



BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES

San Joaquin County Auditor-Controller / Oversight Board of the Successor Agency
City of Manteca
Manteca, California 95337

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

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, Department of Finance, and San Joaquin County Auditor-Controller, solely to assist you in ensuring that the dissolved redevelopment agency is complying with its statutory requirements with respect to ABX1 26. Management of the successor agency and San Joaquin County are responsible for the accounting records pertaining to statutory compliance pursuant to Health and Safety Code Section 34182(a)(1). This agreed-upon procedures 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 agreed-upon procedures as set forth in Attachment A. The results of the procedures performed are also 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 San Joaquin County Auditor-Controller, the successor 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
September 18, 2012



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

**Attachment A—Agreed-Upon Procedures Engagement
Pursuant to ABX1 26, Community Redevelopment Dissolution**

Purpose: To establish each redevelopment agency's assets and liabilities, to document and determine each redevelopment agency's pass-through payment obligations to other taxing agencies, and to document and determine both the amount and the terms of any indebtedness incurred by the redevelopment agency and certify the initial recognized obligation payment schedule. [Health and Safety Code Section 34182(a)(2)]

In conformity with attestation standards, the language in each separate report for each agency will need to be specific as to the type of documents that were examined in performing the procedure.

A. RDA Dissolution and Restrictions

For each redevelopment agency dissolved, perform the following:

1. Obtain a copy of the enforceable obligation payment schedule (EOPS) for the period of August 1, 2011, through December 31, 2011. Trace the redevelopment project name or area (whichever applies) associated with the obligations, the payee, a description of the nature of the work/service agreed to, and the amount of payments made by month through December 31, 2011, and compare it to the legal document(s) that forms the basis for the obligations. Since amount could be estimated, determine that they are stated as such and that legal documentation supports those estimates.

Result:

We noted the following exceptions:

- A) Estimated amounts existed on the EOPS; however, they were not stated as such on the EOPS form.

Management's Response:

At the time the EOPS was filed with the State, staff was unaware of the requirement that the schedule needed to note that items were estimated.

2. Obtain a copy of all amended EOPS filed during the period of January 1, 2012, through June 30, 2012. Trace the redevelopment project name or area (whichever applies) associated with the obligations, the payee, a description of the nature of the work/service agreed to, and the amount of payments to be made by month through June 30, 2012, and compare it to the legal document(s) that forms the basis for the obligations. Again, since amount could be estimated, determine that they are stated as such and that legal documentation supports those estimates.

Result:

We noted the following exception:

- A) Estimated amounts existed on the amended EOPS; however, they were not stated as such on the form.

Management's Response:

At the time the EOPS was filed with the State, staff was unaware of the requirement that the schedule needed to note that items were estimated.

3. Identify any obligations listed on the EOPS that were entered into after June 29, 2011, by inspecting the date of incurrence specified on Form A of the Statement of Indebtedness filed with the County Auditor-Controller, which was filed on or before October 1, 2011.

Result:

We found no exceptions as a result of the procedures performed.

4. Inquire and specifically state in the report the manner in which the agency did or did not execute a transfer of the Low and Moderate Income Housing Fund to the redevelopment successor agency by February 1, 2012. Procedures to accomplish this might include changing the name of the accounting fund and related bank accounts that are holding these assets for the successor agency. If the successor agency is a party other than the agency that created the redevelopment agency, an examination of bank statements and changing of account titles and fund names evidencing such transfer will be sufficient.

Result:

- A) The Agency transferred the Low and Moderate Income Housing Fund to the Successor Agency by February 1, 2012.
 - B) We found no exceptions as a result of the procedures performed.
5. Inquire and specifically state in the report how housing activities (assets and functions, rights, powers, duties, and obligations) were transferred and the manner in which this agency did or did not execute a transfer. Procedures to accomplish this might include changing the name of the accounting fund and related bank accounts that are holding these assets for the other agency. An examination of bank statements and changing of account titles and fund names evidencing such transfers will be sufficient. If the housing successor is a party other than the agency that created the redevelopment agency, an examination of bank statements and re-recording of titles evidencing such transfer will be sufficient.

Result:

We noted the following exception:

- A) The City of Manteca is serving as the Successor Housing Agency. Assets have not been transferred from the Successor Agency to the Successor Housing Agency at this time awaiting confirmation that that the Oversight Board approval is not required.

Management's Response:

Per the California Department of Finance website, Oversight Board approval is required for the transfer of obligations and funds necessary to satisfy those obligations. The Oversight Board is scheduled to take the appropriate actions regarding the Housing Assets at its next scheduled meeting. Upon approval, appropriate action will be taken to transfer identified assets to the City of Manteca.

B. Successor Agency

1. Inspect evidence that a successor agency (A) has been established by February 1, 2012; and (B) the successor agency oversight board has been appointed, with names of the successor agency oversight board members, which must be submitted to the Department of Finance by May 1, 2012.

Result:

We found no exceptions as a result of the procedures performed.

2. Inquire regarding the procedures accomplished and specifically state in the report the manner in which this agency did or did not execute a transfer of operations to the successor agency, which was due by February 1, 2012. Procedures to accomplish this might include changing the name of the accounting fund and related bank accounts that are holding these assets for the successor agency. If the successor agency is a party other than the agency that created the redevelopment agency, an examination of bank statements and changing of account titles and fund names evidencing such transfers will be sufficient.

Result:

- A) The Redevelopment Agency did execute a transfer of operations to the Successor Agency on January 31, 2012. The procedures to accomplish this included changing the name and number of the fund.
 - B) We found no exceptions as a result of the procedures performed.
3. Ascertain that the successor agency has established the Redevelopment Obligation Retirement Fund(s) in its accounting system.

Result:

We found no exceptions as a result of the procedures performed.

4. Inspect the EOPS and ROPS and identify the payments that were due to be paid through the date of the AUP Report. Select a sample (based on a dollar amount and/or percentage amount as determined by the San Joaquin County Auditor-Controller) and compare the payments that were due to be paid through the date of the AUP Report to a copy of the cancelled check or other documentation supporting the payment.

Result:

We found no exceptions as a result of the procedures performed.

5. Obtain listings that support the asset figures (cash, investments, accounts receivable, notes, receivables, fixed assets, etc.) in the audited financial statements as of June 30, 2010, June 30, 2011, and as of January 31, 2012, as determined by the successor agency and include as an attachment to the AUP Report.

Result:

We found no exceptions as a result of the procedures performed.

Please see Attachment B for listings that support the asset figures.

C. Recognized Obligation Payment Schedule (Draft ROPS)

- Obtain a copy of the initial draft of the ROPS from the successor agency.
1. Inspect evidence that the initial draft of the ROPS was prepared by March 1, 2012.

Result:

We found no exceptions as a result of the procedures performed.

2. Note in the minutes of the Oversight Board that the draft ROPS has been approved by the Oversight Board. If the Oversight Board has not yet approved the draft ROPS as of the date of the AUP Report, this should be mentioned in the AUP Report.

Result:

We found no exceptions as a result of the procedures performed.

3. Inspect evidence that a copy of the draft ROPS was submitted to the County Auditor-Controller, State Controller, and Department of Finance.

Result:

We found no exceptions as a result of the procedures performed.

- Inspect evidence that the draft ROPS includes monthly scheduled payments for each enforceable obligation for the current six-month reporting time period.

Result:

We found no exceptions as a result of the procedures performed.

- Select a sample (based on dollar amount and/or percentage amount as determined by the San Joaquin County Auditor-Controller) and trace enforceable obligations listed on the draft ROPS to the legal document that forms the basis for the obligation.

Result:

We found no exceptions as a result of the procedures performed.

- Trace the obligations enumerated on the draft ROPS to the obligations enumerated on the EOPS (including amendments) and note any material differences as agreed to by the San Joaquin County Auditor-Controller.

Result:

We noted the following exception:

- We traced the obligations enumerated on the draft ROPS to the obligations enumerated on the EOPS and noted the following material differences:

Descriptions of Obligation	Amount per Amended EOPS	Amount per the Draft ROPS	Differences
Library Park Expansion	\$ 274,274	\$ 61,545	\$ 212,729
Supplemental Retirement for Prior Executive Director	-	389,620	(389,620)
Total	\$ 274,274	\$ 451,165	\$ (176,891)

D. Recognized Obligation Payment Schedule (Final ROPS)

- Obtain a copy of the final ROPS (January 1, 2012, through June 30, 2012) from the successor agency.
- Inspect evidence that the final ROPS was submitted to the County Auditor-Controller, the State Controller, and Department of Finance by April 15, 2012, and is posted on the website of the City/County as successor agency (Health and Safety Code Section 34177(2)(C)).

Result:

We found no exceptions as a result of the procedures performed.

- Inspect the final ROPS and identify the payments that were due to be paid through the date of the Agreed-Upon Procedures report. For payments on the ROPS that were identified as being due through the date of the Agreed-Upon Procedures Report, inspect evidence of payment and determine that amounts agree to the purpose of the obligation as amounts could be estimated.

Result:

We found no exceptions as a result of the procedures performed.

- Select a sample (based on a dollar amount and/or percentage amount as determined by the San Joaquin County Auditor-Controller) and trace enforceable obligations listed on the final ROPS to the legal agreements or documents that forms the basis for the obligation.

Result:

We found no exceptions as a result of the procedures performed.

E. Other Procedures

- Obtain a list of pass-through obligations and payment schedules.
- 1. Obtain a list of pass-through obligations and payments made from the redevelopment agency from July 1, 2011, through January 31, 2012, inspect evidence of payment, and note any differences from the list of pass-through obligations and payments made.

Result:

No pass-through payments were made during the specified period.

- Issue Agreed-Upon Procedures Report and distribute to the California State Controller by July 15, 2012.

Result:

AB 1484 has extended the due date for the agreed-upon procedures report to October 1, 2012. We will submit the report to the California State Controller on or before October 1, 2012.

Attachment B

	June 30, 2010	June 30, 2011	January 31, 2012
ASSETS			
Cash and Investment	\$ 32,636,380	\$ 3,849,420	\$ 3,032,417
Restricted Cash and Investments	57,124,174	13,508,550	14,044,566
Tax Increment Receivable	3,053,871	2,839,465	(50)
Interest Receivable	49,445	25,107	-
Long Term Notes Receivable:			
HOPE Shelter	89,842	581,528	1,483,353
Habitat for Humanity	10,000	10,000	10,000
Owner Participation Agreements	1,433,937	1,433,357	1,433,357
Down Payment Assistance Program	1,780,545	1,809,045	1,809,045
Residential Rehabilitation	262,055	278,934	238,746
First-Time Homebuyer Program	90,000	90,000	90,000
AKF Development, LLC	54,080	54,080	54,080
Mid-Peninsula Housing Coalition	2,500,000	2,500,000	2,500,000
Eden Housing Inc - Union Court Apartments	2,593,742	2,593,742	2,593,742
Eden Housing Inc - Senior Housing	1,680,932	1,680,932	1,680,932
Cabral Western Motors	338,040	338,040	338,040
Slender Lady	25,000	-	-
Manteca Senior Housing, LLC - Affirmed Housing	750,000	750,000	750,000
Senior Rehabilitation Loans	19,889	66,008	66,463
Manteca Atherton Associates - Juniper Apartments	-	12,750,000	12,750,000
Less: Allowance for Conditional Grants	(1,938,329)	(2,288,308)	(2,242,315)
Advance to the City of Manteca	1,700,000	1,700,000	1,700,000
Deferred Outflow	8,232,629	6,491,163	-
Capital Assets not Being Depreciated*	10,818,877	12,043,877	-
Total	\$ 123,305,109	\$ 63,104,940	\$ 42,332,376

* - See the attached listing of property owned.

**ATTACHMENT B-1
MANTECA REDEVELOPMENT AGENCY
PROPERTY OWNED REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The following information responds to Health and Safety Code Section 33080(f) relating to number and nature of properties owned by the Redevelopment Agency in the Project Area.

1. The Agency has title to a property on which is located a single-family house. It was purchased as part of the long-term strategy for eliminating blight in downtown. The property currently is being used by the City for storage.

Plans for this property are to be included in a Downtown Improvement Plan currently being drafted by a consultant hired by the Agency. This long-term plan will include extensive public improvements such as parking lots, open space, pedestrian furniture, and amenities. This property is adjacent to other public properties, such as the tennis courts and the former scout hut property, that are blighted and in need of redevelopment.

2. The Agency has title to a 2.1 acre vacant parcel. An RFQ/RFP process was conducted and in November 2004 Eden Housing was selected to construct 40 additional senior housing units adjacent to the existing Almond Terrace project.
3. The Agency has title to a remaining 31.25 acre vacant parcel. It was purchased as part of the long-term strategy for enhancing the economic development of the Airport/Daniels corridor. In May 2005, 27 acres were sold to Manteca Stadium Park, L.P., for commercial/retail development.
4. On January 3, 2005, the Agency purchased an 8.07 acre vacant parcel. The parcel is the proposed site for a court facility.
5. As of November 2006, the Agency has title to a 1.93 acre parcel located at 2260 W. Yosemite. This parcel will be used to extend Milo Candini Drive.
6. On March 9, 2007, the Agency purchased a 1.8 acre parcel located at 800 Moffat Boulevard. This parcel will be used for private development to stimulate economic growth along the Moffat Boulevard corridor.
7. On January 2, 2008, the Agency purchased real property located at 260 S. Main Street for use as an Intermodal Transit Center for the City.

**ATTACHMENT B-2
MANTECA REDEVELOPMENT AGENCY
PROPERTY OWNED REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The following information responds to Health and Safety Code Section 33080(f) relating to number and nature of properties owned by the Redevelopment Agency in the Project Area.

1. The Agency purchased a property (APN #217-221-10) on which is located a single family house. It was purchased as part of the long-term strategy for eliminating blight in downtown. The property currently is being used by the City for storage. This property is adjacent to other public properties, such as the tennis courts and the former scout hut property, that are blighted and in need of redevelopment.
2. The Agency has title to a 2.1 acre parcel located at 2030 N. Union Rd. (APN#216-020-67). In May 2005, the Agency signed a 75 year ground lease agreement with Eden Housing, Inc., for the construction of 40 age-restricted and affordability restricted units.
3. The Agency has title to a 4.25 parcel of land. A 31.25 acre vacant parcel was purchased as part of the long-term strategy for enhancing the economic development of the Airport/Daniels corridor. In May 2005, 27 acres were sold to Manteca Stadium Park, L.P., for commercial/retail development.
4. The Agency owns 4.77 acres at 2470 Daniels Street. In November 2004, the Agency entered a Stormwater Basin Agreement with the City and Manteca Stadium Park, L.P., for the construction and operation of a Stormwater Retention Basin at this site.
5. On January 3, 2005, the Agency purchased an 8.07 acre vacant parcel at 682 S. Main Street. The parcel is the proposed site for a court facility.
6. On August 6, 2007, the Agency took title to 1115 S. Airport Way. This parcel was originally part of the master plan for Stadium Center and was known as the North parcel. It was removed from the master plan and left for the Agency.
7. In November 2006, the Agency took title to a 1.93 acre parcel located at 2260 W. Yosemite. This parcel will be used to extend Milo Candini Drive.
8. The Agency has title to 555 Industrial Park Drive with plans of a future Police Station.
9. On March 9, 2007, the Agency purchased a 1.8 acre parcel located at 800 Moffat Boulevard. This parcel will be used for private development to stimulate economic growth along the Moffat Boulevard corridor.
10. The Agency has title to 123 S. Grant Avenue and is used as a parking lot.
11. The Agency has title to 282 N. Airport Way. This property was set aside for affordable housing but was transferred to the Agency by Satellite Housing on September 21, 2010, when Satellite Housing's plans to develop changed.

**ATTACHMENT B-3
MANTECA REDEVELOPMENT AGENCY
PROPERTY OWNED REPORT
AS OF JANUARY 31, 2012**

The following information responds to Health and Safety Code Section 33080(f) relating to number and nature of properties owned by the Redevelopment Agency in the Project Area.

1. The Agency purchased a property (APN #217-221-10) on which is located a single family house. It was purchased as part of the long-term strategy for eliminating blight in downtown. The property currently is being used by the City for storage. This property is adjacent to other public properties, such as the tennis courts and the former scout hut property, that are blighted and in need of redevelopment.
2. The Agency has title to a 2.1 acre parcel located at 2030 N. Union Rd. (APN#216-020-67). In May 2005, the Agency signed a 75 year ground lease agreement with Eden Housing, Inc., for the construction of 40 age-restricted and affordability restricted units.
3. The Agency has title to a 4.25 parcel of land. A 31.25 acre vacant parcel was purchased as part of the long-term strategy for enhancing the economic development of the Airport/Daniels corridor. In May 2005, 27 acres were sold to Manteca Stadium Park, L.P., for commercial/retail development.
4. The Agency owns 4.77 acres at 2470 Daniels Street. In November 2004, the Agency entered a Stormwater Basin Agreement with the City and Manteca Stadium Park, L.P., for the construction and operation of a Stormwater Retention Basin at this site.
5. On January 3, 2005, the Agency purchased an 8.07 acre vacant parcel at 682 S. Main Street. The parcel is the proposed site for a court facility.
6. On August 6, 2007, the Agency took title to 1115 S. Airport Way. This parcel was originally part of the master plan for Stadium Center and was known as the North parcel. It was removed from the master plan and left for the Agency.
7. In November 2006, the Agency took title to a 1.93 acre parcel located at 2260 W. Yosemite. This parcel will be used to extend Milo Candini Drive.
8. The Agency has title to 555 Industrial Park Drive with plans of a future Police Station.
9. On March 9, 2007, the Agency purchased a 1.8 acre parcel located at 800 Moffat Boulevard. This parcel will be used for private development to stimulate economic growth along the Moffat Boulevard corridor.
10. The Agency has title to 123 S. Grant Avenue and is used as a parking lot.
11. The Agency has title to 282 N. Airport Way. This property was set aside for affordable housing but was transferred to the Agency by Satellite Housing on September 21, 2010, when Satellite Housing's plans to develop changed.