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Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES

San Joaquin County Auditor-Controller / Oversight Board of the Successor Agency
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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:

The City of Ripon established the EOPS using estimated amounts for many of the various projects winding down due to the fact that actual amounts were uncertain at the time. The City also used the assumption, that estimated values should be used, and that the amounts listed should error on the high side just in case there were overlooked or uncertain amounts due at the time and the fear that the City would be liable for any amounts not listed or amounts over what was listed on the EOPS. The City was unaware of the requirement to list on the EOPS that the amounts listed were estimated, ABX1 26 was very unclear as to how to create the EOPS.

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:

The City of Ripon established the EOPS using estimated amounts for many of the various projects winding down due to the fact that actual amounts were uncertain at the time. The City also used the assumption, that estimated values should be used, and that the amounts listed should error on the high side just in case there were overlooked or uncertain amounts due at the time and the fear that the City would be liable for any amounts not listed or amounts over what was listed on the EOPS. The City was unaware of the requirement to list on the EOPS that the amounts listed were estimated, ABX1 26 was very unclear as to how to create the EOPS.

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 #400 to the Successor Agency Fund #500 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 Council voted to transfer all functions of affordable housing to the Housing Authority of the County of San Joaquin. However, the Housing Authority refused to accept the functions.

Management's Response:

The City of Ripon did indeed vote to transfer the affordable housing functions and per ABX1 26 all rights, powers, assets, liabilities, duties and obligations associated with the housing activities of the agency, excluding any amounts in the Low and Moderate Income Housing Fund, were to be transferred to the local housing authority in the territorial jurisdiction of the former redevelopment agency. That housing authority for the City of Ripon is the Housing Authority of the County of San Joaquin, which has refused to take on the affordable housing functions. The City has spoken with someone at the Department of Housing and Community Development (HCD - Glen Campora), who is under the belief that the local housing authority does not have the right to refuse to accept the affordable housing functions, per ABX1 26, and has stated the HCD does not have the authority to take on those functions (City of Ripon's affordable housing functions) either at this time due to the way the language is written in ABX1 26. Therefore, there are approximately 175 homeowners with liens and such in the City of Ripon that cannot sell or even refinance their homes at this point, due to no one accepting responsibility for the City of Ripon's affordable housing functions.

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 Agency executed a transfer of operations to the successor agency by February 1, 2012. This was accomplished by changing the fund name and number.
- 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.

4. 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.

5. 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.

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

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.
- 1. 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.

- 2. 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.

- 3. 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:

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

- 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.

PRINT ATTACHMENT B FROM PDF DOCUMENT.