

# Agenda

## City of Visalia Oversight Board of the Successor Agency of the Redevelopment Agency of Visalia

Chair: Mike Olmos, City of Visalia  
Vice Chair: Phil Cox, Tulare County  
Secretary: Mark Larsen, Kaweah Delta Water Conservation District  
Board Member: Eric Frost, City of Visalia  
Board Member: Nathan Hernandez, Visalia Unified School District  
Board Member: John Hess, Tulare County  
Board Member: Greg Sherman, College of the Sequoias

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Thursday, November 1, 2012

5:30 p.m.

City Hall, Council Chambers  
707 West Acequia, Visalia CA

- 5:30 p.m.            1. Welcome and public comment  
(Remind board members that these meetings are subject to the Brown Act)
- 5:35 p.m.            2. Review of August 30, 2012 Action Agenda
- 5:40 p.m.            3. Review of Due Diligence Agreed Upon Procedures Audit  
(Eric Frost will review the findings of the AUP)
- 6:00 p.m.            4. Public Meeting for Public Review of Due Diligence Audit  
(Receive comments from the Public, if any)
- Next meeting:        November 8, 2012

*In compliance with the American Disabilities Act, if you need special assistance to participate in meetings call (559) 713-4512 48-hours in advance of the meeting. For Hearing Impaired – Call (559) 713-4900 (TDD) 48-hours in advance of the scheduled meeting time to request signing services.*

*Any written materials relating to an item on this agenda submitted to the Oversight Board of the Successor Agency after distribution of the agenda are available for public inspection in the Office of the City Clerk, 425 E. Oak Street, Suite 301, Visalia CA 93921, during normal business hours.*

City of Visalia  
Oversight Board of the  
Successor Agency of the Redevelopment Agency of Visalia

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Thursday, August 30, 2012

5:30 p.m.

City Hall, Council Chambers  
707 West Acequia, Visalia CA

***Started at 5:30 pm. All members present***

5:30 p.m. 1. Welcome and public comment  
(Remind board members that these meetings are subject to the Brown Act)

***No public comment***

5:35 p.m. 2. Review of May 3, 2012 Action Agenda

***Board member Cox noted that he was not present at the last meeting.***

5:40 p.m. 3. Review actions taken by the Agency subsequent to May 3, 2012 and modification of actions required by AB 1484  
(Eric Frost will review actions and events affecting the agency since their last board meeting.)

***Board member Frost reviewed the actions that had taken place since the last board meeting in May. Information item only. No action.***

6:00 p.m. 4. Approve the proposed revised ROPS for the period of January to June 2013.  
(Eric Frost will present the proposed ROPS for the next two time periods of January 2013 to June 2013).

***Moved by Cox, Seconded by Larsen to accept Staff's recommendation. 6-1, Hess Opposed.***

6:15 p.m. 5. Additional Direction on meetings from the Oversight Board to staff, if needed

***Noted that the Board will have at least two meetings in October to review the Agreed Upon Procedures audit to be conducted of the former RDA's Low/Mod Housing Assets. Board Member Cox informed the group he could not meet on Oct. 11. Board members general stated that the time at 5:30 pm was a good time. Wednesday do not work for Board Member Sherman. Staff was directed to set meetings now so board members can plan accordingly.***

Next meeting: To Be Determined – May not be needed until considering the 2013/14 Fiscal Year

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**RESOLUTION 2012-05**

**A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO  
THE DISSOLVED REDEVELOPMENT AGENCY OF THE CITY OF VISALIA,  
APPROVING A RECOGNIZED OBLIGATION PAYMENT SCHEDULE PURSUANT  
TO HEALTH AND SAFETY CODE SECTION 34177(I) FOR THE PERIOD  
JANUARY 1 2013 TO JUNE 30, 2013**

**WHEREAS**, pursuant to Health and Safety Code Section 34173(d), the City of Visalia (“RDA Successor Agency”) is the successor agency to the dissolved Redevelopment Agency of the City of Visalia (“Agency”); and

**WHEREAS**, the Oversight Board is the RDA Successor Agency’s oversight board pursuant to Health and Safety Code Section 34179(a); and

**WHEREAS**, Health and Safety Code Section 34177(m), added by AB 1484, and effective June 27, 2012, requires that the RDA Successor Agency submit an Oversight Board approved “recognized obligation payment schedule” (“ROPS”) for the period January 1, 2013, to June 30, 2013, to the Department of Finance, the State Controller, and the county auditor-controller no later than September 1, 2012; and

**WHEREAS**, the RDA Successor Agency has prepared a ROPS covering the period January 1, 2013, to June 30, 2013, and has submitted said ROPS to the Oversight Board for approval;

**NOW, THEREFORE, THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE DISSOLVED REDEVELOPMENT AGENCY OF THE CITY OF VISALIA DOES HEREBY RESOLVE AS FOLLOWS:**

**SECTION 1. Recitals.** The Recitals set forth above are true and correct and are incorporated into this Resolution by this reference.

**SECTION 2. CEQA Compliance.** The approval of the ROPS through this Resolution does not commit the Oversight Board to any action that may have a significant effect on the environment. As a result, such action does not constitute a project subject to the requirements of the California Environmental Quality Act.

**SECTION 3. Approval of the ROPS.** The Oversight Board hereby approves and adopts the ROPS, in substantially the form attached to this Resolution as Exhibit A, pursuant to Health and Safety Code Section 34177.

**SECTION 4. Implementation.** The Oversight Board hereby directs the RDA Successor Agency to submit copies of the ROPS approved by the Oversight Board to the County of Tulare Auditor-Controller, the State of California Controller and the State of California Department of Finance after the effective date of this Resolution and prior to September 1, 2012, and to post the ROPS on the RDA Successor Agency’s website.

SECTION 5. Severability. If any provision of this Resolution or the application of any such provision to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of this Resolution that can be given effect without the invalid provision or application, and to this end the provisions of this Resolution are severable. The Oversight Board declares that the Oversight Board would have adopted this Resolution irrespective of the invalidity of any particular portion of this Resolution.

SECTION 6. Certification. The City Clerk of the City of Visalia, acting on behalf of the Oversight Board as its Secretary, shall certify to the adoption of this Resolution.

SECTION 7. Effective Date. Pursuant to Health and Safety Code Section 34179(h), all actions taken by the Oversight Board may be reviewed by the State of California Department of Finance, and, therefore, this Resolution shall not be effective for five (5) business days, pending a request for review by the State of California Department of Finance.

**PASSED, APPROVED AND ADOPTED** this 30th day of August, 2012, by the following vote:

PASSED AND ADOPTED: 8/30/2012

MARK LARSEN, SECRETARY OF THE BOARD

STATE OF CALIFORNIA )  
COUNTY OF TULARE ) ss.  
CITY OF VISALIA )

I, Mark Larsen, Secretary of the Oversight Board of the Successor Agency to the Redevelopment Agency of the City of Visalia, certify the foregoing is the full and true Oversight Board Resolution 2012-05 passed and adopted by the Oversight Board of the Successor Agency to the Redevelopment Agency at a regular meeting held on August 30, 2012.

Dated: August 31, 2012

MARK LARSEN, SECRETARY OF THE BOARD

  
By Donja Huffmon, Chief Deputy City Clerk

City of Visalia  
**Oversight Board of the**  
 Successor Agency of the Redevelopment Agency of Visalia

MEETING

DATE: 11/1/2012

TO: Successor Agency Oversight Board

FROM: Eric Frost, Administrative Services Director

SUBJECT: Presentation of the Agreed Upon Procedures Report from Brown  
 Armstrong

AGENDA

ITEM #: 3 & 4

**Review:**

Dept. Head \_\_\_\_\_  
 (Initials & date required)

City Atty \_\_\_\_\_  
 (Initials & date required  
 or N/A)

**Recommendation:** That the Oversight Board receive Due Diligence Agreed Upon Procedures (AUP) audits from the Successor Agency’s Auditor, Brown Armstrong CPA, and receive public comment.

**Discussion:** The State required Successor Agencies in a June 2013 State budget trailer bill to perform a Due Diligence Agreed Upon Procedures audit for their housing successor and successor agencies as authorized by Health and Safety Code 34179.5. The purpose of the audit is to identify what liquid assets may be swept from former redevelopment agencies to counties for further disposition to underlying taxing agencies.

A report is needed for the Housing Successor Agency and for the Successor Agency. The timelines for filing these reports are as follows:

	<u>Housing</u>	<u>Successor</u>
Reports are due	October 1, 2012	December 15, 2012
Oversight Board to Complete Public Comment And Approve Reports	October 15, 2012	January 15, 2013
Department of Finance to Issue “Finding of Completion”	November 16, 2012	April 6, 2013
Successor Agency Deadline to Request Meet and Confer With Department of Finance	Within 5 days of DoF Action	Within 5 days of DoF Action
Successor Agency Deadline To Transfer Excess Assets	November 28, 2012	April 10, 2012

Successor Agency staff has not submitted the housing reports to the Oversight Board according to the times outlined in law. However, staff has notified the Department of Finance that the reports would be submitted late due to the lateness of procedures being developed to conduct the audits. Staff also felt it was very important to produce both the Housing and the Successor Agency reports at the same time because the two entities were intermingled; to report one entity required that you report the other at the same time. The upside is that with the completion of both reports, the Oversight Board will have completed its work on the Due Diligence reports and will be submitting the final report well before its due date.

The main purpose of the due diligence report is to determine the amount of money to be sent to the County for distribution to underlying taxing jurisdictions. Health and Safety Code Section 34179.6 empowers the successor agency to retain certain assets as listed in the Summary of Balance Available for Allocation to Affected Taxing Entities. The two draft reports are shown below. The Auditors may change them slightly before Thursday's meeting.

#### Housing Successor

<b>SUMMARY OF BALANCES AVAILABLE FOR ALLOCATION TO AFFECTED TAXING ENTITIES</b>	
Total amount of assets held by the successor agency as of June 30, 2012 (procedure 5)	\$ 7,886,226
Add the amount of any assets transferred to the city or other parties for which an enforceable obligation with a third party requiring such transfer and obligating the use of the transferred assets did not exist (procedures 2 and 3)	-
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments (procedure 6)	\$ (240,000)
Less assets that are not cash or cash equivalents (e.g., physical assets) - (procedure 7)	\$ (7,636,854)
Less balances that are legally restricted for the funding of an enforceable obligation (net of projected annual revenues available to fund those obligations) - (procedure 8)	\$ -
Less balances needed to satisfy ROPS for the 2012-13 fiscal year (procedure 9)	\$ -
Less the amount of payments made on July 12, 2012 to the County Auditor-Controller as directed by the California Department of Finance	\$ -
Amount to be remitted to county for disbursement to taxing entities	<u>\$ 9,372</u>

The Housing Successor has significant assets. However, the assets are in the form of notes to other agencies for participation in housing projects. Most of these notes are forgiven if the projects are kept affordable for those of lesser incomes 45 years. The amount to be remitted to the County is program income generated by the agency, in

other words, loan repayments received during the February 1, 2012 to June 30, 2012 time period.

### Successor Agency

The Successor Agency's situation is more complicated because there are more and varied assets. The Department of Finance has also disallowed one enforceable obligation from ROPS III which will change this calculation unless the meet and confer process yields to a change of determination by the Department of Finance.

The report shows the Successor Agency having \$10.1 million of assets as of June 30, 2012. All but \$1.9 million of these assets are restricted or non-liquid. However, the Successor Agency has restricted \$3.4 million for returning of an unconsummated General Fund Advance to the Central Redevelopment Project Area. If in the end, the Successor Agency must remit that money to the County for further distribution, the Successor Agency payment will increase from \$1.9 to \$5.3 million.

<b>SUMMARY OF BALANCES AVAILABLE FOR ALLOCATION TO AFFECTED TAXING ENTITIES</b>	
Total amount of assets held by the successor agency as of June 30, 2012 (procedure 5)	\$ 10,084,630
Add the amount of any assets transferred to the city or other parties for which an enforceable obligation with a third party requiring such transfer and obligating the use of the transferred assets did not exist (procedures 2 and 3)	(702,229)
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments (procedure 6)	\$ -
Less assets that are not cash or cash equivalents (e.g., physical assets) - (procedure 7)	\$ (434,788)
Less balances that are legally restricted for the funding of an enforceable obligation (net of projected annual revenues available to fund those obligations) - (procedure 8)	\$ -
Less balances needed to satisfy ROPS for the 2012-13 fiscal year (procedure 9)	\$ (6,596,290)
Less the amount of payments made on July 12, 2012 to the County Auditor-Controller as directed by the California Department of Finance	\$ (443,813)
Amount to be remitted to county for disbursement to taxing entities	<u>\$ 1,907,510</u>

The AUP provides detailed information which culminates in these two reports. The Oversight Board's responsibility is to receive public comment on the reports at this meeting. On November 8, the Board is to adopt the Due Diligence AUP and then it will be sent to the Department of Finance.

CEQA

None

Fiscal Impact

No fiscal impact will result from the public comment session to review the Due Diligence Report.



**INDEPENDENT ACCOUNTANT'S REPORT ON  
APPLYING AGREED-UPON PROCEDURES**

**LOW AND MODERATE INCOME HOUSING FUND  
OF THE SUCCESSOR AGENCY**

Oversight Board of the Successor Agency  
City of Visalia  
Visalia, California 93202


We have performed the minimum required agreed-upon procedures (AUP) enumerated in Attachment A, which were agreed to by the California State Controller's Office and the Department of Finance solely to assist you in ensuring that the Successor Agency of the City of Visalia Redevelopment Agency (the Agency) is complying with its statutory requirements with respect to Assembly Bill (AB) 1484. Management of the Agency is responsible for the accounting records pertaining to statutory compliance pursuant to Health and Safety Code. This AUP engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The scope of this engagement was limited to performing the minimum required AUP as set forth in Attachment A. The results of the procedures performed are listed under each related testing step in Attachment A.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion as to the appropriateness of the results summarized in Attachment A. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the management of the Agency and applicable State agencies, and is not intended to be, and should not be, used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

**BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION**

Bakersfield, California  
, 2012

**ATTACHMENT A**  
**List of Procedures for Due Diligence Review**

**General information regarding these procedures:**

1. The procedures associated with Sections 34179.5(c)(1) through 34179.5(c)(3) and Sections 34179.5(c)(5) through 34179.5(c)(6) are to be applied separately to (a) the Low and Moderate Income Housing Fund of the Successor Agency and to (b) all other funds of the Successor Agency combined (excluding the Low and Moderate Income Housing Fund).
2. The due date for the report associated with the Low and Moderate Income Housing Fund is October 1, 2012.
3. The due date for the report associated with all other funds of the Successor Agency combined (excluding the Low and Moderate Income Housing Fund) is December 15, 2012.
4. Because the procedures required by Section 34179.5(c)(4) pertain to the Successor Agency as a whole, these procedures should be addressed in the report that is due on December 15, 2012.

Fiscal year references below refer to fiscal years ending on June 30. This language should be modified for those agencies that have a different fiscal year-end.

For purposes of the procedures below and the related exhibits, the amount of the assets presented should be based upon generally accepted accounting principles (GAAP), unless otherwise noted.

To the extent the procedures listed below are duplicative to the agreed upon procedures that were performed pursuant to Health and Safety Code (HSC) 34182 (a)(1), it is acceptable to obtain and use information from the HSC 34182 (a)(1) procedures for purposes of this due diligence review without having to re-perform the procedures. When this is done, the due diligence report should refer to the report that was issued for the agreed upon procedures performed under HSC 34182 (a)(1).

Certain assets may qualify as a deduction under more than one category of deduction. In such cases, care should be taken to ensure that such assets have been included as a deduction in the summary schedule only once.

**Citation:**

*34179.5(c)(1) The dollar value of assets transferred from the former redevelopment agency to the successor agency on or about February 1, 2012.*

**Suggested Procedure(s):**

1. Obtain from the Successor Agency a listing of all assets that were transferred from the former redevelopment agency to the Successor Agency on February 1, 2012. Agree the amounts on this listing to account balances established in the accounting records of the Successor Agency. Identify in the Agreed-Upon Procedures (AUP) report the amount of the assets transferred to the Successor Agency as of that date.

Result:

On February 1, 2012, former redevelopment agency transferred assets totaling \$7,882,362 to the Successor Agency. We found no exceptions as a result of the procedures performed.

**Citation:**

*34179.5(c)(2) The dollar value of assets and cash and cash equivalents transferred after January 1, 2011, through June 30, 2012, by the redevelopment agency or the successor agency to the city, county, or city and county that formed the redevelopment agency and the purpose of each transfer. The review shall provide documentation of any enforceable obligation that required the transfer.*

**Suggested Procedure(s):**

2. If the State Controller's Office has completed its review of transfers required under both Sections 34167.5 and 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the AUP report. If this has not yet occurred, perform the following procedures:
  - A) Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the former redevelopment agency to the city, county, or city and county that formed the redevelopment agency for the period from January 1, 2011, through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
  - B) Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Successor Agency to the city, county, or city and county that formed the redevelopment agency for the period from February 1, 2012, through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
  - C) For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

**Result:**

These procedures are not applicable for the Successor Agency's Low and Moderate Income Housing Fund as there were no transfers (excluding payment for goods and services) made from the Agency to the City that formed the Agency for the period from January 1, 2011, through January 31, 2012. Also, there were no transfers made from the Successor Agency to the City that formed the Agency for the period from February 1, 2012, through June 30, 2012.

**Citation:**

*34179.5(c)(3) The dollar value of any cash or cash equivalents transferred after January 1, 2011, through June 30, 2012, by the redevelopment agency or the successor agency to any other public agency or private party and the purpose of each transfer. The review shall provide documentation of any enforceable obligation that required the transfer.*

**Suggested Procedure(s):**

3. If the State Controller's Office has completed its review of transfers required under both Sections 34167.5 and 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the AUP report. If this has not yet occurred, perform the following procedures:
  - A) Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the former redevelopment agency to any other public agency or to private parties for the period from January 1, 2011, through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
  - B) Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) [from the Successor Agency to any other public agency or private parties for the period from February 1, 2012, through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

- C) For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

**Result:**

These procedures are not applicable for the Successor Agency's Low and Moderate Income Housing Fund as there were no transfers of cash or cash equivalents for the time period of January 1, 2011 through June 30, 2012.

**Citation:**

*34179.5(c)(4) The review shall provide expenditure and revenue accounting information and identify transfers and funding sources for the 2010–11 and 2011–12 fiscal years that reconciles balances, assets, and liabilities of the successor agency on June 30, 2012 to those reported to the Controller for the 2009–10 fiscal year.*

**Suggested Procedure(s):**

4. Perform the following procedures:

- A) Obtain from the Successor Agency a summary of the financial transactions of the Redevelopment Agency and the Successor Agency in the format set forth in the attached schedule for the fiscal periods indicated in the schedule. For purposes of this summary, the financial transactions should be presented using the modified accrual basis of accounting. End of year balances for capital assets (in total) and long-term liabilities (in total) should be presented at the bottom of this summary schedule for information purposes.
- B) Ascertain that for each period presented, the total of revenues, expenditures, and transfers accounts fully for the changes in equity from the previous fiscal period.
- C) Compare amounts in the schedule relevant to the fiscal year ended June 30, 2010, to the State Controller's report filed for the Redevelopment Agency for that period.
- D) Compare amounts in the schedule for the other fiscal periods presented to account balances in the accounting records or other supporting schedules. Describe in the report the type of support provided for each fiscal period.

**Result:**

We obtained audited Financial Statement for fiscal year ended June 30, 2012, and June 30, 2011. We obtained general ledger reports for fiscal period ended January 31, 2012, and June 30, 2012, and compared amounts to the summary of financial transactions for the Successor Agency Fund in Attachment B. We found no exceptions as a result of the procedures performed.

**Citation:**

*34179.5(c)(5) A separate accounting for the balance for the Low and Moderate Income Housing Fund for all other funds and accounts combined shall be made as follows:*

*(A) A statement of the total value of each fund as of June 30, 2012.*

**Suggested Procedure(s):**

5. Obtain from the Successor Agency a listing of all assets of the Low and Moderate Income Housing Fund as of June 30, 2012, for the report that is due October 1, 2012, and a listing of all assets of all other funds of the Successor Agency as of June 30, 2012 (excluding the previously reported assets of the Low and Moderate Income Housing Fund) for the report that is due December 15, 2012. When this procedure is applied to the Low and Moderate Income Housing Fund, the schedule attached as an exhibit will include only those assets of the Low and Moderate Income Housing Fund that were held by the Successor Agency as of June 30, 2012, and will exclude all assets held by the entity that assumed the housing function previously performed by the former redevelopment agency. Agree the assets so listed to recorded balances reflected in the accounting records of the Successor Agency. The listings should be attached as an exhibit to the appropriate AUP report.

**Result:**

We found no exceptions as a result of the procedures performed for the Low and Moderate Income Housing Fund. Please see the final column of the summary of financial transactions for the Successor Agency Fund in Attachment B for details.

**Citation:**

*34179.5(c)(5)(B) An itemized statement listing any amounts that are legally restricted as to purpose and cannot be provided to taxing entities. This could include the proceeds of any bonds, grant funds, or funds provided by other governmental entities that place conditions on their use.*

**Suggested Procedure(s):**

6. Obtain from the Successor Agency a listing of asset balances held on June 30, 2012, that are restricted for the following purposes:
  - A) Unspent bond proceeds:
    - i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures, amounts set aside for debt service payments, etc.).
    - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
    - iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.
  - B) Grant proceeds and program income that are restricted by third parties:
    - i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).
    - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
    - iii. Obtain from the Successor Agency a copy of the grant agreement that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.

- C) Other assets considered to be legally restricted:
- i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).
  - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
  - iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by Successor the Agency as restricted.
- D) Attach the above mentioned Successor Agency prepared schedule(s) as an exhibit to the AUP report. For each restriction identified on these schedules, indicate in the report the period of time for which the restrictions are in effect. If the restrictions are in effect until the related assets are expended for their intended purpose, this should be indicated in the report.

**Result:**

We obtained Successor Agency's computation of the restricted balance. The restriction represents the total amount payable to the Kaweah Management Company to satisfy the final payment of the agreement between the Agency and Kaweah Management Company. We found no exceptions as a result of the procedures performed for the Low and Moderate Income Housing Fund. Please see Attachment C for details.

**Citation:**

*34179.5(c)(5)(C) An itemized statement of the values of any assets that are not cash or cash equivalents. This may include physical assets, land, records, and equipment. For the purpose of this accounting, physical assets may be valued at purchase cost or at any recently estimated market value. The statement shall list separately housing-related assets.*

**Suggested Procedure(s):**

7. Perform the following procedures:
- A) Obtain from the Successor Agency a listing of assets as of June 30, 2012, that are not liquid or otherwise available for distribution (such as capital assets, land held for resale, long-term receivables, etc.) and ascertain if the values are listed at either purchase cost (based on book value reflected in the accounting records of the Successor Agency) or market value as recently estimated by the Successor Agency.
  - B) If the assets listed at 7(A) are listed at purchase cost, trace the amounts to a previously audited financial statement (or to the accounting records of the Successor Agency) and note any differences.
  - C) For any differences noted in 7(B), inspect evidence of disposal of the asset and ascertain that the proceeds were deposited into the Successor Agency trust fund. If the differences are due to additions (this generally is not expected to occur), inspect the supporting documentation and note the circumstances.
  - D) If the assets listed at 7(A) are listed at recently estimated market value, inspect the evidence (if any) supporting the value and note the methodology used. If no evidence is available to support the value and/or methodology, note the lack of evidence.

## Result:

We obtained from the Successor Agency a listing of assets as of June 30, 2012. No disposition of assets occurred and no assets are listed at recently estimated market value. Please see Attachment D for a list of assets that are not liquid. We found not exceptions as a result of the procedures performed for the Low and Moderate Income Housing Fund.

## **Citation:**

*34179.5(c)(5)(D) An itemized listing of any current balances that are legally or contractually dedicated or restricted for the funding of an enforceable obligation that identifies the nature of the dedication or restriction and the specific enforceable obligation. In addition, the successor agency shall provide a listing of all approved enforceable obligations that includes a projection of annual spending requirements to satisfy each obligation and a projection of annual revenues available to fund those requirements. If a review finds that future revenues together with dedicated or restricted balances are insufficient to fund future obligations and thus retention of current balances is required, it shall identify the amount of current balances necessary for retention. The review shall also detail the projected property tax revenues and other general purpose revenues to be received by the successor agency, together with both the amount and timing of the bond debt service payments of the successor agency, for the period in which the oversight board anticipates the successor agency will have insufficient property tax revenue to pay the specified obligations.*

## **Suggested Procedure(s):**

### 8. Perform the following procedures:

- A) If the Successor Agency believes that asset balances need to be retained to satisfy enforceable obligations, obtain from the Successor Agency an itemized schedule of asset balances (resources) as of June 30, 2012, that are dedicated or restricted for the funding of enforceable obligations and perform the following procedures. The schedule should identify the amount dedicated or restricted, the nature of the dedication or restriction, the specific enforceable obligation to which the dedication or restriction relates, and the language in the legal document that is associated with the enforceable obligation that specifies the dedication of existing asset balances toward payment of that obligation.
  - i. Compare all information on the schedule to the legal documents that form the basis for the dedication or restriction of the resource balance in question.
  - ii. Compare all current balances to the amounts reported in the accounting records of the Successor Agency or to an alternative computation.
  - iii. Compare the specified enforceable obligations to those that were included in the final Recognized Obligation Payment Schedule approved by the California Department of Finance.
  - iv. Attach as an exhibit to the report the listing obtained from the Successor Agency. Identify in the report any listed balances for which the Successor Agency was unable to provide appropriate restricting language in the legal document associated with the enforceable obligation.
- B) If the Successor Agency believes that future revenues together with balances dedicated or restricted to an enforceable obligation are insufficient to fund future obligation payments and thus retention of current balances is required, obtain from the Successor Agency a schedule of approved enforceable obligations that includes a projection of the annual spending requirements to satisfy each obligation and a projection of the annual revenues available to fund those requirements and perform the following procedures:

- i. Compare the enforceable obligations to those that were approved by the California Department of Finance. Procedures to accomplish this may include reviewing the letter from the California Department of Finance approving the Recognized Enforceable Obligation Payment Schedules for the six month period from January 1, 2012, through June 30, 2012, and for the six month period July 1, 2012, through December 31, 2012.
  - ii. Compare the forecasted annual spending requirements to the legal document supporting each enforceable obligation.
    - a. Obtain from the Successor Agency its assumptions relating to the forecasted annual spending requirements and disclose in the report major assumptions associated with the projections.
  - iii. For the forecasted annual revenues:
    - b. Obtain from the Successor Agency its assumptions for the forecasted annual revenues and disclose in the report major assumptions associated with the projections.
- C) If the Successor Agency believes that projected property tax revenues and other general purpose revenues to be received by the Successor Agency are insufficient to pay bond debt service payments (considering both the timing and amount of the related cash flows), obtain from the Successor Agency a schedule demonstrating this insufficiency and apply the following procedures to the information reflected in that schedule.
- i. Compare the timing and amounts of bond debt service payments to the related bond debt service schedules in the bond agreement.
  - ii. Obtain the assumptions for the forecasted property tax revenues and disclose major assumptions associated with the projections.
  - iii. Obtain the assumptions for the forecasted other general purpose revenues and disclose major assumptions associated with the projections.
- D) If procedures A, B, or C were performed, calculate the amount of current unrestricted balances necessary for retention in order to meet the enforceable obligations by performing the following procedures:
- i. Combine the amount of identified current dedicated or restricted balances and the amount of forecasted annual revenues to arrive at the amount of total resources available to fund enforceable obligations.
  - ii. Reduce the amount of total resources available by the amount forecasted for the annual spending requirements. A negative result indicates the amount of current unrestricted balances that needs to be retained.
  - iii. Include the calculation in the AUP report.

**Result:**

These procedures are not applicable for the Successor Agency's Low and Moderate Income Housing Fund as there are no current balances legally or contractually dedicated or restricted for the funding of an enforceable obligation.

**Citation:**

*34179.5(c)(5)(E) An itemized list and analysis of any amounts of current balances that are needed to satisfy obligations that will be placed on the Recognized Obligation Payment Schedules for the current fiscal year.*



**Suggested Procedure(s):**

9. If the Successor Agency believes that cash balances as of June 30, 2012, need to be retained to satisfy obligations on the Recognized Obligation Payment Schedule (ROPS) for the period of July 1, 2012, through June 30, 2013, obtain a copy of the final ROPS for the period of July 1, 2012, through December 31, 2012, and a copy of the final ROPS for the period January 1, 2013, through June 30, 2013. For each obligation listed on the ROPS, the Successor Agency should add columns identifying (1) any dollar amounts of existing cash that are needed to satisfy that obligation and (2) the Successor Agency's explanation as to why the Successor Agency believes that such balances are needed to satisfy the obligation. Include this schedule as an attachment to the AUP report.

**Result:**

These procedures are not applicable for the Successor Agency's Low and Moderate Income Housing Fund as there are no current asset balances needed to satisfy obligations that will be placed on the Recognized Obligation Payment Schedules for the current fiscal year.

**Citation:**

*34179.5(c)(6) The review shall total the net balances available after deducting the total amounts described in subparagraphs (B) to (E), inclusive, of paragraph (5). The review shall add any amounts that were transferred as identified in paragraphs (2) and (3) of subdivision (c) if an enforceable obligation to make that transfer did not exist. The resulting sum shall be available for allocation to affected taxing entities pursuant to Section 34179.6. It shall be a rebuttable presumption that cash and cash equivalent balances available to the successor agency are available and sufficient to disburse the amount determined in this paragraph to taxing entities. If the review finds that there are insufficient cash balances to transfer or that cash or cash equivalents are specifically obligated to the purposes described in subparagraphs (B), (D), and (E) of paragraph (5) in such amounts that there is insufficient cash to provide the full amount determined pursuant to this paragraph, that amount shall be demonstrated in an additional itemized schedule.*

**Suggested Procedure(s):**

10. Include (or present) a schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Entities. Amounts included in the calculation should agree to the results of the procedures performed in each section above. The schedule should also include a deduction to recognize amounts already paid to the County Auditor-Controller on July 12, 2012, as directed by the California Department of Finance. The amount of this deduction presented should be agreed to evidence of payment. The attached example summary schedule may be considered for this purpose. Separate schedules should be completed for the Low and Moderate Income Housing Fund and for all other funds combined (excluding the Low and Moderate Income Housing Fund).

**Result:**

We found no exceptions as a result of the procedures performed for the Low and Moderate Income Housing Fund. Please see Attachment F for details.

**Suggested Procedure(s):**

11. Obtain a representation letter from Successor Agency management acknowledging their responsibility for the data provided to the practitioner and the data presented in the report or in any attachments to the report. Included in the representations should be an acknowledgment that management is not aware of any transfers (as defined by Section 34179.5) from either the former redevelopment agency or the Successor Agency to other parties for the period from January 1, 2011, through June 30, 2012, that have not been properly identified in the AUP report and its related exhibits. Management's refusal to sign the representation letter should be noted in the AUP report as required by attestation standards.

**Result:**

We received the representation letter, which included all required information, on **October 7, 2012.**

## Attachment B – Financial Transactions

	Redevelopment Agency 12 Months Ended 6/30/2010	Redevelopment Agency 12 Months Ended 6/30/2011	Redevelopment Agency 7 Months Ended 1/31/2012	Successor Agency 5 Months Ended 6/30/2012
<b>Assets (modified accrual basis)</b>				
Cash and Investments	\$ 994,053	\$ 3,590,222	\$ 1,426,807	\$ 248,578
Restricted Cash and Investments	-	-	-	-
Accounts Receivable	740	136	-	804
Taxes Receivable	-	766	-	-
Advances Receivable	-	-	2,550,515	2,550,515
Notes and Loans Receivable	4,140,041	4,277,392	4,276,620	4,271,102
Land Held for Redevelopment	755,224	755,224	815,227	815,227
<b>Total Assets</b>	<b>\$ 5,890,058</b>	<b>\$ 8,623,740</b>	<b>\$ 9,069,169</b>	<b>\$ 7,886,226</b>
<b>Liabilities (modified accrual basis)</b>				
Accounts Payable	\$ 16,607	\$ 16,179	\$ -	\$ 146
Deferred Revenue	4,140,041	4,277,392	4,276,620	4,271,102
Due to Other Governmental Units	-	-	-	-
Advances from the City	175,999	11,932	-	6,530
Advances Payable	-	-	918,242	918,343
Customer Deposits	-	-	-	-
<b>Total Liabilities</b>	<b>\$ 4,332,647</b>	<b>\$ 4,305,503</b>	<b>\$ 5,194,862</b>	<b>\$ 5,196,121</b>
<b>Equity</b>	<b>1,557,411</b>	<b>4,318,237</b>	<b>3,874,307</b>	<b>2,690,105</b>
<b>Total Liabilities and Equity</b>	<b>\$ 5,890,058</b>	<b>\$ 8,623,740</b>	<b>\$ 9,069,169</b>	<b>\$ 7,886,226</b>
<b>Total Revenues</b>	<b>\$ 1,634,418</b>	<b>\$ 1,640,104</b>	<b>\$ 106,373</b>	<b>\$ 35,873</b>
<b>Total Expenditures</b>	<b>\$ 2,273,918</b>	<b>\$ 486,435</b>	<b>\$ 550,303</b>	<b>\$ 11,163</b>
<b>Total Transfers</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,208,912)</b>
<b>Net Change in Equity</b>	<b>(639,500)</b>	<b>1,153,669</b>	<b>(443,930)</b>	<b>(1,184,202)</b>
<b>Beginning Equity</b>	<b>1,723,911</b>	<b>1,557,411</b>	<b>4,318,237</b>	<b>3,874,307</b>
<b>Prior Period Adjustments</b>	<b>473,000</b>	<b>1,607,157</b>	<b>-</b>	<b>-</b>
<b>Ending Equity</b>	<b>\$ 1,557,411</b>	<b>\$ 4,318,237</b>	<b>\$ 3,874,307</b>	<b>\$ 2,690,105</b>
<b>Other Information (show year end balances for all three years presented):</b>				
Capital assets as of end of year	\$ -	\$ -	\$ -	\$ -
Long-term debt as of end of year	\$ -	\$ -	\$ -	\$ -

**Attachment C – Restricted Assets Listing**

City of Visalia - Successor Housing Agency  
Low and Moderate Income Housing Fund

<u>Restriction Type</u>	<u>Asset Description</u>	<u>Restriction Length</u>	<u>Amount</u>
Restricted Cash	Final Payment on Kaweah Management Company Contract	Until expended for intended purpose	<u>\$ 240,000.00</u>
			<u><u>\$ 240,000.00</u></u>

## Attachment D – Non-Liquid Assets Listing

City of Visalia - Successor Housing Agency  
Low and Moderate Income Housing Fund

Asset Type	Asset Description	Valued At?	Amount
Low-Mod Housing	Land Held for Resale - 1035 E. Douglas Ave.	Purchase Cost	\$ 34,359
Vacant Land	Land Held for Resale - 111 NW 5th Ave.	Purchase Cost	108,000
Vacant Land	Land Held for Resale - 113 NW 5th Ave.	Purchase Cost	365,000
Vacant Land	Land Held for Resale - 830 E. Roosevelt	Purchase Cost	107,224
Vacant Land	Land Held for Resale - 116 NW 5th Ave.	Purchase Cost	1,000
Vacant Land	Land Held for Resale - 1105 N. Court Ave.	Purchase Cost	24,644
Parking Lot	Land Held for Resale - 409 E. Murray	Purchase Cost	175,000
Long-Term Receivable	Loans Receivable - Kimball Court Associates (TCHA)	Book Value	1,055,100
Long-Term Receivable	Loans Receivable - Visalia Senior Housing II (TCHA)	Book Value	900,000
Long-Term Receivable	Loans Receivable - Visalia Senior Housing (TCHA)	Book Value	114,000
Long-Term Receivable	Loans Receivable - Tulare County Housing Authority	Book Value	47,500
Long-Term Receivable	Loans Receivable - Kaweah Management Co.	Book Value	814,671
Long-Term Receivable	Loans Receivable - Single Family Housing Rehabilitation	Book Value	41,863
Long-Term Receivable	Loans Receivable - Single Family Acquisition and Rehabilitation	Book Value	161,751
Long-Term Receivable	Loans Receivable - Single Family Home Loan	Book Value	1,136,216
Long-Term Receivable	Advances Receivable - East Visalia RDA	Book Value	237,067
Long-Term Receivable	Advances Receivable - Mooney Blvd RDA	Book Value	370,406
Long-Term Receivable	Advances Receivable - Downtown Low/Mod	Book Value	54,054
Long-Term Receivable	Advances Receivable - Central Low/Mod	Book Value	864,188
Long-Term Receivable	Advances Receivable - Downtown RDA	Book Value	35,834
Long-Term Receivable	Advances Receivable - Central Visalia	Book Value	988,966
			<u>\$ 7,636,843</u>

## Attachment E – Available Calculation

Successor Housing Agency to the City of  
Visalia Redevelopment Agency

**SUMMARY OF BALANCES AVAILABLE FOR ALLOCATION TO AFFECTED TAXING ENTITIES**

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Total amount of assets held by the successor agency as of June 30, 2012 (procedure 5)	\$ 7,886,226
Add the amount of any assets transferred to the city or other parties for which an enforceable obligation with a third party requiring such transfer and obligating the use of the transferred assets did not exist (procedures 2 and 3)	
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments (procedure 6)	(240,000)
Less assets that are not cash or cash equivalents (e.g., physical assets) - (procedure 7)	(7,636,853)
Less balances that are legally restricted for the funding of an enforceable obligation (net of projected annual revenues available to fund those obligations) - (procedure 8)	-
Less balances needed to satisfy ROPS for the 2012-13 fiscal year (procedure 9)	-
Less the amount of payments made on July 12, 2012, to the County Auditor-Controller as directed by the California Department of Finance	-
	<hr/>
Amount to be remitted to county for disbursement to taxing entities	<u>\$ 9,373</u>

*Note that separate computations are required for the Low and Moderate Income Housing Fund held by the Successor Agency and for all other funds held by the Successor Agency.*

**INDEPENDENT ACCOUNTANT'S REPORT ON  
APPLYING AGREED-UPON PROCEDURES  
ALL OTHER FUNDS OF THE SUCCESSOR AGENCY,  
EXCLUDING THE LOW AND MODERATE INCOME HOUSING FUND**

Oversight Board of the Successor Agency  
City of Visalia  
Visalia, California 93202

We have performed the minimum required agreed-upon procedures (AUP) enumerated in Attachment A, which were agreed to by the California State Controller's Office and the Department of Finance solely to assist you in ensuring that the Successor Agency of the City of Visalia Redevelopment Agency (the Agency) is complying with its statutory requirements with respect to Assembly Bill (AB) 1484. Management of the Agency is responsible for the accounting records pertaining to statutory compliance pursuant to the Health and Safety Code. This AUP engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The scope of this engagement was limited to performing the minimum required AUP as set forth in Attachment A. The results of the procedures performed are listed under each related testing step in Attachment A.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion as to the appropriateness of the results summarized in Attachment A. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the management of the Agency and applicable State agencies, and is not intended to be, and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

**BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION**

**ATTACHMENT A**  
**List of Procedures for Due Diligence Review**

**General Information Regarding These Procedures:**

1. The procedures associated with Sections 34179.5(c)(1) through 34179.5(c)(3) and Sections 34179.5(c)(5) through 34179.5(c)(6) are to be applied separately to (a) the Low and Moderate Income Housing Fund of the Successor Agency and to (b) all other funds of the Successor Agency combined (excluding the Low and Moderate Income Housing Fund).
2. The due date for the report associated with the Low and Moderate Income Housing Fund is October 1, 2012.
3. The due date for the report associated with all other funds of the Successor Agency combined (excluding the Low and Moderate Income Housing Fund) is December 15, 2012.
4. Because the procedures required by Section 34179.5(c)(4) pertain to the Successor Agency as a whole, these procedures should be addressed in the report that is due on December 15, 2012.

Fiscal year references below refer to fiscal years ending on June 30. This language should be modified for those agencies that have a different fiscal year-end.

For purposes of the procedures below and the related exhibits, the amount of the assets presented should be based upon generally accepted accounting principles (GAAP), unless otherwise noted.

To the extent the procedures listed below are duplicative to the agreed-upon procedures that were performed pursuant to Health and Safety Code (HSC) 34182 (a)(1), it is acceptable to obtain and use information from the HSC 34182 (a)(1) procedures for purposes of this due diligence review without having to re-perform the procedures. When this is done, the due diligence report should refer to the report that was issued for the agreed-upon procedures performed under HSC 34182 (a)(1).

Certain assets may qualify as a deduction under more than one category of deduction. In such cases, care should be taken to ensure that such assets have been included as a deduction in the summary schedule only once.

**Citation:**

*34179.5(c)(1) The dollar value of assets transferred from the former redevelopment agency to the successor agency on or about February 1, 2012.*

**Suggested Procedure(s):**

1. Obtain from the Successor Agency a listing of all assets that were transferred from the former redevelopment agency to the Successor Agency on February 1, 2012. Agree the amounts on this listing to account balances established in the accounting records of the Successor Agency. Identify in the Agreed-Upon Procedures (AUP) report the amount of the assets transferred to the Successor Agency as of that date.

Result:

On February 1, 2012, the former redevelopment agency transferred assets totaling \$15,827,306 to the Successor Agency. We found no exceptions as a result of the procedures performed.

**Citation:**

*34179.5(c)(2) The dollar value of assets and cash and cash equivalents transferred after January 1, 2011, through June 30, 2012, by the redevelopment agency or the successor agency to the city, county, or city and county that formed the redevelopment agency and the purpose of each transfer. The review shall provide documentation of any enforceable obligation that required the transfer.*

## **Suggested Procedure(s):**

2. If the State Controller's Office has completed its review of transfers required under both Sections 34167.5 and 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the AUP report. If this has not yet occurred, perform the following procedures:
  - A. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the former redevelopment agency to the city, county, or city and county that formed the redevelopment agency for the period from January 1, 2011, through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
  - B. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Successor Agency to the city, county, or city and county that formed the redevelopment agency for the period from February 1, 2012, through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
  - C. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

## Result:

We obtained a list of assets transferred from the former redevelopment agency to the City of Visalia that formed the Agency from the period of January 1, 2011, through January 31, 2012. The City made two transfers during this period, both authorized on March 7, 2011. The transfers are as follows:

- 1) One transfer of \$3.5 million returned land to the General Fund for the principal and interest cost of the advance.
- 2) One transfer for \$670,000 was made to satisfy the remaining amount owed to the Property Owner Association for the Property Business Improvement District (PBID) contract.

We noted that there were no transfers (excluding payment for goods and services) made from the Agency to the City of Visalia that formed the Agency for the period from February 1, 2012, through June 30, 2012.

Please see Attachment B for details.

## **Citation:**

*34179.5(c)(3) The dollar value of any cash or cash equivalents transferred after January 1, 2011, through June 30, 2012, by the redevelopment agency or the successor agency to any other public agency or private party and the purpose of each transfer. The review shall provide documentation of any enforceable obligation that required the transfer.*

## **Suggested Procedure(s):**

3. If the State Controller's Office has completed its review of transfers required under both Sections 34167.5 and 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the AUP report. If this has not yet occurred, perform the following procedures:
  - A. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the former redevelopment agency to any other public agency or to private parties for the period from January 1, 2011, through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.



- B. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Successor Agency to any other public agency or private parties for the period from February 1, 2012, through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
- C. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

Result:

These procedures are not applicable for the Successor Agency's Operations and Debt Service Funds as there were no transfers of cash or cash equivalents for the time period of January 1, 2011, through June 30, 2012.

**Citation:**

*34179.5(c)(4) The review shall provide expenditure and revenue accounting information and identify transfers and funding sources for the 2010–11 and 2011–12 fiscal years that reconciles balances, assets, and liabilities of the successor agency on June 30, 2012, to those reported to the Controller for the 2009–10 fiscal year.*

**Suggested Procedure(s):**

4. Perform the following procedures:
  - A. Obtain from the Successor Agency a summary of the financial transactions of the Redevelopment Agency and the Successor Agency in the format set forth in the attached schedule for the fiscal periods indicated in the schedule. For purposes of this summary, the financial transactions should be presented using the modified accrual basis of accounting. End of year balances for capital assets (in total) and long-term liabilities (in total) should be presented at the bottom of this summary schedule for information purposes.
  - B. Ascertain that for each period presented, the total of revenues, expenditures, and transfers accounts fully for the changes in equity from the previous fiscal period.
  - C. Compare amounts in the schedule relevant to the fiscal year ended June 30, 2010, to the State Controller's report filed for the Redevelopment Agency for that period.
  - D. Compare amounts in the schedule for the other fiscal periods presented to account balances in the accounting records or other supporting schedules. Describe in the report the type of support provided for each fiscal period.

Result:

We obtained audited Financial Statements for fiscal years ended June 30, 2012, and June 30, 2011. We obtained general ledger reports for fiscal periods ended January 31, 2012, and June 30, 2012, and compared amounts to the summary of financial transactions for the Successor Agency Fund in Attachment C. We found no exceptions as a result of the procedures performed.

**Citation:**

*34179.5(c)(5) A separate accounting for the balance for the Low and Moderate Income Housing Fund for all other funds and accounts combined shall be made as follows:*

*(A) A statement of the total value of each fund as of June 30, 2012.*

**Suggested Procedure(s):**

5. Obtain from the Successor Agency a listing of all assets of the Low and Moderate Income Housing Fund as of June 30, 2012, for the report that is due October 1, 2012, and a listing of all assets of all other funds of the Successor Agency as of June 30, 2012 (excluding the previously reported assets of the Low and Moderate Income Housing Fund) for the report that is due December 15, 2012. When this procedure is applied to the Low and Moderate Income Housing Fund, the schedule attached as an exhibit will include only those assets of the Low and Moderate Income Housing Fund that were held by the Successor Agency as of June 30, 2012, and will exclude all assets held by the entity that assumed the housing function previously performed by the former redevelopment agency. Agree the assets so listed to recorded balances reflected in the accounting records of the Successor Agency. The listings should be attached as an exhibit to the appropriate AUP report.

**Result:**

We found no exceptions as a result of the procedures performed. Please see the final column of the summary of financial transactions for the Successor Agency Fund in Attachment C.

**Citation:**

*34179.5(c)(5)(B) An itemized statement listing any amounts that are legally restricted as to purpose and cannot be provided to taxing entities. This could include the proceeds of any bonds, grant funds, or funds provided by other governmental entities that place conditions on their use.*

**Suggested Procedure(s):**

6. Obtain from the Successor Agency a listing of asset balances held on June 30, 2012, that are restricted for the following purposes:
  - A. Unspent bond proceeds:
    - i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures, amounts set aside for debt service payments, etc.).
    - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
    - iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.
  - B. Grant proceeds and program income that are restricted by third parties:
    - i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).
    - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
    - iii. Obtain from the Successor Agency a copy of the grant agreement that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.

- C. Other assets considered to be legally restricted:
- i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).
  - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
  - iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by Successor the Agency as restricted.
- D. Attach the above mentioned Successor Agency prepared schedule(s) as an exhibit to the AUP report. For each restriction identified on these schedules, indicate in the report the period of time for which the restrictions are in effect. If the restrictions are in effect until the related assets are expended for their intended purpose, this should be indicated in the report.

Result:

We obtained Successor Agency's computation of the restricted balance. The restriction represents unspent bond proceeds with respect to the 2003 Tax Allocation Refunding Bonds. We found no exceptions as a result of the procedures performed for the Operations and Debt Service Funds. Please see Attachment D for details.

**Citation:**

*34179.5(c)(5)(C) An itemized statement of the values of any assets that are not cash or cash equivalents. This may include physical assets, land, records, and equipment. For the purpose of this accounting, physical assets may be valued at purchase cost or at any recently estimated market value. The statement shall list separately housing-related assets.*

**Suggested Procedure(s):**

7. Perform the following procedures:
- A. Obtain from the Successor Agency a listing of assets as of June 30, 2012, that are not liquid or otherwise available for distribution (such as capital assets, land held for resale, long-term receivables, etc.) and ascertain if the values are listed at either purchase cost (based on book value reflected in the accounting records of the Successor Agency) or market value as recently estimated by the Successor Agency.
  - B. If the assets listed at 7(A) are listed at purchase cost, trace the amounts to a previously audited financial statement (or to the accounting records of the Successor Agency) and note any differences.
  - C. For any differences noted in 7(B), inspect evidence of disposal of the asset and ascertain that the proceeds were deposited into the Successor Agency trust fund. If the differences are due to additions (this generally is not expected to occur), inspect the supporting documentation and note the circumstances.
  - D. If the assets listed at 7(A) are listed at recently estimated market value, inspect the evidence (if any) supporting the value and note the methodology used. If no evidence is available to support the value and/or methodology, note the lack of evidence.

**Result:**

We obtained from the Successor Agency a listing of assets as of June 30, 2012. No disposition of assets occurred and no assets are listed at recently estimated market value. Please see Attachment E for a list of assets that are not liquid. We found no exceptions as a result of the procedures performed for the Operations and Debt Service Funds.

**Citation:**

*34179.5(c)(5)(D) An itemized listing of any current balances that are legally or contractually dedicated or restricted for the funding of an enforceable obligation that identifies the nature of the dedication or restriction and the specific enforceable obligation. In addition, the successor agency shall provide a listing of all approved enforceable obligations that includes a projection of annual spending requirements to satisfy each obligation and a projection of annual revenues available to fund those requirements. If a review finds that future revenues together with dedicated or restricted balances are insufficient to fund future obligations and thus retention of current balances is required, it shall identify the amount of current balances necessary for retention. The review shall also detail the projected property tax revenues and other general purpose revenues to be received by the successor agency, together with both the amount and timing of the bond debt service payments of the successor agency, for the period in which the oversight board anticipates the successor agency will have insufficient property tax revenue to pay the specified obligations.*

**Suggested Procedure(s):**

8. Perform the following procedures:

- A. If the Successor Agency believes that asset balances need to be retained to satisfy enforceable obligations, obtain from the Successor Agency an itemized schedule of asset balances (resources) as of June 30, 2012, that are dedicated or restricted for the funding of enforceable obligations and perform the following procedures. The schedule should identify the amount dedicated or restricted, the nature of the dedication or restriction, the specific enforceable obligation to which the dedication or restriction relates, and the language in the legal document that is associated with the enforceable obligation that specifies the dedication of existing asset balances toward payment of that obligation.
  - i. Compare all information on the schedule to the legal documents that form the basis for the dedication or restriction of the resource balance in question.
  - ii. Compare all current balances to the amounts reported in the accounting records of the Successor Agency or to an alternative computation.
  - iii. Compare the specified enforceable obligations to those that were included in the final Recognized Obligation Payment Schedule approved by the California Department of Finance.
  - iv. Attach as an exhibit to the report the listing obtained from the Successor Agency. Identify in the report any listed balances for which the Successor Agency was unable to provide appropriate restricting language in the legal document associated with the enforceable obligation.
- B. If the Successor Agency believes that future revenues together with balances dedicated or restricted to an enforceable obligation are insufficient to fund future obligation payments and thus retention of current balances is required, obtain from the Successor Agency a schedule of approved enforceable obligations that includes a projection of the annual spending requirements to satisfy each obligation and a projection of the annual revenues available to fund those requirements and perform the following procedures:

- i. Compare the enforceable obligations to those that were approved by the California Department of Finance. Procedures to accomplish this may include reviewing the letter from the California Department of Finance approving the Recognized Enforceable Obligation Payment Schedules for the six month period from January 1, 2012, through June 30, 2012, and for the six month period July 1, 2012, through December 31, 2012.
  - ii. Compare the forecasted annual spending requirements to the legal document supporting each enforceable obligation.
    - a. Obtain from the Successor Agency its assumptions relating to the forecasted annual spending requirements and disclose in the report major assumptions associated with the projections.
  - iii. For the forecasted annual revenues:
    - a. Obtain from the Successor Agency its assumptions for the forecasted annual revenues and disclose in the report major assumptions associated with the projections.
- C. If the Successor Agency believes that projected property tax revenues and other general purpose revenues to be received by the Successor Agency are insufficient to pay bond debt service payments (considering both the timing and amount of the related cash flows), obtain from the Successor Agency a schedule demonstrating this insufficiency and apply the following procedures to the information reflected in that schedule.
- i. Compare the timing and amounts of bond debt service payments to the related bond debt service schedules in the bond agreement.
  - ii. Obtain the assumptions for the forecasted property tax revenues and disclose major assumptions associated with the projections.
  - iii. Obtain the assumptions for the forecasted other general purpose revenues and disclose major assumptions associated with the projections.
- D. If procedures A, B, or C were performed, calculate the amount of current unrestricted balances necessary for retention in order to meet the enforceable obligations by performing the following procedures.
- i. Combine the amount of identified current dedicated or restricted balances and the amount of forecasted annual revenues to arrive at the amount of total resources available to fund enforceable obligations.
  - ii. Reduce the amount of total resources available by the amount forecasted for the annual spending requirements. A negative result indicates the amount of current unrestricted balances that needs to be retained.
  - iii. Include the calculation in the AUP report.

**Result:**

These procedures are not applicable for the Successor Agency's Operations and Debt Service Funds as there are no current balances legally or contractually dedicated or restricted for the funding of an enforceable obligation.

**Citation:**

*34179.5(c)(5)(E) An itemized list and analysis of any amounts of current balances that are needed to satisfy obligations that will be placed on the Recognized Obligation Payment Schedules for the current fiscal year.*

## **Suggested Procedure(s):**

9. If the Successor Agency believes that cash balances as of June 30, 2012, need to be retained to satisfy obligations on the Recognized Obligation Payment Schedule (ROPS) for the period of July 1, 2012, through June 30, 2013, obtain a copy of the final ROPS for the period of July 1, 2012, through December 31, 2012, and a copy of the final ROPS for the period January 1, 2013, through June 30, 2013. For each obligation listed on the ROPS, the Successor Agency should add columns identifying (1) any dollar amounts of existing cash that are needed to satisfy that obligation and (2) the Successor Agency's explanation as to why the Successor Agency believes that such balances are needed to satisfy the obligation. Include this schedule as an attachment to the AUP report.

### Result:

We obtained current restricted balances available to fund recognized obligations. Please see Attachment F for details. We found no exceptions as a result of the procedures performed.

## **Citation:**

*34179.5(c)(6) The review shall total the net balances available after deducting the total amounts described in subparagraphs (B) to (E), inclusive, of paragraph (5). The review shall add any amounts that were transferred as identified in paragraphs (2) and (3) of subdivision (c) if an enforceable obligation to make that transfer did not exist. The resulting sum shall be available for allocation to affected taxing entities pursuant to Section 34179.6. It shall be a rebuttable presumption that cash and cash equivalent balances available to the successor agency are available and sufficient to disburse the amount determined in this paragraph to taxing entities. If the review finds that there are insufficient cash balances to transfer or that cash or cash equivalents are specifically obligated to the purposes described in subparagraphs (B), (D), and (E) of paragraph (5) in such amounts that there is insufficient cash to provide the full amount determined pursuant to this paragraph, that amount shall be demonstrated in an additional itemized schedule.*

## **Suggested Procedure(s):**

10. Include (or present) a schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Entities. Amounts included in the calculation should agree to the results of the procedures performed in each section above. The schedule should also include a deduction to recognize amounts already paid to the County Auditor-Controller on July 12, 2012, as directed by the California Department of Finance. The amount of this deduction presented should be agreed to evidence of payment. The attached example summary schedule may be considered for this purpose. Separate schedules should be completed for the Low and Moderate Income Housing Fund and for all other funds combined (excluding the Low and Moderate Income Housing Fund).

### Result:

We found no exceptions as a result of the procedures performed for the Operations and Debt Service Funds. Please see Attachment G for details.

## **Suggested Procedure(s)**

11. Obtain a representation letter from Successor Agency management acknowledging their responsibility for the data provided to the practitioner and the data presented in the report or in any attachments to the report. Included in the representations should be an acknowledgment that management is not aware of any transfers (as defined by Section 34179.5) from either the former redevelopment agency or the Successor Agency to other parties for the period from January 1, 2011, through June 30, 2012 that have not been properly identified in the AUP report and its related exhibits. Management's refusal to sign the representation letter should be noted in the AUP report as required by attestation standards.

### Result:

We received the representation letter, which included all required information, on **October 7, 2012.**

**Attachment B – Listing of Transfers**

City of Visalia - Successor Agency

Listing of Transfers from the former Redevelopment Agency to the City of Visalia

All the transfers below are from the Successor Agency or Redevelopment Agency funds other than the Low and Moderate Income Housing Fund. There were no transfers from the Low and Moderate Income Housing Fund or the Successor Housing Agency. There were also no transfers occurring between the period from February 1, 2012, through June 30, 2012.

January 1, 2011, through January 31, 2012

<u>Date</u>	<u>Description</u>	<u>Recipient</u>	<u>Amount</u>
3/7/2011	Land Held for Resale (East Project Area)	City of Visalia	\$ 3,534,327.00
3/7/2011	PBID Obligation (Central Project Area)	City of Visalia	<u>670,000.00</u>
Grand Total			<u>\$ 4,204,327.00</u>

## Attachment C – Financial Transactions

	Redevelopment Agency 12 Months Ended 6/30/2010	Redevelopment Agency 12 Months Ended 6/30/2011	Redevelopment Agency 7 Months Ended 1/31/2012	Successor Agency 5 Months Ended 6/30/2012
<b>Assets (modified accrual basis)</b>				
Cash and Investments	\$ 13,489,823	\$ 11,842,232	\$ 7,487,146	\$ 7,805,543
Restricted Cash and Investments	2,009,531	2,028,595	7,569,033	1,844,299
Accounts Receivable	19,612	711,630	-	-
Taxes Receivable	214,058	245,776	116,425	116,426
Advances Receivable	-	-	-	-
Notes and Loans Receivable	345,579	331,178	318,362	318,362
Land Held for Redevelopment	2,785,640	-	-	-
<b>Total Assets</b>	<b>\$ 18,864,243</b>	<b>\$ 15,159,411</b>	<b>\$ 15,490,966</b>	<b>\$ 10,084,630</b>
<b>Liabilities (modified accrual basis)</b>				
Accounts Payable	\$ 445,820	\$ 755,612	\$ 283,975	\$ 1,425,550
Deferred Revenue	345,579	1,139,059	434,876	434,876
Due to Other Governmental Units	802,076	833,132	-	-
Advances from the City	7,132,495	3,416,649	3,416,649	6,837,578
Advances Payable	-	-	1,632,273	1,632,273
Customer Deposits	50,000	50,000	50,000	-
<b>Total Liabilities</b>	<b>\$ 8,775,970</b>	<b>\$ 6,194,452</b>	<b>\$ 5,817,773</b>	<b>\$ 10,330,277</b>
<b>Equity</b>	<b>10,088,273</b>	<b>8,964,959</b>	<b>9,673,193</b>	<b>(245,647)</b>
<b>Total Liabilities and Equity</b>	<b>\$ 18,864,243</b>	<b>\$ 15,159,411</b>	<b>\$ 15,490,966</b>	<b>\$ 10,084,630</b>
<b>Total Revenues</b>	<b>\$ 6,655,229</b>	<b>\$ 7,304,565</b>	<b>\$ 2,326,288</b>	<b>\$ 146,032</b>
<b>Total Expenditures<sup>1</sup></b>	<b>\$ 7,028,687</b>	<b>\$ 6,820,722</b>	<b>\$ 948,054</b>	<b>\$ 7,852,855</b>
<b>Total Transfers</b>	<b>\$ 3,600,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,208,912</b>
<b>Net Change in Equity</b>	<b>3,226,542</b>	<b>483,843</b>	<b>1,378,234</b>	<b>(6,497,911)</b>
<b>Beginning Equity</b>	<b>6,861,731</b>	<b>10,088,273</b>	<b>8,964,959</b>	<b>9,673,193</b>
<b>Audit Adjustments<sup>2</sup>:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,420,929)</b>
<b>Prior Period Adjustments<sup>3</sup>:</b>	<b>-</b>	<b>(1,607,157)</b>	<b>(670,000)</b>	<b>-</b>
<b>Ending Equity</b>	<b>\$ 10,088,273</b>	<b>\$ 8,964,959</b>	<b>\$ 9,673,193</b>	<b>\$ (245,647)</b>
<b>Other Information (show year-end balances for all three years presented):</b>				
Capital assets as of end of year	\$ -	\$ -	\$ -	\$ -
Long-term debt as of end of year	\$ 18,331,071	\$ 17,806,244	\$ 17,259,855	\$ 30,334,627

**Notes**

<sup>1</sup> Expenditures have been reduced by \$670,000 to reflect the transaction as a Prior Period Adjustment; see Note 3.

<sup>2</sup> Central Advance from the General Fund was not shown in the June 30, 2011 Financial Statements; Equity has been reduced to reflect the Advance.

<sup>3</sup> Prior Period Adjustment to reflect PBID payments for 10 years as approved by the City Council on March 7, 2012.



**Attachment D – Restricted Assets Listing**

City of Visalia - Successor Agency  
Operation and Debt Service Funds - Restricted Assets

<u>Restriction Type</u>	<u>Project Area</u>	<u>Asset Description</u>	<u>Restriction Length</u>	<u>Amount</u>
Bond Proceeds	East	Cash with Fiscal Agent (Bond Proceeds - Project Fund)	Until expended for intended purpose	<u>\$ 702,229.00</u>
				<u>\$ 702,229.00</u>

Attachment E – Non-Liquid Assets Listing

City of Visalia - Successor Agency  
Operating and Debt Service Funds

<u>Asset Type</u>	<u>Asset Description</u>	<u>Valued At?</u>	<u>Amount</u>
Long-Term Receivable	Notes Receivable - Willow Street Development	Book Value	\$ 318,362
Long-Term Receivable	Taxes Receivable - Unapportioned Delinquent Taxes	Book Value	<u>116,426</u>
			<u>\$ 434,788</u>

## Attachment F – Assets Held to Satisfy Enforceable Obligations

City of Visalia - Successor Agency  
 Operating and Debt Service Funds

Asset Type	Explanation	ROPS Reference <sup>1</sup>	Amount
Cash	To defease the total principal outstanding on the 2004 West America Bank loan.	ROPS "Other - Central" Line 1	\$1,439,484.00
Cash	General Fund loan. Note that this ROPS item did not qualify as an enforceable obligation as defined by HSC Section 34171(d) per review by the California State Department of Finance.	ROPS "Other Central" Line 2	3,420,929.00
Cash	To pay accrued interest due on the 2004 West America Bank loan.	ROPS "Other - Central" Line 1	24,845.00
Cash	To pay accrued interest due on the 2004 West America Bank loan.	ROPS "RPTTF-Mooney" Line 2	37,922.00
Cash	To defease the total principal on the 2003 West America Bank loan.	ROPS "Other-Downtown" Line 1	817,551.00
Cash	with Visalia Unified School District. Note that this ROPS item did not qualify as an enforceable obligation as defined by HSC Section 341714(d) per review by the California State Department of Finance.	ROPS "RPTTF-East" Line 5	142,125.00
Cash	with Visalia Unified School District. Note that this ROPS item did not qualify as an enforceable obligation as defined by HSC Section 341714(d) per review by the California State Department of Finance.	ROPS "RPTTF-Mooney" Line 6	257,135.00
Cash	To pay amount accrued as part of pass-through agreement with Visalia Unified School District. Note that this ROPS item did not qualify as an enforceable obligation as defined by HSC Section 341714(d) per review by the California State Department of Finance.	ROPS "RPTTF-Central" Line 5	456,299.00
			<u>\$6,596,290.00</u>

<sup>1</sup> Note that ROPS references are based on the final ROPS for the period of July 1, 2012, through December 31, 2012.

## Attachment G – Available Calculation

Successor Agency to the City of  
Visalia Redevelopment Agency

**SUMMARY OF BALANCES AVAILABLE FOR ALLOCATION TO AFFECTED TAXING ENTITIES**

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Total amount of assets held by the successor agency as of June 30, 2012 (procedure 5)	\$ 10,084,630
Add the amount of any assets transferred to the city or other parties for which an enforceable obligation with a third party requiring such transfer and obligating the use of the transferred assets did not exist (procedures 2 and 3)	-
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments (procedure 6)	(702,229)
Less assets that are not cash or cash equivalents (e.g., physical assets) (procedure 7)	(434,788)
Less balances that are legally restricted for the funding of an enforceable obligation (net of projected annual revenues available to fund those obligations) (procedure 8)	-
Less balances needed to satisfy ROPS for the 2012-13 fiscal year (procedure 9)	(6,596,290)
Less the amount of payments made on July 12, 2012, to the County Auditor-Controller as directed by the California Department of Finance	(443,813)
Amount to be remitted to county for disbursement to taxing entities	<u>\$ 1,907,510</u>

*Note that separate computations are required for the Low and Moderate Income Housing Fund held by the Successor Agency and for all other funds held by the Successor Agency.*

NOTES: For each line shown above, an exhibit should be attached showing the composition of the summarized amount.

If the review finds that there are insufficient funds available to provide the full amount due, the cause of the insufficiency should be demonstrated in a separate schedule.