	 <u>\$ (5,647,309)</u>	 <u>\$ (23,216,283)</u>	 34,913	 <u>\$ 23,251,196</u>
 FUND BALANCES, beginning of year			 <u>23,324,977</u>	
 FUND BALANCES, end of year			 <u>\$ 23,359,890</u>	

The accompanying notes to the financial statements are an integral part of this statement

STANISLAUS COUNTY REDEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
BUDGET AND ACTUAL ON BUDGETARY BASIS
 LOW/MODERATE INCOME HOUSING SET ASIDE FUND
June 30, 2009

	Original <u>Budget</u>	Final <u>Budget</u>	Actual <u>Amount</u>	Variance with <u>Final Budget</u>
REVENUE				
Investment income	\$ 50,000	\$ 50,000	\$ 191,069	\$ 141,069
Other	<u>102,000</u>	<u>102,000</u>	<u>65,755</u>	<u>(36,245)</u>
Total revenue	<u>152,000</u>	<u>152,000</u>	<u>256,824</u>	<u>104,824</u>
EXPENDITURES				
Redevelopment activities	1,500,000	2,003,004	436,995	1,566,009
Debt Service:				
Principal retirement	140,350	140,350	140,330	20
Interest and fees	<u>38,850</u>	<u>38,850</u>	<u>38,821</u>	<u>29</u>
Total expenditures	<u>1,679,200</u>	<u>2,182,204</u>	<u>616,146</u>	<u>1,566,058</u>
Excess (deficiency) revenues over (under) expenditures	(1,527,200)	(2,030,204)	(359,322)	1,670,882
OTHER FINANCING SOURCES				
Transfers in	<u>1,755,000</u>	<u>1,755,000</u>	<u>1,967,736</u>	<u>212,736</u>
CHANGES IN FUND BALANCES	<u>\$ 227,800</u>	<u>\$ (275,204)</u>	1,608,414	<u>\$ 1,883,618</u>
FUND BALANCES, beginning of year			<u>5,207,054</u>	
FUND BALANCES, end of year			<u>\$ 6,815,468</u>	

The accompanying notes to the financial statements are an integral part of this statement

STANISLAUS COUNTY REDEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The Stanislaus County Redevelopment Agency was established in 1989 under the State of California Health and Safety Code, Section 33000, the California Community Redevelopment Law. The Agency provides financing for long-term capital improvements for certain project areas within Stanislaus County. The goals and the objectives of the Agency are to eliminate and prevent the spread of blight within the project areas, increase economic development opportunities, improvement of public facilities, and assistance with increased new home ownership.

The Authority is a component unit of Stanislaus County and, accordingly is included in the County's basic financial statements. Component units are legally separate entities for which the primary government is financially accountable. The five member Stanislaus County Board of Supervisors is the governing body of the Agency.

The financial statements included in this report are intended to present the financial position and results of operations of only the Agency. They are not intended to present the financial position and results of operations of the County of Stanislaus taken as a whole. For additional information regarding the County of Stanislaus, please refer to the audited financial statements available from the County of Stanislaus.

The accounting policies of the Agency conform to generally accepted accounting principles (GAAP) as applicable to governmental entities. The agency applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

B. Basis of Presentation

Government-Wide Statements – The Agency's government-wide financial statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of governmental activities for the Agency. These statements report the governmental activities which are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions. 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. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Agency does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include fees and charges paid by the recipients of goods or services offered by the programs and 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.

STANISLAUS COUNTY REDEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

Note 1: Summary of Significant Accounting Policies (continued)

Fund Financial Statements - Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance for the governmental funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to the net assets presented in the government-wide financial statements. Below is a description of the type of funds in use by the Agency:

Capital Projects Fund – The Capital Projects Fund is the Agency’s primary operating fund. It accounts for all financial resources of the Agency.

Low/Moderate Income Housing Set Aside Fund – The Low/Moderate Income Housing Set Aside Fund accounts for the 20% set aside of property taxes to be used for low/moderate income housing as required by State Code. The Agency has elected to increase the 20% set aside funding to 25%.

Debt Service Fund - The Debt Service Fund is used to account for a reserve fund required by one of the financing institutions the Agency has entered into an agreement with.

C. Measurement Focus, Basis of Accounting

Government-Wide Statements - These statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the Agency’s assets and liabilities, including long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Governmental Fund Financial Statements - All governmental fund types are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Revenues are recognized when received in cash, except that revenues subject to accrual, generally 180 days after year-end, are recognized when due, except for property taxes. Property taxes are considered available if they are collected within 60 days after year-end. Expenditures are recognized in the accounting period in which the related fund liability is incurred.

D. Adjustments Between Fund Financial Statements and Government-Wide Financial Statements

The government-wide financial statements were adjusted from the modified accrual basis of accounting used on the fund financial statements to the accrual basis of accounting used for the government-wide financial statements. These adjustments include additional expenses for interest expense and compensated absences along with the recording of debt obligations.

STANISLAUS COUNTY REDEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

Note 1: Summary of Significant Accounting Policies (continued)

E. Nonexchange Transactions

A nonexchange transaction consists of a government giving or receiving value without directly receiving or giving equal value in return. These transactions include income taxes, sales taxes, property taxes and fines, certain grants and private donations. Recognition of sales taxes or derived tax revenue transactions assume accrual basis of accounting, per GASB Statement Number 33, except where indicated for revenue recognition.

F. Budget

The Agency prepares and legally adopts a final budget on or before August 30th of each fiscal year. The Agency operation, commencing July 1st, is governed by the proposed budget, adopted by the Board of Supervisors in June of the prior year.

After the budget is approved, the appropriations can be added to, subtracted from or changed only by Agency resolution. All such changes must be within the revenues and reserves estimated as available in the final budget or within revised revenue estimates as approved by the Agency.

An operating budget is adopted each fiscal year on the modified accrual basis. Additionally, encumbrance accounting is utilized to assure effective budgetary control.

Encumbrances outstanding at year-end represent the estimated amount of the expenditures ultimately to result if the unperformed contracts in process at year-end are completed or purchase commitments satisfied. Such year-end encumbrances are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year and included in the subsequent year's budget. Unencumbered appropriations lapse at year-end.

G. Cash and Cash Equivalents

The Agency pools its cash and cash equivalents with the County which is held by the County Treasurer.

H. Restricted Assets

Restricted cash and investments represent unspent bond proceeds; the respective bond ordinances require these proceeds to be segregated and used only for the purpose of the bond issue. A reserve account has been established with the bond fiscal agent to ensure sufficient funds are available to pay the principal and interest amounts due at the final maturity date. The reserve account with the fiscal agent is calculated on the lesser of 10% of the principal amount of the bonds and any parity debt or the maximum annual debt service on the bonds or 125% of the average annual debt service on the bonds and any parity debt.

STANISLAUS COUNTY REDEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

Note 1: Summary of Significant Accounting Policies (continued)

I. Property Taxes

The Agency receives incremental property taxes on property within its project area. The incremental property taxes are determined on those property taxes that exceed the frozen base year from fiscal year 1990-1991. The assessment and collection of property taxes is performed by the County Assessor and Tax Collector. The County uses the "Teeter Plan" which is allowable under the California Revenue and Taxation Code, Section 4701-4722. The "Teeter Plan" allows Counties to allocate secured, utility, assessments, and/or supplemental property taxes to jurisdictions at 100% regardless if the taxes have been collected. The County then collects all future delinquent tax payments, penalties and interest. The benefits of the "Teeter Plan" allow for a more simplified property tax estimation and allocation process along with more reliable property tax revenues for the jurisdictions.

Secured property taxes are levied October 1, and are due November 1 and February 1, and are subject to late payment penalties on December 10 and April 10, respectively. Unsecured property taxes are levied and due July 1, and are subject to late payment penalties on August 31. The lien date for both secured and unsecured property taxes is established the previous January 1.

J. Use of Estimates

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

Note 2: Cash and Investments

The Agency's cash is invested in the County of Stanislaus cash and investment pool. The County of Stanislaus cash and investment pool is invested in accordance with California State Government Code section 53600 et. seq. In addition, the cash and investment pool is further restricted to those investments deemed acceptable per the investment policy guidelines prepared by the County Treasurer and approved by the Board of Supervisors of the County.

Cash and investments held as of June 30, 2009 were invested in certificate of deposits, commercial paper, bankers acceptance, money market funds, federal notes, treasury notes and bills, corporate notes and an external investment pool.

STANISLAUS COUNTY REDEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

Note 2: Cash and Investments (continued)

Interest earned on the cash and investment pool is apportioned on a quarterly basis. Per, GASB No. 31, investment losses and gains are recorded at market value on the Statement of Net Assets and as income for the period. The changes resulting from investment losses and gains are shared by the various participants of the pool. During the year ended June 30, 2004, the County adopted GASB No. 40, *Deposit and Investment Risk Disclosures*, which rescinds and supersedes GASB No. 3 and adds additional report disclosures. For further information regarding the cash and investment pool, the audit report of the County of Stanislaus may be obtained by writing the County of Stanislaus, 1010 10th Street, Suite 5100, Modesto, CA. 95354.

Cash and investments held as of June 30, 2009 consist of cash available for Agency operations in the amount of \$22,335,814 and cash restricted for the Keyes Storm Drain Project in the amount of \$8,796,749.

Note 3: Notes Receivable

The Agency had the following loans receivable as of June 30, 2009:

	<u>Beg. Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
Nunes Oil	\$ 405	\$ -	\$ (405)	\$ -	\$ -	\$ -
CLCSD	24,820	-	(1,192)	23,628	1,204	22,424
Total	<u>\$ 25,225</u>	<u>\$ -</u>	<u>\$ (1,597)</u>	<u>\$ 23,628</u>	<u>\$ 1,204</u>	<u>\$ 22,424</u>

Nunes Oil -- In 1998, the Agency loaned the owner of property at 5675 7th Street, Keyes, California the amount of \$38,350 to aid in the financing of public improvement construction on the property which is located within a redevelopment area. The loan period is for ten years, terminating July 2008. The interest rate is 5%, per annum with monthly loan payments of \$407. The loan is secured by a lien on the property.

CLCSD -- In 2007, the Agency loaned the Crows Landing Community Services District (CLCSD) the amount of \$26,000 to provide financial assistance in the repair of the area water system which is located within a redevelopment area. The loan period is for twenty years, terminating July 2027. The interest rate is 1%, per annum with monthly loan payments of \$120. The loan is secured by a lien on the property.

STANISLAUS COUNTY REDEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

Note 4: Due to Stanislaus County

The Agency borrows funds from the County's general fund to be used for administrative purposes, on an annual basis. Interest for the administrative loan is calculated on the funds used. The interest calculation is based on the interest rates realized by the lender on investments as determined quarterly by the County Treasurer. The Agency had not repaid the principal and interest portion of the fiscal year 2008-2009 loan to the County prior to June 30, 2009.

Note 5: Long-Term Liabilities

The Agency had the following long-term debt liability as of June 30, 2009:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Notes Payable</u>					
United States Department of Agriculture	\$4,320,000	\$ -	\$ (60,000)	\$ 4,260,000	\$ 60,000
State of California, State Water Resources Control Board	<u>1,252,295</u>	<u>-</u>	<u>(140,330)</u>	<u>1,111,965</u>	<u>144,680</u>
Total loans payable	<u>5,572,295</u>	<u>-</u>	<u>(200,330)</u>	<u>5,371,965</u>	<u>204,680</u>
<u>Bonds Payable</u>					
2005 tax allocation bonds	<u>14,870,000</u>	<u>-</u>	<u>(425,000)</u>	<u>14,445,000</u>	<u>440,000</u>
Total long-term liabilities	<u>\$20,442,295</u>	<u>\$ -</u>	<u>\$ (625,330)</u>	<u>\$19,816,965</u>	<u>\$ 644,680</u>

STANISLAUS COUNTY REDEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

Note 5: Long-Term Liabilities (continued)

Debt service requirements for principal and interest of long-term liabilities for future years are as follows:

Fiscal Year	<u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$644,680	\$942,957	\$1,587,637	
2011	674,165	917,355	1,591,520	
2012	693,789	889,977	1,583,766	
2013	723,556	861,346	1,584,902	
2014	758,472	829,647	1,588,119	
2015-2019	3,087,303	3,682,961	6,770,264	
2020-2024	2,920,000	2,979,073	5,899,073	
2025-2041	<u>10,315,000</u>	<u>3,933,235</u>	<u>14,248,235</u>	
Total	<u>\$19,816,965</u>	<u>\$15,036,551</u>	<u>\$34,853,516</u>	

United States Department of Agriculture Note – The Agency refinanced a tax revenue anticipation loan in 2001. The loan was used to finance a storm drainage system in Salida, CA. The principal amount of the note is \$4,525,000 to be paid in 40 years. Principal payments are due each August. The interest rate for the note is 5.125% with payments due February and August each year. The note expires in 2041.

State of California, State Water Resources Control Board Note – The Agency entered in to an agreement to help finance construction of the Bret Harte Sewer System, a wastewater collection system. The principal amount of the note is \$2,636,549, to be paid in 20 years and with an interest rate of 3.03% per annum. The note expires in 2015.

2005 Tax Allocation Bonds – The Agency issued bonds to finance construction of a storm drainage collection and transfer system within one of the Agency’s project areas. The bonds will be paid and secured with future tax increment revenues derived from the project area. The principal amount of the bonds is \$15,615,000 to be paid in 30 years. Principal payments are due each August. The interest rate for the bonds ranges from 3.5% to 5.375% with payments due February and August each year. The bonds maturing on or before August 1, 2013 are not subject to redemption. The bonds maturing on or after August 1, 2014 are subject to redemption at the option of the Agency. The bonds maturing on August 1, 2026 and August 1, 2036 are also subject to mandatory sinking fund redemption. The bonds mature in 2036.

Bond Issuance Costs – The government-wide financial statements reflect the bond issuance costs as an asset, as of June 30, 2009. Beginning in fiscal year 2006-2007, the bond issuance costs will be amortized over a 30 year period, the life of the loan, on the governmental-wide financial statements, only. Amortization expense for the fiscal year ending June 30, 2009 was \$12,496.

STANISLAUS COUNTY REDEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

Note 5: Long-Term Liabilities (continued)

Arbitrage Compliance – The Agency must comply with Section 148 of the Internal Revenue Code whereby arbitrage on tax-exempt bonds, if any, is rebated to the Internal Revenue Service. Arbitrage payments, as related to the 2005 Tax Allocation Bonds, are required to be paid on the fifth bond year, or August 2011. The Agency is in compliance with Section 148 requirements as of June 30, 2009.

Note 6: Net Asset - Classifications

The classification of net assets into three components, invested in capital assets, net of related debt, restricted and unrestricted is required by GASB 34. Two of these classifications are applicable to the Agency operations and are defined as follows:

Restricted Net Assets – Consists of constraints placed on net asset use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislations.

Unrestricted Net Assets – Consists of funds which are undesignated and available for general operations.

Note 7: Fund Balance - Classifications

Fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designations of fund balance represent management plans that are subject to change. Fund balances have been reserved for the following purposes:

Reserved for Debt Service – Represents unspent bond proceeds and reserve accounts with the bond fiscal agent and loan requirements with the United States Department of Agriculture.

Reserved for Encumbrances - Represents amounts obligated under purchase orders, contracts, or other commitments for expenditure that are being carried forward to the ensuing fiscal year.

Reserved for Housing Set-Aside – Per the State of California, Health and Safety Code, 20% of tax incremental revenue received by the Agency must be allocated to the Housing Set-Aside fund. The Housing Set-Aside fund is to be used to increase, improve and preserve the County's low and moderate income housing. The Agency has elected to voluntarily increase the Housing Set-Aside percentage to 25%.

STANISLAUS COUNTY REDEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

Note 8: Interfund Receivables, Payables and Transfers

Balances at fiscal year end of interfund receivables and payables were as follows:

	<u>Receivable</u>	<u>Payable</u>
Due to the Housing Set-Aside Fund from the Capital Projects Fund	\$ 280,003	
Due from the Capital Projects Fund to the Housing Set-Aside Fund		\$ 280,003

The year end accruals represent the adjustment necessary to meet the required 25% of set-aside funding based upon incremental property taxes received during the fiscal year, per the State of California, Health and Safety Code as mentioned in Note 7, for the last year.

The interfund transfers consist of Housing Set-Aside revenue for the fiscal year, transferred from the Capital Project Fund to the Low/Moderate Income Housing Set-Aside Fund as an expense in the amount of \$1,967,736 and debt service reserve requirement transferred from the Capital Project Fund to the Debt Service Fund as an expense in the amount of \$24,500; for a combined interfund transfer out of the Capital Project Fund in the amount of \$1,992,236.

Note 9: Risk Management

The Agency is exposed to various levels of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency participates in the County of Stanislaus risk management insurance. Insurance covered under the County's risk management includes general liability, unemployment, worker's compensation, professional liability, health insurance and other benefits.

No claims were outstanding during the year under audit, ending June 30, 2009. Audit reports of the County of Stanislaus listing further details of the County's insurance coverage may be obtained by writing the County of Stanislaus, 1010 10th Street, Suite 5100, Modesto, CA. 95354.

Risk management expenditures during the fiscal year are as follows:

General liability insurance	\$	140
Worker's compensation insurance		728
Health insurance		9,205
Other insurance		<u>112</u>
 Total risk management expenditures		 \$ <u>10,185</u>

STANISLAUS COUNTY REDEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

Note 10: Employee Retirement System

The Agency's employees participate in the County of Stanislaus retirement system. The County of Stanislaus is a major participant of the Stanislaus County Employees Retirement Association (StanCERA). StanCERA was established under the County Retirement Act of 1937 under California State Government Code section 31450 et. seq. StanCERA is a cost-sharing multiple-employer public employee retirement system.

Membership to StanCERA is required of all full-time employees and permanent part-time (50% or more of the regular hours) on the first day of employment. Employees eligible for retirement benefits are vested after 5 years of service except for Plan 3 which requires 10 years of service. Employees who have reached the age of 50 or employees with 30 years of service, regardless of age, are eligible to retire. Benefits are calculated as a percentage of the employee's monthly final average salary per year of service, depending upon age of retirement. An independent actuary provides an actuarial valuation of the system, annually.

In addition to the retirement benefits, StanCERA provides post employment benefits which include medical, dental and vision insurance along with a death benefit for eligible retirees. These benefits are funded from excess earnings of StanCERA. The County of Stanislaus does not contribute to these post employment benefits. The Board of Retirement may eliminate the benefit by giving 90 days notice to the retirees.

For further information regarding the retirement system and to obtain audit reports of StanCERA, write to PO Box 3150, 832 12th Street, Suite 600, Modesto, CA. 95353.

Retirement and post employment benefit expenditures for the year ending June 30, 2009 was \$3,585.

Note 11: Related Party Transactions

During the fiscal year ending June 30, 2009, the Agency paid the County of Stanislaus, a related party, \$211,558, for accounting, legal and administrative services.

STANISLAUS COUNTY REDEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

Note 12: Commitments and Contingencies

As of June 26, 2007 the Agency approved a Memorandum of Understanding (MOU) between Keyes Community Services District and the Agency regarding the relocation of sanitary sewer and water lines as part of the Agency's Keyes Storm Drain Project. Pursuant to the MOU, the District shall pay to the Agency the actual cost of construction plus two percent for project administration, for an estimated sum total in the amount of \$879,200, or the actual cost of the accepted bid, whichever is less. As of June 30, 2009, the Agency had received payments from the District totaling \$791,579.

As of February 26, 2008 the Agency approved a contract agreement with Nolte Associates, Inc. to provide construction management services for the Keyes Improvement Project (Storm Drain) in the amount of \$1,927,160. As of June 30, 2009, the Agency had made payments to Nolte Associates, Inc. totaling \$731,004.

As of November 4, 2008 the Agency approved a contract agreement with George Reed, Inc. for the construction of the Keyes Improvement Project (Storm Drain) in the amount of \$13,671,124. As of June 30, 2009, the Agency had made payments to George Reed, Inc. totaling \$2,541,794.

The Agency is contingently liable for loans that are made to individuals who live in the project areas and participate in the down payment assistance program. The down payment assistance program provides financial assistance towards home ownership for low and moderate income individuals.



AUDITOR-CONTROLLER

Larry D. Haugh
Auditor - Controller

1010 10th Street, Suite 5100, Modesto, CA 95354
P O Box 770, Modesto, CA 95353-0770
Phone: 209.525.6398 Fax: 209.525.6487

**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**

To the Board of Supervisors
Stanislaus County
Redevelopment Agency
Modesto, California

We have audited the financial statements of the governmental activities of Stanislaus County Redevelopment Agency, component unit of Stanislaus County, California as of and for the year ended June 30, 2009, which collectively comprise the Stanislaus County Redevelopment Agency's basic financial statements and have issued our report thereon dated October 28, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As discussed in our audit report we have noted certain qualifications pertaining to auditor independence. We believe adequate safeguards exist between our responsibility as auditors within the Stanislaus County Auditor-Controller Department and the responsibility of the Auditor-Controller. Please refer to the audit report for further reference.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Stanislaus County Redevelopment Agency's internal control over financial reporting as a basis for designing our 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 Stanislaus County Redevelopment Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Stanislaus County Redevelopment Agency's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Stanislaus County Redevelopment Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Stanislaus County Redevelopment Agency's financial statements that is more than inconsequential will not be prevented or detected by the Stanislaus County Redevelopment Agency's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Stanislaus County Redevelopment 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 State Controller. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Board of Supervisors, and the 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.



Lauren Klein,
Certified Public Accountant
Internal Audit Division Manager
County of Stanislaus
Modesto, California

October 28, 2009

Attachment B

FISCAL YEAR 2008-2009 REDEVELOPMENT AGENCY ACTIVITIES REPORT

INTRODUCTION

This report has been prepared in accordance with Section 33080 of the Health and Safety Code relating to redevelopment.

INFRASTRUCTURE

During the 2008-2009 fiscal year, phase two construction of the Keyes Storm Drain project commenced and consisted of the installation of an approximately six mile underground piped storm drain collection system, new streets with curb, gutter and inlets for those six miles, a pumping station with its own back-up generator, increase of the Bonita Ranch basin capacity, exaction of an additional basin for needed holding capacity, and the upgrade to the existing pumping lift station to the discharge point to the Turlock Irrigation District lateral canal. The contract was awarded to George Reed and construction started during the 2008-2009 fiscal year. This project benefits approximately 1,500 targeted income households.

STRATEGIC PLANNING

The Agency continued work on the Crows Landing Naval Air Facility to conduct ongoing outreach and research on the redevelopment plan.

HOUSING ACTIVITIES

The Agency once again partnered with Habitat for Humanity, and assisted in completing the purchase of five (5) single-family homes, as well as the rehabilitation of those homes, located in the Airport Neighborhood. These homes will be sold to income-eligible households through Habitat for Humanity.

The Agency assisted five (5) households with financial assistance in the form of low-interest loans to purchase their first home.

The Agency also continued to provide assistance to eligible households through the Home Repair Program. During the 2008-2009 fiscal year, a total of twenty-one (21) homes were rehabilitated with these program funds.

BLIGHT ELIMINATION ACTIVITIES

The Agency partnered with the Department of Environmental Resources (DER), the Sheriff's Department, and community organizations to host cleanup campaigns in a total of six (6) neighborhoods including the communities of Riverdale Park, Monterey Park, Grayson, Airport Neighborhood, Crows Landing, and Hickman. Approximately 210 tons of garbage were removed, as well as an estimate of at least 684 tires.

ECONOMIC DEVELOPMENT

With funds contributed by the Agency, at least 530 residents in the redevelopment sub-areas participated in the Targeted Technology Training (T3) Program, which offers basic and intermediate level computer classes in a mobile lab to adult County residents at no cost. The intent is to address gaps in computer experience and training that still exist for some, to help them be more competitive in the job market and gain the skills to attain sustainable living wage jobs.

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