

**DESIGNATED LOCAL AUTHORITY
RIVERBANK CITY HALL SOUTH
CONFERENCE ROOM
6617 THIRD STREET
RIVERBANK CA 95367-2305**

AGENDA

TUESDAY, DECEMBER 11, 2018 – 10:00 AM

CALL TO ORDER: CHAIR WENDALL NARAGHI

**ROLL CALL: Chair Wendell Naraghi
Vice Chair Walter Schmidt
Treasurer Paul Baxter**

CONFLICT OF INTEREST

Declaration by Board Members who would have a direct Conflict of Interest on any scheduled item to be considered should be stated at this time.

1. PUBLIC BUSINESS FROM THE FLOOR (No action can be taken.)

At this time, members of the public may comment on any item not appearing on the agenda, and within the subject matter jurisdiction of the Board.

2. ACTION ITEMS:

Item 2.1: Approval of the November 7, 2018 Special Meeting Minutes

Recommendation: Approval by Roll Call Vote.

Item 2.2: Approval of the Recognized Obligation Payment Schedule for Fiscal Year 2019-20 (Annual ROPS 19-20)

Recommendation: Approval by Roll Call Vote for Submittal to the Oversight Board.

Item 2.3: Resolution 2018-005 Approving an Engagement Letter for Audit Services (item tabled from November 7, 2018 meeting)

Recommendation: Approve by Roll Call Vote Resolution 2018-005, a Resolution of the Riverbank Designated Local Authority, as Successor Agency to the Riverbank Redevelopment Agency, approving an Engagement Letter with Clendenin Bird & Company for Audit Services Pursuant to Health and Safety Code Section 34177.3(b).

Item 2.4: Consider the Submittal of a Request to the City of Riverbank to Assume the Duties of the Successor Agency

Recommendation: Board to discuss and provide direction.

3. COMMENTS (Informational Only – No action to be taken)

Item 3.1: Consultant Comments.

Item 3.2: Board Comments.

ADJOURNMENT



AFFIDAVIT OF POSTING			
DATE:	December 7, 2018	TIME:	12:00 PM
NAME:	Marisela H. Garcia	TITLE:	Secretary

Notice Regarding Americans with Disabilities Act:

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the City Clerk's Office at (209) 863-7122. Notification 48-hours before the meeting will enable the Board to make reasonable arrangements to ensure accessibility to this meeting [28 CFR 35.102.35.104 ADA Title II].

Notice Regarding Non-English Speakers:

Pursuant to California Constitution Article III, Section IV, establishing English as the official language for the State of California, and in accordance with California Code of Civil Procedures Section 185, which requires proceedings before any State Court to be in English, notice is hereby given that all proceedings before the Designated Local Authority shall be in English and anyone wishing to address the Board is required to have a translator present who will take an oath to make an accurate translation from any language not English into the English language.

Any documents, not privileged or of a closed session, produced by DLA consultants and distributed to a majority of the DLA Board regarding any item on this agenda will be made available at South City Hall, 6617 Third Street, Riverbank, CA.

**RIVERBANK DESIGNATED LOCAL AUTHORITY
SUCCESSOR AGENCY TO THE RIVERBANK REDEVELOPMENT AGENCY**

SPECIAL MEETING MINUTES

WEDNESDAY, NOVEMBER 7, 2018

CALL TO ORDER:

The Riverbank Designated Local Authority (RDLA) met this date at 10:02 a.m., in the Riverbank City Hall South Conference Room, 6617 Third Street, Riverbank, California, and was called to order by Chair Naraghi.

Present: *Chair Wendell Naraghi
Vice Chair Walter Schmidt
Treasurer Paul Baxter*

Also in Attendance: *Mark Persico, Kosmont Companies
Chris Jicha, Kosmont Companies
Joy Otsuki, Kosmont Companies
Dan Massiello, Kosmont Companies (via phone)*

CONFLICT OF INTEREST

No conflict was declared.

1. PUBLIC BUSINESS FROM THE FLOOR

There was no public business from the floor.

2. ACTION ITEMS:

Item 2.1: Approval of the October 9, 2018 Meeting Minutes

By a vote of 3-0, the October 9, 2018 meeting minutes were approved. The motion for approval was made by Treasurer Baxter with a second by Vice Chair Schmidt.

Item 2.2: Resolution 2018-002 Approving Amended and Restated Bylaws.

By a vote of 3-0, Resolution 2018-002 was approved. The motion for approval was made by Vice Chair Schmidt with a second by Treasurer Baxter.

Agenda Item 2.1

Item 2.3: Election of Officers – Chair, Vice Chair, Treasurer and appointment of Secretary.

Motion was made by Treasurer Baxter to re-elect current officers to their existing positions as follows:

*Chair Wendall Naraghi
Vice Chair Walter Schmidt
Treasurer Paul Baxter*

Motion was seconded by Vice Chair Schmidt. Motion passed with a vote of 3-0.

After the vote, Chair Naraghi re-appointed Marisela Garcia as Secretary to the RDLA.

Item 2.4: Resolution 2018-003 Approving a Conflict of Interest Code.

By a vote of 3-0, Resolution 2018-003 approving the Conflict of Interest Code was approved. The motion was made by Vice Chair Schmidt with a second by Treasurer Baxter.

Item 2.5: Resolution 2018-004 Approving the Issuance of Bonds to Refund Delinquent Tax Allocation Bonds.

Motion was made by Vice Chair Schmidt to deny the approval of Resolution 2018-004, with a second by Treasurer Baxter. Motion passed by a vote of 3-0.

Item 2.6: Resolution 2018-005 Approving an Engagement Letter for Audit Services.

Motion was made by Vice Chair Schmidt to table this item to the next regularly scheduled meeting in December, with a second by Treasurer Baxter. Motion passed by a vote of 3-0.

Follow-up discussion ensued, including an inquiry as to whether the City of Riverbank would be willing to take over as Successor Agency. This item will be scheduled for discussion at the next regularly scheduled meeting in December.

3. COMMENTS

Item 3.1: Consultant Comments.

No comments.

Item 3.2: Board Comments.

No comments.

Agenda Item 2.1

There being no further business, Chair Naraghi adjourned the meeting at 11:42 a.m.

Respectively Submitted,



***Marisela H. Garcia, Secretary
Riverbank Designated Local Authority***

DRAFT

AGENDA ITEM 2.2

Recognized Obligation Payment Schedule (ROPS 19-20) - Summary
Filed for the July 1, 2019 through June 30, 2020 Period

Successor Agency: Riverbank
County: Stanislaus

Current Period Requested Funding for Enforceable Obligations (ROPS Detail)	19-20A Total (July - December)	19-20B Total (January - June)	ROPS 19-20 Total
A Enforceable Obligations Funded as Follows (B+C+D):	\$ -	\$ -	\$ -
B Bond Proceeds	-	-	-
C Reserve Balance	-	-	-
D Other Funds	-	-	-
E Redevelopment Property Tax Trust Fund (RPTTF) (F+G):	\$ 3,295,551	\$ 301,016	\$ 3,596,567
F RPTTF	3,295,551	301,016	3,596,567
G Administrative RPTTF	-	-	-
H Current Period Enforceable Obligations (A+E):	\$ 3,295,551	\$ 301,016	\$ 3,596,567

Certification of Oversight Board Chairman:
Pursuant to Section 34177 (o) of the Health and Safety code, I
hereby certify that the above is a true and accurate Recognized
Obligation Payment Schedule for the above named successor
agency.

Name Title
/s/ _____
Signature Date

AGENDA ITEM 2.2

Riverbank Recognized Obligation Payment Schedule (ROPS 19-20) - ROPS Detail

July 1, 2019 through June 30, 2020

(Report Amounts in Whole Dollars)

A	B	C	D	E	F	G	H	I	J	K	19-20A (July - December)					19-20B (January - June)					W			
											Fund Sources					Fund Sources								
											L	M	N	O	P	Q	R	S	T	U		V		
																							Bond Proceeds	Reserve Balance
Item #	Project Name/Debt Obligation	Obligation Type	Contract/Agreement Execution Date		Payee	Description/Project Scope	Project Area	Total Outstanding Debt or Obligation	Retired	ROPS 19-20 Total														
1	2007 Tax Allocation Bond Series A	Bonds Issued On or Before 12/31/10	2/1/2007	8/1/2037	US Bank	Tax Allocation Bond for Non-housing	Riverbank	24,589,070	N	3,596,567	0	0	0	3,295,551	0	3,295,551	0	0	0	301,016	0	301,016		
2	2007 Tax Allocation Bond Series B	Bonds Issued On or Before 12/31/10	2/1/2007	8/1/2037	US Bank	Tax Allocation Bond for Housing projects	Riverbank Reinvestment	17,471,938	N	723,660				495,550		495,550				228,110		228,110		
3	2007 Tax Allocation Bond Series A - Replenish Debt Service Reserve Account	Bonds Issued On or Before 12/31/10	2/1/2007	8/1/2037	US Bank	Payment of funds to meet bond debt service requirements	Riverbank Reinvestment	4,431,000	N	186,775				128,869		128,869				57,906		57,906		
4	2007 Tax Allocation Bond Series B - Replenish Debt Service Reserve Account	Bonds Issued On or Before 12/31/10	2/1/2007	8/1/2037	US Bank	Payment of funds to meet bond debt service requirements	Riverbank Reinvestment	756,454	N	756,454				756,454		756,454								
5	Bond Trustee Administrative Costs	Fees	2/1/2007	8/1/2037	US Bank	Bond trustee administrative fee	Riverbank Reinvestment	178,277	N	178,277				178,277		178,277								
53	ROPS 13-14A - Unfunded Obligation - 2007A Bonds principal due 8/1/13	RPTTF Shortfall	2/1/2007	8/1/2037	US Bank	RPTTF distributed was insufficient to pay all enforceable obligations approved by the DOF on the ROPS	Riverbank Reinvestment	15,000	N	15,000										15,000		15,000		
54	ROPS 13-14A - Unfunded Obligation - 2007B Bonds principal due 8/1/13	RPTTF Shortfall	2/1/2007	8/1/2037	US Bank	RPTTF distributed was insufficient to pay all enforceable obligations approved by the DOF on the ROPS	Riverbank Reinvestment	206,659	N	206,659				206,659		206,659								
55	ROPS 14-15A - Unfunded Obligation - 2007A bonds principal due 8/1/14	RPTTF Shortfall	2/1/2007	8/1/2037	US Bank	RPTTF distributed was insufficient to pay all enforceable obligations approved by the DOF on the ROPS	Riverbank Reinvestment	53,595	N	53,595				53,595		53,595								
56	ROPS 14-15A - Unfunded Obligation - 2007B bonds principal due 8/1/14	RPTTF Shortfall	2/1/2007	8/1/2037	US Bank	RPTTF distributed was insufficient to pay all enforceable obligations approved by the DOF on the ROPS	Riverbank Reinvestment	214,763	N	214,763				214,763		214,763								
57	SERAF/ERAF	SERAF/ERAF	2/1/2010	2/1/2037	Housing Successor/Housing Fund	Funds borrowed from housing fund to make SERAF/ERAF payments	Riverbank Reinvestment	57,718	N	57,718				57,718		57,718								
58	ROPS 15-16A - Unfunded Obligation - 2007A bonds principal due 8/1/15	RPTTF Shortfall	2/1/2007	8/1/2037	US Bank	RPTTF distributed was insufficient to pay all enforceable obligations approved by the DOF on the ROPS	Riverbank Reinvestment	222,868	N	222,868				222,868		222,868								
59	ROPS 15-16A - Unfunded Obligation - 2007B bonds principal due 8/1/15	RPTTF Shortfall	2/1/2007	8/1/2037	US Bank	RPTTF distributed was insufficient to pay all enforceable obligations approved by the DOF on the ROPS	Riverbank Reinvestment	57,718	N	57,718				57,718		57,718								
60	ROPS 16-17 - Unfunded Obligation - 2007A bonds principal due 8/1/16	RPTTF Shortfall	2/1/2007	8/1/2037	US Bank	RPTTF distributed was insufficient to pay all enforceable obligations approved by the DOF on the ROPS	Riverbank Reinvestment	235,024	N	235,024				235,024		235,024								
61	ROPS 16-17 - Unfunded Obligation - 2007B bonds principal due 8/1/16	RPTTF Shortfall	2/1/2007	8/1/2037	US Bank	RPTTF distributed was insufficient to pay all enforceable obligations approved by the DOF on the ROPS	Riverbank Reinvestment	61,840	N	61,840				61,840		61,840								
62	ROPS 17-18 - Unfunded Obligation - 2007A bonds principal due 8/1/17	RPTTF Shortfall	2/1/2007	8/1/2037	US Bank	RPTTF distributed was insufficient to pay all enforceable obligations approved by the DOF on the ROPS	Riverbank Reinvestment	243,128	N	243,128				243,128		243,128								
63	ROPS 17-18 - Unfunded Obligation - 2007B bonds principal due 8/1/17	RPTTF Shortfall	2/1/2007	8/1/2037	US Bank	RPTTF distributed was insufficient to pay all enforceable obligations approved by the DOF on the ROPS	Riverbank Reinvestment	61,840	N	61,840				61,840		61,840								
64	ROPS 18-19 - Unfunded Obligation - 2007A bond principal due 8/1/18	RPTTF Shortfall	2/1/2007	8/1/2037	US Bank	RPTTF distributed was insufficient to pay all enforceable obligations approved by the DOF on the ROPS	Riverbank Reinvestment	255,285	N	255,285				255,285		255,285								
65	ROPS 18-19 - Unfunded Obligation - 2007B bond principal due 8/1/18	RPTTF Shortfall	2/1/2007	8/1/2037	US Bank	RPTTF distributed was insufficient to pay all enforceable obligations approved by the DOF on the ROPS	Riverbank Reinvestment	65,963	N	65,963				65,963		65,963								
66									N	\$ -						\$ -								\$ -
67									N	\$ -						\$ -								\$ -
68									N	\$ -						\$ -								\$ -
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102									N	\$ -						\$ -								\$ -

AGENDA ITEM 2.2

**Riverbank Recognized Obligation Payment Schedule (ROPS 19-20) - Report of Cash Balances
July 1, 2016 through June 30, 2017
(Report Amounts in Whole Dollars)**

Pursuant to Health and Safety Code section 34177 (l), Redevelopment Property Tax Trust Fund (RPTTF) may be listed as a source of payment on the ROPS, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. For tips on how to complete the Report of Cash Balances Form, see [Cash Balance Tips Sheet](#).

A	B	C	D	E	F	G	H
		Fund Sources					
		Bond Proceeds		Reserve Balance	Other Funds	RPTTF	
	ROPS 16-17 Cash Balances (07/01/16 - 06/30/17)	Bonds issued on or before 12/31/10	Bonds issued on or after 01/01/11	Prior ROPS RPTTF and Reserve Balances retained for future period(s)	Rent, Grants, Interest, etc.	Non-Admin and Admin	Comments
1	Beginning Available Cash Balance (Actual 07/01/16) RPTTF amount should exclude "A" period distribution amount	0	0	0	0	0	
2	Revenue/Income (Actual 06/30/17) RPTTF amount should tie to the ROPS 16-17 total distribution from the County Auditor-Controller	0	0	0	0	1,475,526	
3	Expenditures for ROPS 16-17 Enforceable Obligations (Actual 06/30/17)	0	0	0	0	1,475,526	
4	Retention of Available Cash Balance (Actual 06/30/17) RPTTF amount retained should only include the amounts distributed as reserve for future period(s)	0	0	0	0	0	
5	ROPS 16-17 RPTTF Prior Period Adjustment RPTTF amount should tie to the Agency's ROPS 16-17 PPA form submitted to the CAC	No entry required					0
6	Ending Actual Available Cash Balance (06/30/17) C to F = (1 + 2 - 3 - 4), G = (1 + 2 - 3 - 4 - 5)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	

REPORT TO THE RIVERBANK DESIGNATED LOCAL AUTHORITY, AS SUCCESSOR AGENCY TO THE RIVERBANK REDEVELOPMENT AGENCY

TO: MEMBERS OF THE DESIGNATED LOCAL AUTHORITY

FROM: MARK PERSICO, DLA STAFF

DATE: DECEMBER 11, 2018

SUBJECT: CONSIDER APPROVING AN ENGAGEMENT LETTER WITH CLENDENIN BIRD & COMPANY FOR AUDIT SERVICES IN ACCORDANCE WITH HEALTH & SAFETY CODE SECTION 34177.3(b)

Background and Overview:

The Riverbank Designated Local Authority, as Successor Agency of the former Riverbank Redevelopment Agency (“DLA”) desires to approve an Engagement Letter for annual audit services to complete the annual past due audits.

Pursuant to Assembly Bill No. 1X 26, as modified by Assembly Bill No. 1484 and as further modified by Senate Bill No. 107, which added Parts 1.8 and 1.85 to Division 24 of the Health and Safety Code (“Dissolution Act”), the Former Agency was dissolved on February 1, 2012 and the Riverbank Designated Local Authority, as Successor Agency to the Redevelopment Agency for Riverbank (“Successor Agency”) was vested with all authority, rights, powers, duties and obligations of the Former Agency.

Discussion:

In order to fulfill its obligations with respect to the wind down the affairs of the former Riverbank Redevelopment Agency, the Successor Agency requires annual audits of its accounting records. Audited annual financial statements are necessary for the Successor Agency to comply with applicable law and its bond covenants and other reporting requirements.

Section 34177.3(b) of the Health and Safety Code provides that a Successor Agency may create enforceable obligations to conduct wind-down activities of the former Agency, including acquiring necessary professional staff, and an auditor is necessary to comply with the law and work through the various issues confronting the Successor Agency as it winds down the affairs of the Former Agency.

Previously, the Successor Agency determined it was not prudent to complete annual audits because the 2007 tax allocation bonds issued by the former Riverbank Redevelopment Agency were in default and the Successor Agency was not receiving any funding in the form of Redevelopment Property Tax Trust Fund (RPTTF) due to the default.

However, with the rebound in assessed property values, there is adequate RPTTF revenue to start bringing the bonds into a more current status. While bonds are still in default, the situation

has improved markedly since 2012 when Redevelopment ended in the State of California. Staff believes it is time for the Successor Agency to reconsider its previous position with respect to completing the required annual audits. Staff has worked with the City's audit firm Clendenin Bird & Company to secure an engagement letter (Attached). The proposed audit will the fiscal years ending June 30, 2012 through June 30, 2018. Clendenin Bird & Company is the auditor for the City of Riverbank and has performed those services timely and professionally. Based upon their familiarity with the City, staff believes they are best positioned to complete past due audits. The objective of the audits is to express an opinion as to whether the Successor Agency financial statements are fairly presented and conform to generally accepted accounting principles. The Successor Agency staff will make the necessary records available and will provide a response to the audit. The cost to complete the past due audits is not to exceed \$10,500.

Recommendation:

Adopt Resolution No. 2018-005 - A Resolution of the Riverbank Designated Local Authority, as Successor Agency to the Redevelopment Agency of the City of Riverbank approving an engagement with Clendenin Bird & Company for audit services in accordance with Health & Safety Code Section 34177.3(b).

Attachments:

- Engagement of Clendenin Bird & Company

RESOLUTION NO. 2018-005

A RESOLUTION OF THE RIVERBANK DESIGNATED LOCAL AUTHORITY, AS SUCCESSOR AGENCY TO THE RIVERBANK REDEVELOPMENT AGENCY APPROVING ENGAGEMENT OF CLENDENIN BIRD & COMPANY FOR AUDIT SERVICES IN ACCORDANCE WITH HEALTH & SAFETY CODE SECTION 34177.3(b)

WHEREAS, on June 29, 2011, the Legislature of the State of California (the "State") adopted Assembly Bill x1 26 ("AB 26"), which amended provisions of the State's Community Redevelopment Law (Health & Safety Code sections 33000 et seq.); and

WHEREAS, pursuant to AB 26 and the State Supreme Court decision in *California Redevelopment Association, et al. v. Ana Matasantos, et al.*, which upheld AB 26 (together with AB 1484, as amended to date, the "Dissolution Law"), the former Redevelopment Agency of the City of Riverbank was dissolved on February 1, 2012; and

WHEREAS, pursuant to the Dissolution Law, the City of Riverbank declined to become the Successor Agency to the Redevelopment Agency of the City of Riverbank, and the Riverbank Designated Local Authority was established by operation of the Dissolution Law to act as Successor Agency to the Redevelopment Agency of the City of Riverbank ("Successor Agency") effective February 1, 2012; and

WHEREAS, the Dissolution Law, in Section 34177.3(b) of the Health and Safety Code, provides that a Successor Agency may create enforceable obligations to conduct wind down activities of the former Agency, including acquiring necessary professional staff; and

WHEREAS, the Successor Agency desires to approve an agreement with Clendenin Bird & Company for audit services to complete past due year-end audits; and

WHEREAS, all other legal prerequisites to the adoption of this Resolution have occurred.

NOW, THEREFORE, THE RIVERBANK DESIGNATED LOCAL AUTHORITY, AS SUCCESSOR AGENCY OF THE RIVERBANK REDEVELOPMENT AGENCY, DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

SECTION 1. The Recitals set forth above are true and correct and incorporated herein by reference.

SECTION 2. The Riverbank Designated Local Authority, as Successor Agency of the Riverbank Redevelopment Agency, hereby approves engaging Clendenin Bird & Company to complete the annual past due audits of the Successor Agency for years ending June 30, 2012 through June 30, 2018, for an amount not to exceed \$10,500. The objective of the audit is to express an opinion as to whether the financial

statements of the DLA are fairly presented and in conformity with generally accepted accounting principles.

SECTION 3. Wendell Naraghi, or his designee, is hereby authorized to enter into such Agreement for audit services on behalf of the DLA and take such other actions as may be necessary in furtherance of the foregoing agreement in accordance with applicable law.

SECTION 4. If any provision of this Resolution or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of this Resolution which can be given effect without the invalid provision or application, and to this end the provisions of this Resolution are severable. The Successor Agency hereby declares that it would have adopted this Resolution irrespective of the invalidity of any particular portion thereof.

SECTION 5. This Resolution shall take effect from and after the date of its passage and adoption in accordance with, and subject to, all applicable requirements of the Dissolution Law.

PASSED, APPROVED AND ADOPTED at a regular meeting of the Riverbank Designated Local Authority, as Successor Agency of the Riverbank Redevelopment Agency, held this 11th day of December 2018.

AYES: BOARD MEMBERS:

NOES: BOARD MEMBERS:

ABSENT: BOARD MEMBERS:

ABSTAIN: BOARD MEMBERS:

Wendell Naraghi, Chairperson
Riverbank Designated Local Authority

ATTEST:

Mark Persico, Secretary
Riverbank Designated Local Authority

Attachment: Exhibit A

EXHIBIT A

Engagement Letter for Audit Services



3501 Tully Road, Suite B
Modesto, CA 95356
(209) 526-3091
(209) 526-2287 fax
cbcpas.com

Michelle L. Gallagher, CPA
Cathy L. Gatewood, EA
Justin Gatewood, EA

Constance Hillas Bird, CPA (Inactive)
Gerald L. Clendenin, CPA (Inactive)

November 29, 2018

Riverbank Designated Local Authority
6707 3rd Street
Riverbank, CA 95367

You have requested that we audit the financial statements of the Designated Local Authority Funds of the Riverbank Designated Local Authority, as of June 30, 2012 through 2018, and the years then ended, and the related notes to the financial statements,

We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audits will be conducted with the objectives of our expressing an opinion on funds.

Accounting principles generally accepted in the United States of America required that the management's discussion and analysis (MD&A), and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the required supplementary information (RSI) in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding their methods of measurement and presentation, and comparing the information for consistency with management's responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis

Audit of the Financial Statements

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement. An

audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. If appropriate, our procedures will therefore include tests of documentary evidence that support the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of cash, investments, and certain other assets and liabilities by correspondence with creditors and financial institutions. As part of our audit process, we will request written representations from your attorneys, and they may bill you for responding. At the conclusion of our audit, we will also request certain written representations from you about the financial statements and related matters.

Because of the inherent limitations of an audit together with the inherent limitations of internal control, an unavoidable risk that some material misstatements or noncompliance may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS and *Government Auditing Standards* of the Comptroller General of the United States of America. Please note that the determination of abuse is subjective and *Government Auditing Standards* does not require auditors to detect abuse.

In making our risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit. Our responsibility as auditors is, of course, limited to the period covered by our audit and does not extend to any other periods.

We will issue a written report upon completion of our audit of the Riverbank Designated Local Authority's basic financial statements. Our report will be addressed to the governing body of the Riverbank Designated Local Authority. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

In accordance with the requirements of *Government Auditing Standards*, we will also issue a written report describing the scope of our testing over internal control over financial reporting and over compliance with laws, regulations, and provisions of grants and contracts, including the results of that testing. However, providing an opinion on internal control and compliance over

financial reporting will not be an objective of the audit and, therefore, no such opinion will be expressed.

Management Responsibilities

Our audit will be conducted on the basis that Management and City Council acknowledge and understand that they have responsibility:

1. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
2. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements;
3. For safeguarding assets;
4. For the design, implementation, and maintenance of internal control over compliance;
5. For identifying and ensuring that the entity complies with laws, regulations, grants, and contracts applicable to its activities and its federal award programs and implementing systems designed to achieve compliance with applicable laws, regulations, grants, and contracts applicable to activities;
6. For identifying and providing report copies of previous audits, attestation engagements, or other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented;
7. For addressing the findings and recommendations of auditors, for establishing and maintaining a process to track the status of such findings and recommendations and taking corrective action on reported audit findings from prior periods and preparing a summary schedule of prior audit findings;
8. For following up and taking corrective action on current year audit findings and preparing a corrective action plan for such findings;
9. For submitting the reporting package and data collection form to the appropriate parties;
10. For making the auditor aware of any significant vendor relationships where the vendor is responsible for program compliance;
11. To provide us with:

- a. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, and relevant to federal award programs, such as records, documentation, and other matters;
 - b. Additional information that we may request from management for the purposes of the audit; and
 - c. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.
12. For adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current year period under audit are immaterial, both individually and in the aggregate, to the financial statements as a whole;
13. For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets; and
14. For confirming your understanding of your responsibilities as defined in this letter to us in your management representation letter.

With regard to the supplementary information referred to above, you acknowledge and understand your responsibility (a) for the preparation of the supplementary information in accordance with the applicable criteria, (b) to provide us with the appropriate written representations regarding supplementary information, (c) to include our report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information, and (d) to present the supplementary information with the audited financial statements, or if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by you of the supplementary information and our report thereon.

As part of our audit process, we will request from Management and the City Council, written confirmation concerning representations made to us in connection with the audit.

We understand that your employee will prepare all confirmations we request and will locate any documents or invoices selected by us for testing.

If you intend to publish or otherwise reproduce the financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your Internet website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information

contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Fees and Timing

We expect to begin our audit on approximately December 17, 2018 and to issue our report no later than January 31, 2019. Michelle L. Gallagher is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them. Our fee for these services will be based on actual time spent at our standard hourly rates for the person assigned to this engagement. Based on our preliminary estimates our fee shall not exceed \$10,500 for the audit. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and may not be resumed until your account is paid in full. The fee will be payable according to the following payment schedule:

- \$ 3,500 Due and payable upon commencement of audit.
- \$ 3,500 Due and payable 30 days following commencement of audit.
- \$ 3,500 Due and payable upon delivery of audit.

The fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances or additional accounting work will not be encountered during the audit. Additional accounting work would include, but not be limited to, the following: assistance with the reconciliation of any accounts or bank statements, preparation of journal entries other than normal audit adjustments and providing direction or supervision to assist you in the completion of routine accounting functions. If significant additional time or accounting work is necessary, we will discuss it with you and give you a new fee estimate before we incur the additional costs.

Client and accountant both agree that any dispute over fees charged by the accountant to the client will be submitted for resolution by arbitration in accordance with the rules of the American Arbitration Association. Such arbitration shall be binding and final. IN AGREEING TO ARBITRATION, WE BOTH ACKNOWLEDGE THAT IN THE EVENT OF A DISPUTE OVER FEES, EACH OF US IS GIVING UP THE RIGHT TO HAVE THE DISPUTE DECIDED IN A COURT OF LAW BEFORE A JUDGE OR JURY AND INSTEAD ARE ACCEPTING THE USE OF ARBITRATION FOR RESOLUTION.

Other Matters

During the course of the engagement, we may communicate with you or your personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications. Additionally, our firm may transmit confidential information that you provided us to third parties in order to facilitate delivering our services to you. We have obtained confidentiality agreements with all our service providers to maintain the

confidentiality of your information and we will take reasonable precautions to determine that they have the appropriate procedures in place to prevent the unauthorized release of confidential information to others. We will remain responsible for the work provided by any third-party service providers used under this agreement. By your signature below, you consent to having confidential information transmitted to entities outside the firm. Please feel free to inquire if you would like additional information regarding the transmission of confidential information to entities outside the firm.

The audit documentation for this engagement is the property of Clendenin Bird & Company, P.C. and constitutes confidential information. However, we may be requested to make certain audit documentation available to the regulator and federal agencies and the U.S. Government Accountability Office pursuant to authority given to it by law or regulation, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision of Clendenin Bird & Company, P.C.'s personnel. Furthermore, upon request, we may provide copies of selected audit documentation to these agencies and regulators. The regulators and agencies may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies. We agree to retain our audit documentation or work papers for a period of at least seven years from the date of our report.

Further, we will be available during the year to consult with you on financial management and accounting matters of a routine nature.

With respect to any nonattest services we perform, the Riverbank Designated Local Authority's management is responsible for: (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) establishing and maintaining internal controls, including monitoring ongoing activities. We will perform the following nonattest services:

1. Draft the Riverbank Designated Local Authority's financial statements and related footnote disclosures.

During the course of the audit, we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing.

It is our policy to keep records related to this engagement for seven years. However, Clendenin Bird & Company, P.C. does not keep any original client records, so we will return those to you at the completing of the services rendered under this engagement. When records are returned to you, it is your responsibility to retain and protect your records for possible future use, including potential examination by any government or regulatory agencies.

You agree to inform us of facts that may affect the financial statements of which you may become aware during the period from the date of the auditor's report to the date the financial statements are issued.

By your signature below, you acknowledge and agree that upon the expiration of the seven year period, Clendenin, Bird & Company, P.C. shall be free to destroy our records related to this engagement.

At the conclusion of our audit engagement, we will communicate to Management and City Council the following significant findings from the audit:

- Our view about the qualitative aspects of the entity's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we request from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

In accordance with the requirements of Government Auditing Standards, we have available a copy of our latest external peer review report of our firm for your consideration.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements of our audit of the financial statements compliance over major federal award programs including our respective responsibilities.

We appreciate the opportunity to be your financial statement auditors and look forward to working with you and your staff.

Riverbank Designated Local Authority
November 29, 2018
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Very truly yours,

CLENDENIN BIRD & COMPANY, PC

Michelle L. Gallagher

Michelle L. Gallagher, CPA

RESPONSE:

This letter correctly sets forth the understanding of the Riverbank Designated Local Authority.

By: _____

Title: _____

Date: _____