

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED UPON PROCEDURES ON
ALL FUNDS OTHER THAN THE
LOW AND MODERATE INCOME HOUSING FUND
ASSOCIATED WITH CALIFORNIA HEALTH AND SAFETY
CODE SECTIONS 34179.5(c)(1) THROUGH 34179.5(c)(6)**

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED UPON PROCEDURES ON
ALL FUNDS OTHER THAN THE
LOW AND MODERATE INCOME HOUSING FUND
ASSOCIATED WITH CALIFORNIA HEALTH AND SAFETY
CODE SECTIONS 34179.5(c)(1) THROUGH 34179.5(c)(6)**

To the Board Members of the
Los Banos Designated Local Authority, as the Successor Agency to
the Los Banos Redevelopment Agency

We have applied the procedures below, which were agreed to by the Los Banos Designated Local Authority as the Successor Agency to the Redevelopment Agency of the City of Los Banos, California, (DLA), and suggested by the Governmental Auditing and Accounting Committee as agreed to by the California State Department of Finance and State Controller's Office, solely to assist you with respect to the procedures required under California Health and Safety Code Sections 34179.5(c)(1) through 34179.5(c)(6) for all funds other than Low and Moderate Income Housing Fund (All Other Funds) of the Successor Agency of the Redevelopment Agency of the City of Los Banos for the year ended June 30, 2012. Management of the Successor Agency is responsible for the accounting records and the Attachments pertaining to the statutory compliance pursuant to Health and Safety Code Section 34179.5. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of this 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 procedures you requested us to perform and our findings were as follows:

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.

Results: We obtained the following listing from the Successor Agency (which includes all assets that are housing and non-housing) and agreed the amounts transferred to the Successor Agency to the accounting records without exception. The Merced Housing Authority is the Housing Successor to the former Los Banos Redevelopment Agency. No assets were transferred to the MHA as of February 1, 2012. The DLA is holding housing assets for the benefit of MHA, which will be transferred to MHA upon approval of the Oversight Board.

	Assets (Prior to transfer)	Transfer to Successor Agency	Transfer to Housing Successor
ASSETS			
Cash and investments	\$9,150,480	\$9,150,480	
Accounts receivable	3,340	3,340	
Interest receivable	12,943	12,943	
Loans receivable	2,335,444	2,335,444	
Property held for resale	10,000	10,000	
Capital assets:			
Land and land improvements	2,681,937	2,681,937	
Depreciable capital assets, net	16,431,783	16,431,783	
Total Assets	\$30,625,927	\$30,625,927	

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 this Agreed Upon Procedures 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.

Results: The State Controller's Office completed its Asset Transfer Review and issued its report dated March 6, 2013. See Attachment B.

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 this Agreed Upon Procedures 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 this Agreed Upon Procedures 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 this Agreed Upon Procedures 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.

Results: The State Controller's Office completed its Asset Transfer Review and issued its report dated March 6, 2013. See Attachment B.

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 Attachment A 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.

Results: We obtained Attachment A from the Successor Agency. We agreed the June 30, 2010 balances to the June 30, 2010 State Controller's report with the following exceptions: total assets per accounting records exceeded SCO reports by \$484,201 (\$12,664,481 v. \$13,167,321), revenues per accounting records exceeded SCO reports by \$19,887 (\$4,898,329 v. \$4,878,442) and expenditures per accounting records exceeded SCO reports by \$3,298 (\$17,134,792 v. \$17,131,494). We agreed the June 30, 2011 balances to the June 30, 2011 audited financial statements. For the period ended January 31, 2012 and period ended June 30, 2012, we agreed the balances to accounting records provided by the Successor Agency.

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.

Results: We obtained the listing of all assets of the Successor Agency as of June 30, 2012 from the Successor Agency and agreed the asset balances listed to the accounting records without exception. Note that assets of the Low Moderate Income Housing Fund (LMIHF) had not been transferred to the Housing Successor Agency as of June 30, 2013, and these assets that are held by the Successor Agency are included in this table. See the table below:

<u>Assets</u>	<u>Amount held by Successor Agency</u>
Cash and Investments	\$9,358,609
Receivables	13,562
Loans Receivable	2,335,444
Property Held for Resale	10,000
Capital Assets	19,113,720
	<u>\$30,831,335</u>

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.

Results: The Successor Agency provided the following listing of asset balances held for unspent bond proceeds as of June 30, 2012, which we traced to accounting records provided by the Successor Agency. These balances will be restricted until such time as the assets are expended for their purpose.

<u>Unspent bond proceeds</u>	<u>Amount</u>	<u>Legal documentation</u>
Bond proceeds for the certain projects	\$2,391,257	Traced to the 2006 Bonds official statement

- 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.

Results: Per inquiry of Successor Agency, there were no such asset balances held for grant proceeds or program income as of June 30, 2012.

- 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.

Results: We obtained the following listing of assets that are legally restricted bond reserves held by fiscal agents. Amounts were traced to accounting records held by the DLA. The DLA provided the official statements for the debt issuances to verify the reserve requirements. These amounts will be restricted until the assets are expended, or in the case of the Reserve accounts, until such time as the last debt service payment is made.

LB 01 Tax Allocation-Reserve	\$677,270
LB 04 Tax Allocation-Sinking Account	25
LB 04 Tax Allocation-Reserve	294,195
LB 06 Tax Allocation-Reserve	1,058,464
LB 06 Tax Allocation-Redemption	13
	<hr/>
	\$2,029,967
	<hr/>

- 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.

Results: See response to A and C above.

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 6(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 6(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 6(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.

Results: The Successor Agency provided the following listing of assets held by the Successor Agency that are not liquid as of June 30, 2012. Values are listed at purchase cost. We agreed the balances of assets listed to the June 30, 2012 audited financial statements of the City of Los Banos without exception.

	<u>Non-liquid total</u>
Loan Receivable	\$2,335,444
Property Held for Resale	10,000
Capital Assets	<u>19,113,720</u>
Total	<u><u>\$21,459,164</u></u>

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.

Results: See restricted cash balances held for debt service payments in #6C above.

- 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.
 1. 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:
 1. Obtain from the Successor Agency its assumptions for the forecasted annual revenues and disclose in the report major assumptions associated with the projections.

Results: Per inquiry of the Successor Agency, balances need to be retained for repayment of the SERAF loan and amount due to State Controller's Office in the amounts of \$1,360,207 and \$33,668, respectively.

- 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.

Results: See Attachment D prepared by the Successor Agency. The amount the Successor Agency believes needs to be retained to cover future bond debt service payments and enforceable obligations is \$1,038,443.

- 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.

Results: The total amount to be retained is \$2,398,650.

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.

Results:

The Successor Agency believes cash balances as of June 30, 2012 need to be retained to satisfy obligations. We obtained the copy of the ROPS I, ROPS II and ROPS III covering the period from July 1, 2012 through June 30, 2013 - see summary at Attachment E. The dollar amounts to be held for ROPS I, II and III are \$925,974, \$126,604 and \$114,227, respectively, less \$93,179 already paid as of June 30, 2012, for a total of \$1,073,626.

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 (Attachment C). 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).

Results: See Attachment C.

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.

Results: A signed management representation letter was provided by the DLA dated November 20, 2013.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the Attachment. Accordingly, we do not express such an opinion. Had we performed additional procedures or had we performed an audit of the attachment and the other completed worksheets described above, matters might have come to our attention which would have been reported to you.

This report is intended solely for the information and use of management and the Oversight Board; however, this restriction is not intended to limit the distribution of this report, which is a matter of public record.

November 20, 2013
Pleasant Hill, California

ATTACHMENT A

	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	\$8,743,659	\$6,578,500	\$7,132,327	\$4,937,423
Restricted Cash and Investments	1,934,099	2,029,966	2,029,929	4,421,186
Receivables	362,297	317,921	3,340	2,557
LAIIF Interest Receivable	13,867	9,164	12,943	11,005
Loans Receivable	133,056	2,340,221	2,335,444	2,335,444
Due From Other Funds	1,360,207	1,360,207	1,360,207	1,360,207
Land Held for Resale	117,296	10,000	10,000	10,000
Total Assets	\$12,664,481	\$12,645,979	\$12,884,190	\$13,077,822
Liabilities (modified accrual basis)				
Accounts Payable	\$1,112,300	\$49,225	\$0	\$0
Due To Other Funds	1,360,207	1,360,207	1,360,207	1,360,207
Deferred Revenue	133,056	2,340,221	2,335,444	2,335,444
Deposits	5,205	5,205	5,205	5,205
Total Liabilities	\$2,610,768	\$3,754,858	\$3,700,856	\$3,700,856
Equity	10,053,713	8,891,121	9,183,334	9,376,966
Total Liabilities + Equity	12,664,481	12,645,979	12,884,190	13,077,822
Total Revenues:	4,898,329	4,372,735	1,964,563	924,479
Total Expenditures:	17,134,792	5,963,067	1,643,547	730,847
Total Transfers:		(75,100)	(28,803)	
Net change in equity	(12,236,463)	(1,665,432)	292,213	191,632
Beginning Equity:	22,793,016	10,556,553	8,891,121	9,183,334
Ending Equity:	\$10,556,553	\$8,891,121	\$9,183,334	\$9,376,966
Other Information (show year end balances for all four periods presented):				
Capital assets as of end of year	\$19,481,392	\$19,728,530	\$19,113,720	\$19,113,720
Long-term debt as of end of year	28,189,675	27,502,929	26,964,704	26,964,704

**LOS BANOS REDEVELOPMENT
AGENCY**

ASSET TRANSFER REVIEW

Review Report

January 1, 2011, through January 31, 2012



JOHN CHIANG
California State Controller

March 2013



JOHN CHIANG
California State Controller

March 6, 2013

Michael Amabile, Chair of the Los Banos Designated Local
Authority, as Successor Agency to the Los Banos Redevelopment Agency
865 South Figueroa Street, Suite 3500
Los Angeles, CA 90017

Dear Mr. Amabile:

Pursuant to Health and Safety (H&S) Code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers of the Los Banos Redevelopment Agency after January 1, 2011. This statutory provision states, "The Legislature hereby finds that a transfer of assets by a redevelopment agency during the period covered in this section is deemed not to be in furtherance of the Community Redevelopment Law and is thereby unauthorized." Therefore, our review was to include an assessment of whether any asset transfers occurred, and whether assets should be turned over to the Los Banos Designated Local Authority (Successor Agency).

Our review applied to all assets, including, but not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and rights to payment of any kind.

Our review found that the Los Banos Redevelopment Agency (RDA) appropriately transferred \$32,361,978 to the Designated Local Authority, as the Successor Agency to the Los Banos RDA. These assets consisted of \$12,633,448 of current assets and \$19,728,530 of capital assets. We did not identify any transfers of assets that occurred during the review period between the RDA, the City of Los Banos, and/or other public agencies.

If you have any questions, please contact Steven Mar, Bureau Chief, Local Government Audits Bureau, at (916) 324-7226.

Sincerely,

A handwritten signature in black ink that reads "Jeffrey V. Brownfield".

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/vb

Michael Amabile, Chairman

-2-

March 6, 2013

cc: Steven Szalay, Local Government Consultant
California Department of Finance
Michael Amabile, Chair of the Los Banos Designated
Local Authority
Mark Persico, Kosmont Companies Consultant
Kosmont Companies
Lisa Cardella-Presto, CPA
Auditor-Controller
Merced County
Richard J. Chivaro, Chief Legal Counsel
Executive Office, State Controller's Office
Moises Laurel, Audit Manager
Division of Audits, State Controller's Office
Daniela Anechitoaic, Auditor-in-Charge
Division of Audits, State Controller's Office

Contents

Review Report

Summary	1
Background	1
Objectives, Scope, and Methodology	2
Conclusion	2
Restricted Use	3

Asset Transfer Assessment Review Report

Summary

The State Controller's Office (SCO) reviewed the assets of the Los Banos Redevelopment Agency (RDA) for the period of January 1, 2011, through January 31, 2012. Our review included, but was not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and any rights to payments of any kind from any source.

Our review found that the Los Banos Redevelopment Agency (RDA) appropriately transferred \$32,361,978 to the Designated Local Authority, as the Successor Agency to the Los Banos RDA. These assets consisted of \$12,633,448 of current assets and \$19,728,530 of capital assets. We did not identify any transfers of assets that occurred during the review period between the RDA, the City of Los Banos, and/or other public agencies.

Background

In January of 2011, the Governor of the State of California proposed statewide elimination of redevelopment agencies (RDAs) beginning with the fiscal year (FY) 2011-12 State budget. The Governor's proposal was incorporated into Assembly Bill 26 (ABX1 26, Chapter 5, Statutes of 2011, First Extraordinary Session), which was passed by the Legislature, and signed into law by the Governor on June 28, 2011.

ABX1 26 prohibited RDAs from engaging in new business, established mechanisms and timelines for dissolution of the RDAs, and created RDA Successor Agencies to oversee dissolution of the RDAs and redistribution of RDA assets.

A California Supreme Court decision on December 28, 2011 (*California Redevelopment Association et al. v. Matosantos*), upheld ABX1 26 and the Legislature's constitutional authority to dissolve the RDAs.

ABX1 26 was codified in the Health and Safety Code (H&S Code) beginning with section 34161.

In accordance with the requirements of H&S Code section 34167.5, the State Controller is required to review the activities of redevelopment agencies (RDAs), "to determine whether an asset transfer has occurred after January 1, 2011, between the city or county, or city and county that created a redevelopment agency, or any other public agency, and the redevelopment agency," and the date on which the RDA ceases to operate, or January 31, 2012, whichever is earlier.

The City of Los Banos elected not to serve as the Successor Agency.

Health and Safety Code section 34173(d)(3)(A) states:

If no local agency elects to serve as a successor agency for a dissolved redevelopment agency, a public body, referred to herein as a "designated local authority" shall be immediately formed, pursuant to this part, in the county and shall be vested with all the powers and duties of a successor agency as described in this part. The Governor shall appoint three residents of the county to serve as the governing board of the authority. The designated local authority shall serve as successor agency until a local agency elects to become the successor agency in accordance with this section.

On February 1, 2012, Governor Brown appointed a three-member governing board to serve as the Local Designated Authority (Successor Agency) for the former Los Banos Redevelopment Agency.

Objectives, Scope, and Methodology

Our review objective was to determine whether asset transfers that occurred after January 1, 2011, and the date upon which the RDA ceased to operate, or January 31, 2012, whichever was earlier, between the city or county, or city and county that created an RDA, or any other public agency, and the RDA, were appropriate.

We performed the following procedures:

- Interviewed Successor Agency personnel to gain an understanding of the Successor Agency operations and procedures.
- Reviewed meeting minutes, resolutions, and ordinances of the Los Banos Redevelopment Agency and the City of Los Banos.
- Reviewed accounting records relating to the recording of assets.
- Verified the accuracy of the Asset Transfer Assessment Form. This form was sent to all former RDAs to provide a list of all assets transferred between January 1, 2011, and January 31, 2012.
- Reviewed applicable financial reports to verify assets (capital, cash, property, etc.).

Conclusion

Our review found that the Los Banos Redevelopment Agency (RDA) appropriately transferred \$32,361,978 to the Designated Local Authority, as the Successor Agency to the Los Banos RDA. These assets consisted of \$12,633,448 of current assets and \$19,728,530 of capital assets. We did not identify any transfers of assets that occurred during the review period between the RDA, the City of Los Banos, and/or other public agencies.

Restricted Use

This report is solely for the information and use of the City of Los Banos; Designated Local Authority as the Successor Agency to the Los Banos RDA; the Los Banos Designated Local Authority Governing Board; Kosmont Companies, Consultant, Mark Persico; and the SCO; it 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 when issued as final.



JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

March 6, 2013

ATTACHMENT C

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)	\$30,831,335
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)	(4,421,224)
Less assets that are not cash or cash equivalents (e.g., physical assets) - (procedure 7)	(21,459,164)
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)	(2,398,650)
Less balances needed to satisfy ROPS for the 2012-13 fiscal year (procedure 9)	(1,073,626)
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>\$1,478,671</u>

ATTACHMENT D

Los Banos Fund Balances through ROPS 21-22B

	ROPS 13-14A	ROPS 13-14B	ROPS 14-15A	ROPS 14-15B	ROPS 15-16A	ROPS 15-16B	ROPS 16-17A
RPTTF AVAILABLE:	1,451,447	915,806	1,450,000	1,720,000	1,450,000	1,720,000	1,450,000
Pass-thru	(230,769)	(146,529)	(235,000)	(235,000)	(235,000)	(235,000)	(235,000)
PTAX Admin Fee	-	(117,150)	-	(117,150)	-	(117,150)	-
A/C Charge	(7,271)	(6,100)	(7,200)	(6,100)	(7,200)	(6,100)	(7,200)
Net RPTTF Available to fund ROPS:	1,213,407	646,027	1,207,800	1,361,750	1,207,800	1,361,750	1,207,800
Non Admin							
2001 TAN	446,813	333,485	330,159	330,159	328,338	328,338	328,601
2004 TAN	200,375	157,844	157,844	157,844	162,981	162,981	160,006
2006 TAN	675,608	524,683	521,567	521,567	525,133	525,133	523,266
Matching Debt Service			(51,770)	51,770	(58,652)	58,652	(54,074)
Total Debt Service	1,322,796	1,016,012	957,800	1,061,340	957,800	1,075,104	957,800
Other Enf. Obligations	176,843	106,402	125,000	115,000	125,000	115,000	125,000
RPTTF Shortfall							
Total Obligations	1,499,639	1,122,414	1,082,800	1,176,340	1,082,800	1,190,104	1,082,800
Admin	136,517	139,307	125,000	125,000	125,000	125,000	125,000
	1,636,156	1,261,721	1,207,800	1,301,340	1,207,800	1,315,104	1,207,800
Surplus Withheld by County			-	(60,410.00)	-	(46,646.00)	-
Shortfall Per ROPS Period:	(422,749)	(615,694)	-	-	-	-	-
Total Shortfall	(1,038,443)						

	ROPS 16-17B	ROPS 17-18A	ROPS 18-19B	ROPS 19-20A	ROPS 20-21B	ROPS 21-22A	ROPS 21-22B
	1,720,000	1,450,000	1,720,000	1,450,000	1,720,000	1,450,000	1,720,000
	(235,000)	(235,000)	(235,000)	(235,000)	(235,000)	(235,000)	(235,000)
	(117,150)	-	(117,150)	-	(117,150)	-	(117,150)
	(6,100)	(7,200)	(6,100)	(7,200)	(6,100)	(7,200)	(6,100)
	1,361,750	1,207,800	1,361,750	1,207,800	1,361,750	1,207,800	1,361,750
	328,601	325,989	325,989	327,923	327,923	326,802	326,802
	160,006	160,369	160,369	159,457	159,457	160,782	160,782
	523,266	521,019	521,019	522,018	522,018	523,095	523,095
	54,074	(49,577)	49,577	(51,597)	51,597	(52,878)	52,878
	1,065,948	957,800	1,056,954	957,800	1,060,994	957,800	1,063,556
	115,000	125,000	115,000	125,000	115,000	125,000	115,000
	1,180,948	1,082,800	1,171,954	1,082,800	1,175,994	1,082,800	1,178,556
	125,000	125,000	125,000	125,000	125,000	125,000	125,000
	1,305,948	1,207,800	1,296,954	1,207,800	1,300,994	1,207,800	1,303,556
	(55,802.00)	-	(64,796.00)	-	(60,757.00)	-	(581,947.00)

Attachment E

	<u>Approved ROPS (DOF)</u>	<u>Approved Admin (DOF)</u>	<u>Total</u>
ROPS 1	878,965	47,009	925,974
ROPS 2	29,202	97,402	126,604
ROPS 3	48,827	65,400	114,227
Less Amt Paid		(93,179)	(93,179)
Total	956,994	116,632	1,073,626
State Controller	33,668		33,668
Future Shortfalls	1,038,443		1,038,443
SERAF	1,360,207		1,360,207
Total	2,398,650	-	2,398,650

		ROPS 1	ROPS 2	ROPS 3	Other	Less Amounts Paid	Total
2006 Tax Allocation Bonds - Reserve	US Bank	671,332					671,332
Rail Corridor	City of Los Banos	14,250	14,250	14,250			42,750
L&L District Reimbursement	Betty E. Mooskian Trustee	6,126	5,569	5,569			17,264
L&L District Reimbursement	Azhederian VH & Co. Inc.	1,510	1,373	1,373			4,256
L&L District Reimbursement	Neubauer Andrew & Margaret	3,385	3,385	3,385			10,155
L&L District Reimbursement	Windecker	3,933	3,575	3,575			11,083
Rail Corridor	Various Vendors	1,050	1,050	1,050			3,150
L&L District Reimbursement	City of Los Banos	85,724		19,625			105,349
DLA Legal Council	Leibold McClendon & Mann	30,000					30,000
Pacheco Oil Site Cleanup	Provost & Prichard	15,000					15,000
Pacheco Oil Site Cleanup	State Water Resources	-					-
Fiscal Agent Cost	US Bank	1,650					1,650
Fiscal Agent Cost	US Bank	1,760					1,760
Fiscal Agent Cost	US Bank	-					-
Audit	Maze & Associates	10,000					10,000
Weed Abatement	City of Los Banos	1,728					1,728
Continue Disclosure	Wilden	-					-
Weed Abatement	City of Los Banos	1,517					1,517
	City of Los Banos & Othes As Needed	30,000					30,000
SERAF Payment	Housing Authority	-			1,360,207		1,360,207
State Controller	Audit	-			33,668		33,668
		878,965	29,202	48,827	1,393,875	-	2,350,869
Pacheco Oil Site Cleanup	State Water Resources			4,200			4,200
Insurance	Alliant		4,200	1,998			6,198
Legal	William Vaughn		5,250	5,250			10,500
DLA Admin	Kosmont Companies	15,000	60,000	42,000		(86,544)	30,456
DLA Legal Council	Leibold McClendon & Mann	-	-	-			-
Admin	City of Los Banos	16,200	11,952	11,952			40,104
Agencst Costs	City of Los Banos	15,809					15,809
DDR	Maze & Associates		16,000			(6,635)	9,365
Weed Abatement	City of Los Banos						-
Accounting	VTD						-
		47,009	97,402	65,400	-	(93,179)	116,632
		925,974	126,604	114,227	1,393,875	(93,179)	2,467,501