

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

Thursday, November 8, 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 November 1, 2012 Action Agenda
- 5:40 p.m. 3. Review of Successor Agency's Actions since August 30, 2012
- 5:50 p.m. 4. Review and Adoption of the Due Diligence Agreed Upon Procedures Audit
(Eric Frost will review the findings of the AUP)
- Next meeting: To be arranged

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.

Action Agenda

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

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

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)

Meeting called to order by Chair Olmos. No Public Comments.

2. Review of August 30, 2012 Action Agenda

No Comments.

Moved by Board member Sherman, Seconded by Board member Hess to accept the action agenda.

3. Review of Due Diligence Agreed Upon Procedures Audit
(Eric Frost will review the findings of the AUP)

Board member Frost reviewed two draft reports on due diligence agreed upon procedures. No action taken.

4. Public Meeting for Public Review of Due Diligence Audit
(Receive comments from the Public, if any)

No Public Comments.

5:45pm

Meeting adjourned.

Next meeting:

November 8, 2012

Submitted by Gladys Ruiz, Recording Clerk for the Oversight Board

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

| | |
|--|---|
| MEETING DATE: November 8, 2012 TO: Successor Agency Oversight Board FROM: Eric Frost, Administrative Services Director SUBJECT: Subsequent Events Since the Oversight Board's Last Meeting on August 30, 2012 AGENDA ITEM #: 3 | Review: Dept. Head _____ (Initials & date required) City Atty _____ (Initials & date required or N/A) |
|--|---|

Recommendation: That the Oversight Board receive this report.

Discussion: Since the August 30 Oversight Board Meeting, the Department of Finance has sent the attached letter back to the Successor Agency. The Department of Finance has rejected 6 items which represent 2 general types of debt: General Fund Advances and VUSD pass-thrus. The City has requested a Meet and Confer meeting which has been scheduled for Nov. 15 at 4 pm in Sacramento.

The VUSD pass-thrus are for debt of the school district. The Department of Finance has directed that these pass-thrus be paid by the County instead of the Successor Agency. Although the Successor Agency is not adamantly opposed to this course of action, it has requested a meet and confer process because the City has paid the debt consistently and has already set up the systems to assure timely payment. However, as long as the debt is paid, the Successor Agency is willing to leave the payment responsibility to the County of Tulare.

On the second matter, the Successor Agency is more adamant. The Successor Agency accepts that East Visalia General Fund Advance must go through the finding of completion process to be made an enforceable obligation. The Successor Agency fully intends to comply with the requirements of law to make the obligation enforceable. However, the old Central Redevelopment General Advance is a different matter.

The Central Redevelopment General Fund advance was never used to invest in the project area. It was a cash advance given at the end of 2009 and never used because by January of 2011, less than 14 months after the advance was given, the governor proposed to end redevelopment. The agency had hoped to have a project such as a parking structure in the downtown. The other sources of funding had not developed by

the time of the governor's announcement. As a result, the Agency had \$3.4 million in General Fund cash.

If the Successor Agency completes the "Financing of Completion" process as is the Successor Agency's intent, the result will be that the General Fund will:

1. Not receive any Redevelopment benefit for the advance given to the Central Project Area;
2. Lose the use of the advance from November of 2009 until it is eventually repaid; and,
3. Lose 20% of the advance as a payment to the housing successor.

This result is a taking of Visalia's General Fund assets at a most difficult time. The Successor Agency's proposed alternative is to declare the advance as unconsummated and allow the cash given to the former Redevelopment Agency to be returned to the City's General Fund.

Finally, the law which allowed successor agencies to reinstate General Fund loans also required that the repayment of these loans be used first to repay SERAF loans from the former Low and Moderate Income Housing Funds (LMIHF). The former Redevelopment Agency had \$1.6 million in SERAF loans.

In summary, the effects of the law which allows Successor Agencies to reinstate General Fund loans to agencies, loans that were legal when made, will have the following effect upon Visalia as shown on Table I, Disposition of Visalia's General Fund Advances to Redevelopment:

Table I
Disposition of Visalia's General Fund Advances to Redevelopment
(Amounts in Millions)

| | |
|--|--------------|
| Face Value of Loans | \$6.8 |
| Requirement to divert 20% of Loan's Face Value to Housing Successor | (1.4) |
| Requirement to Use Loan Repayments To Pay SERAF Loans from 2009 | <u>(1.6)</u> |
| Remaining Loan Amount | <u>\$3.9</u> |
| General Fund Loss | (3.0) |

Finally, the Finance Department has completed a “Due Diligence” report which calculates how much money can be swept from the City’s former Redevelopment Agency. The calculation is shown below in Table II, Due Diligence Calculation.

Table II
Due Diligence Calculation

| SUMMARY OF BALANCES AVAILABLE FOR ALLOCATION TO AFFECTED TAXING ENTITIES | |
|--|---------------------|
| 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 \$1.9 million mainly represents monies swept from the old 20% or Low/Mod funds (\$1.2 million) and excess cash that had not been used by the Redevelopment Agency prior to June 30, 2011. In addition to the \$1.9 million, the City is also at risk of losing another \$3.4 million if the Department of Finance does not reverse its finding and allow the City to reimburse itself for the cash which was advanced to the Central RDA project area and never used by the Redevelopment Agency.

Summary: The Department of Finance has rejected two category of enforceable obligations from the January to June 2013 Required Obligations Payment Schedule (ROPS III). The Successor Agency has request a meet and confer process to discuss these items. The Successor Agency’s concerns are three, namely:

1. The Successor Agency is familiar with the VUSD pass-thru debt payments and would prefer to continue to make those payments to assure against disruption of

debt payment. However, the successor agency understands that it may have to transfer that duty to the County of Tulare;

2. The Successor Agency agrees that the East Visalia General Fund advance is only an enforceable obligation upon receiving a "Finding of Completion" from the Department of Finance and an action by the Oversight Board stating that such advances were legitimate uses of such advances for redevelopment; and,
3. The Central Redevelopment General Fund Advance should be recognized as an unconsummated advance, allowing the Successor Agency to return the deposit because to do otherwise will harm Visalia's General Fund by:
 - A) Not allowing the City to receive any Redevelopment benefit for the advance given to the Central Project Area;
 - B) Cause the General Fund to lose the use of the advance since November of 2009 until it is eventually repaid; and,

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

MEETING
 DATE: 11/8/2012

TO: Successor Agency Oversight Board

FROM: Eric Frost, Administrative Services Director

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

AGENDA
 ITEM #: 4

Review:

Dept. Head _____
 (Initials & date required)

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

Recommendation: That the Oversight Board adopt by two resolutions the Due Diligence Agreed Upon Procedures (AUP) audits from the Successor Agency’s Auditor, Brown Armstrong CPA for 1) the Low and Moderate Income Housing Funds and 2) All Other Funds.

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

| SUMMARY OF BALANCES AVAILABLE FOR ALLOCATION TO AFFECTED TAXING ENTITIES | |
|--|-----------------|
| 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.

| SUMMARY OF BALANCES AVAILABLE FOR ALLOCATION TO AFFECTED TAXING ENTITIES | |
|--|---------------------|
| 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 received no public comment on the reports at their November 1, 2012 meeting. On November 8, staff recommends the Board adopt the two Due Diligence

AUPs and then it will be sent to the Department of Finance for 1) the Low and Moderate Income Funds and 2) All Other Funds.

CEQA

None

Fiscal Impact

The Successor Agency will eventually need to disgorge at least \$2 million to the Tulare County Auditor for distribution to underlying jurisdictions. Depending upon the outcome of a meet and confer process, the Agency may need to disgorge another \$3.4 million.

RESOLUTION NO. ____

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE DISSOLVED REDEVELOPMENT AGENCY OF THE CITY OF VISALIA, APPROVING THE REPORT ON THE DUE DILIGENCE REVIEW FOR THE LOW AND MODERATE INCOME HOUSING FUND AND DETERMINING THE AMOUNT OF CASH AND CASH EQUIVALENTS THAT ARE AVAILABLE FOR DISBURSEMENT TO THE TAXING ENTITIES

WHEREAS, Health and Safety Code Section 34179.5 requires the Successor Agency to the Dissolved Redevelopment Agency of the City of Visalia (“Successor Agency”) to hire a licensed accountant, approved by the County Auditor-Controller, to conduct a Due Diligence Review to determine the unobligated balances available for transfer to taxing entities; and

WHEREAS, Brown Armstrong Accountancy Corporation conducted a review of the Low and Moderate Income Housing Fund to meet the requirements of Section 34179.5, and prepared a Report on that review; and

WHEREAS, pursuant to Health and Safety Code Section 34179.6(a), by October 1, 2012, the Successor Agency must provide the Oversight Board, County Auditor-Controller, State Controller, and the Department of Finance, the results of the Due Diligence Review of the Low and Moderate Income Housing Fund; and

WHEREAS, following receipt of the Report, the Oversight Board is required to convene a public comment session, to be held not less than 5 days prior to the approval vote by the Oversight Board; and

WHEREAS, the Oversight Board held a public comment session on the Due Diligence Review on November 1, 2012; and

WHEREAS, by October 15, 2012, for the Low and Moderate Income Housing Fund, the Oversight Board must review, approve, and transmit to the Department of Finance and the County Auditor-Controller the determination of the amount of cash and cash equivalents that are available for disbursement to taxing entities; and

WHEREAS, staff realized that it was unable to complete the Due Diligence review by the due dates due to not having clear audit guidance from the Department of Finance until the end of August and the complicated effort required to review all the transactions for the past year in a non-standard fiscal year, resulting in the notification of the Department of Finance that the reports would be presented to the Oversight Board by November 8, 2012; and,

WHEREAS, Section 34179.6 empowers the Oversight Board to authorize the Successor Agency to retain certain assets or funds, such as restricted funds, including bond or grant funds or cash funds that are required to fund an enforceable obligation, physical assets such as

equipment or land; and funds to satisfy obligations that will be placed on the Recognized Obligation Payment Schedule for the current fiscal year; and

WHEREAS, an oversight board that makes that authorization must identify to the Department of Finance the amount of funds authorized for retention, the source of those funds, and the purposes for which those funds are being retained; and

WHEREAS, the determination and authorization to retain funds and assets is then subject to the review and approval of the Department of Finance;

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 action of the Oversight Board to approve the Report on the Due Diligence Review, authorize the Successor Agency to retain certain assets and funds, and determine the cash and cash equivalents that are available for disbursement to the taxing entities 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 Retention of Assets and Funds. Following its review of the Report on the Due Diligence Review, and the public comments received during the public comment session held on the Due Diligence Review, and pursuant to Health and Safety Code Section 34179.6(c), the Oversight Board hereby approves and authorizes the Successor Agency to retain those assets and funds identified in Exhibit A, attached hereto and incorporated herein by reference. The Oversight Board further approves the purposes for which those funds are being retained, as set forth in the attached Exhibit A.

Section 4. Determination of Cash and Cash Equivalents Available for Disbursement to Taxing Entities. The Oversight Board hereby approves the Report on the Due Diligence Review of the Successor Agency's Low and Moderate Income Housing Fund, in substantially the form on file with the Secretary of the Oversight Board. Based on the information contained in the Report, and those assets and funds to be retained by the Successor Agency as set forth in Exhibit A, the Oversight Board hereby determines that the amount of cash and cash equivalents available for disbursement to the taxing entities is as set forth in the calculation attached hereto as Exhibit B and incorporated herein by reference.

Section 5. Submittal to Department of Finance. The Oversight Board hereby directs staff to submit to the Department of Finance and the County Auditor Controller, by November 9, 2012, a copy of the Report and the information on the cash and assets the Oversight Board has determined should be retained by the Successor Agency and the determination of the amount of cash and cash equivalents that are available for disbursement to taxing entities, as set forth in Exhibits A and B, attached hereto.

Section 6. 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 7. 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 8. 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 Eighth day of November, 2012 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Oversight Board Chairperson

ATTEST:

Oversight Board Secretary

EXHIBIT A

**LISTING OF ASSETS AND FUNDS TO BE RETAINED
BY THE SUCCESSOR AGENCY**

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 | \$ 240,000.00 |
| | | | <u>\$ 240,000.00</u> |

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

| <u>Asset Type</u> | <u>Asset Description</u> | <u>Valued At?</u> | <u>Amount</u> |
|----------------------|---|-------------------|---------------------|
| 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> |

EXHIBIT B

CALCULATION OF THE AMOUNT OF CASH AND CASH EQUIVALENTS AVAILABLE FOR DISBURSEMENT TO TAXING ENTITIES

SUMMARY OF BALANCES AVAILABLE FOR ALLOCATION TO AFFECTED TAXING ENTITIES

| | |
|--|-----------------|
| 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 considered to be liquid assets (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 | - |
| 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.

RESOLUTION NO. ____

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE DISSOLVED REDEVELOPMENT AGENCY OF THE CITY OF VISALIA, APPROVING THE REPORT ON THE DUE DILIGENCE REVIEW FOR THE ALL OTHER FUNDS AND DETERMINING THE AMOUNT OF CASH AND CASH EQUIVALENTS THAT ARE AVAILABLE FOR DISBURSEMENT TO THE TAXING ENTITIES

WHEREAS, Health and Safety Code Section 34179.5 requires the Successor Agency to the Dissolved Redevelopment Agency of the City of Visalia (“Successor Agency”) to hire a licensed accountant, approved by the County Auditor-Controller, to conduct a Due Diligence Review to determine the unobligated balances available for transfer to taxing entities; and

WHEREAS, Brown Armstrong Accountancy Corporation conducted a review of the All Other Funds to meet the requirements of Section 34179.5, and prepared a Report on that review; and

WHEREAS, pursuant to Health and Safety Code Section 34179.6(a), by December 15, 2012, the Successor Agency must provide the Oversight Board, County Auditor-Controller, State Controller, and the Department of Finance, the results of the Due Diligence Review of the All Other Funds; and

WHEREAS, following receipt of the Report, the Oversight Board is required to convene a public comment session, to be held not less than 5 days prior to the approval vote by the Oversight Board; and

WHEREAS, the Oversight Board held a public comment session on the Due Diligence Review on November 1, 2012; and

WHEREAS, by January 15, 2013, for All Other Funds, the Oversight Board must review, approve, and transmit to the Department of Finance and the County Auditor-Controller the determination of the amount of cash and cash equivalents that are available for disbursement to taxing entities; and

WHEREAS, Section 34179.6 empowers the Oversight Board to authorize the Successor Agency to retain certain assets or funds, such as restricted funds, including bond or grant funds or cash funds that are required to fund an enforceable obligation, physical assets such as equipment or land; and funds to satisfy obligations that will be placed on the Recognized Obligation Payment Schedule for the current fiscal year; and

WHEREAS, an oversight board that makes that authorization must identify to the Department of Finance the amount of funds authorized for retention, the source of those funds, and the purposes for which those funds are being retained; and

WHEREAS, the determination and authorization to retain funds and assets is then subject to the review and approval of the Department of Finance;

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 action of the Oversight Board to approve the Report on the Due Diligence Review, authorize the Successor Agency to retain certain assets and funds, and determine the cash and cash equivalents that are available for disbursement to the taxing entities 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 Retention of Assets and Funds. Following its review of the Report on the Due Diligence Review, and the public comments received during the public comment session held on the Due Diligence Review, and pursuant to Health and Safety Code Section 34179.6(c), the Oversight Board hereby approves and authorizes the Successor Agency to retain those assets and funds identified in Exhibit A, attached hereto and incorporated herein by reference. The Oversight Board further approves the purposes for which those funds are being retained, as set forth in the attached Exhibit A.

Section 4. Determination of Cash and Cash Equivalents Available for Disbursement to Taxing Entities. The Oversight Board hereby approves the Report on the Due Diligence Review of the Successor Agency's All Other Funds, in substantially the form on file with the Secretary of the Oversight Board. Based on the information contained in the Report, and those assets and funds to be retained by the Successor Agency as set forth in Exhibit A, the Oversight Board hereby determines that the amount of cash and cash equivalents available for disbursement to the taxing entities is as set forth in the calculation attached hereto as Exhibit B and incorporated herein by reference.

Section 5. Submittal to Department of Finance. The Oversight Board hereby directs staff to submit to the Department of Finance and the County Auditor Controller, by January 15, 2013, a copy of the Report and the information on the cash and assets the Oversight Board has determined should be retained by the Successor Agency and the determination of the amount of cash and cash equivalents that are available for disbursement to taxing entities, as set forth in Exhibits A and B, attached hereto.

Section 6. 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 7. 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 8. 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 Eighth day of November, 2012 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Oversight Board Chairperson

ATTEST:

Oversight Board Secretary

EXHIBIT A

LISTING OF ASSETS AND FUNDS TO BE RETAINED BY THE SUCCESSOR AGENCY

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 | \$ 702,229.00 |
| | | | | <u>\$ 702,229.00</u> |

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 | 116,426 |
| | | | <u>\$ 434,788</u> |

City of Visalia - Successor Agency
Operating and Debt Service Funds

| <u>Asset Type</u> | <u>Explanation</u> | <u>ROPS Reference¹</u> | <u>Amount</u> |
|-------------------|---|-----------------------------------|-----------------------|
| 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> |

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

EXHIBIT B

CALCULATION OF THE AMOUNT OF CASH AND CASH EQUIVALENTS AVAILABLE FOR DISBURSEMENT TO TAXING ENTITIES

Successor Agency to the City of
Visalia Redevelopment Agency

SUMMARY OF BALANCES AVAILABLE FOR ALLOCATION TO AFFECTED TAXING ENTITIES

| | |
|--|---------------------|
| 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 considered to be liquid assets (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 | <u>(443,813)</u> |
| 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.

BROWN
ARMSTRONG

CERTIFIED
PUBLIC
ACCOUNTANTS

BROWN ARMSTRONG

Certified Public Accountants

**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

MAIN OFFICE

4200 TRUXTUN AVENUE

SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

560 CENTRAL AVENUE

SHAFTER CALIFORNIA 93263
TEL 661.746.2145
FAX 661.746.1218

8050 N. PALM AVENUE

SUITE 300
FRESNO CALIFORNIA 93711
TEL 559.476.3592
FAX 559.476.3593

790 E. COLORADO BLVD.

SUITE 908B
PASADENA CALIFORNIA 91101
TEL 626.240.0920
FAX 626.240.0922

5250 CLAREMENT AVENUE

SUITE 237
STOCKTON, CA 95207
TEL 209.451.4833

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

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
November 1, 2012



REGISTERED with the Public Company
Accounting Oversight Board and
MEMBER of the American Institute of
Certified Public Accountants

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, 2010, 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 November 1, 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 |
|--|---|---|--|--|
| Assets (modified accrual basis) | | | | |
| 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 |
| Total Assets | \$ 5,890,058 | \$ 8,623,740 | \$ 9,069,169 | \$ 7,886,226 |
| Liabilities (modified accrual basis) | | | | |
| 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 | - | - | - | - |
| Total Liabilities | \$ 4,332,647 | \$ 4,305,503 | \$ 5,194,862 | \$ 5,196,121 |
| Equity | 1,557,411 | 4,318,237 | 3,874,307 | 2,690,105 |
| Total Liabilities and Equity | \$ 5,890,058 | \$ 8,623,740 | \$ 9,069,169 | \$ 7,886,226 |
| Total Revenues | \$ 1,634,418 | \$ 1,640,104 | \$ 106,373 | \$ 35,873 |
| Total Expenditures | \$ 2,273,918 | \$ 486,435 | \$ 550,303 | \$ 11,163 |
| Total Transfers | \$ - | \$ - | \$ - | \$ (1,208,912) |
| Net Change in Equity | (639,500) | 1,153,669 | (443,930) | (1,184,202) |
| Beginning Equity | 1,723,911 | 1,557,411 | 4,318,237 | 3,874,307 |
| Prior Period Adjustments | 473,000 | 1,607,157 | - | - |
| Ending Equity | \$ 1,557,411 | \$ 4,318,237 | \$ 3,874,307 | \$ 2,690,105 |
| Other Information (show year end balances for all three years presented): | | | | |
| 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

SUMMARY OF BALANCES AVAILABLE FOR ALLOCATION TO AFFECTED TAXING ENTITIES

| | |
|--|-----------------|
| 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 considered to be liquid assets (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.

BROWN
ARMSTRONG

CERTIFIED
PUBLIC
ACCOUNTANTS

BROWN ARMSTRONG

Certified Public Accountants

**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

MAIN OFFICE

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FAX 661.324.4997
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560 CENTRAL AVENUE

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8050 N. PALM AVENUE

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FRESNO, CALIFORNIA 93711
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FAX 559.476.3593

790 E. COLORADO BLVD.

SUITE 906B
PASADENA, CALIFORNIA 91101
TEL 626.240.0920
FAX 626.240.0922

5250 CLAREMENT AVENUE

SUITE 237
STOCKTON, CA 95207
TEL 209.451.4833

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

Brown Armstrong
Accountancy Corporation

Bakersfield, California
November 1, 2012



REGISTERED With the Public Company
Accounting Oversight Board and
MEMBER of the American Institute of
Certified Public Accountants

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, 2010, 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 November 1, 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 |
|--|---|---|--|--|
| Assets (modified accrual basis) | | | | |
| 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 | - | - | - |
| Total Assets | \$ 18,864,243 | \$ 15,159,411 | \$ 15,490,966 | \$ 10,084,630 |
| Liabilities (modified accrual basis) | | | | |
| 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 | - |
| Total Liabilities | \$ 8,775,970 | \$ 6,194,452 | \$ 5,817,773 | \$ 10,330,277 |
| Equity | 10,088,273 | 8,964,959 | 9,673,193 | (245,647) |
| Total Liabilities and Equity | \$ 18,864,243 | \$ 15,159,411 | \$ 15,490,966 | \$ 10,084,630 |
| Total Revenues | \$ 6,655,229 | \$ 7,304,565 | \$ 2,326,288 | \$ 146,032 |
| Total Expenditures¹ | \$ 7,028,687 | \$ 6,820,722 | \$ 948,054 | \$ 7,852,855 |
| Total Transfers | \$ 3,600,000 | \$ - | \$ - | \$ 1,208,912 |
| Net Change in Equity | 3,226,542 | 483,843 | 1,378,234 | (6,497,911) |
| Beginning Equity | 6,861,731 | 10,088,273 | 8,964,959 | 9,673,193 |
| Audit Adjustments²: | - | - | - | (3,420,929) |
| Prior Period Adjustments³: | - | (1,607,157) | (670,000) | - |
| Ending Equity | \$ 10,088,273 | \$ 8,964,959 | \$ 9,673,193 | \$ (245,647) |
| Other Information (show year-end balances for all three years presented): | | | | |
| Capital assets as of end of year | \$ - | \$ - | \$ - | \$ - |
| Long-term debt as of end of year | \$ 18,331,071 | \$ 17,806,244 | \$ 17,259,855 | \$ 17,244,317 |

Notes

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

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

³ 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 | 116,426 |
| | | | <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 ¹ | 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> |

¹ 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

| | |
|--|---------------------|
| 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 considered to be liquid assets (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 | <u>(443,813)</u> |
| 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.