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Oversight Board of the Successor Agency of the former Redevelopment Agency  
of the City of Victorville  
14343 Civic Drive  
Victorville, CA 92392

### **INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES**

We have performed the procedures enumerated below, which were agreed to by the Successor Agency of the former Redevelopment Agency of the City of Victorville (Successor Agency), the California Department of Finance, and the California State Controller's Office, solely to assist you in complying with the requirement for a due diligence review of the non-housing funds of the former Redevelopment Agency and the Successor Agency pursuant to Section 34179.5(c) of the California Health and Safety Code. Management of the Successor Agency is responsible for the Successor Agency's compliance with the California Health and Safety Code. This engagement to apply agreed-upon procedures was performed in accordance with the attestation standards established by the *American Institute of Public Accountants* for such engagements. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on the specified items. 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.

Our procedures and results were as follows:

1. We obtained from the Successor Agency a listing of all assets (at their recorded book values) that were transferred from the former redevelopment agency to the Successor Agency on February 1, 2012. We agreed the amounts on this listing to account balances established in the accounting records of the Successor Agency.

**Results:** On February 1, 2012, \$41,034,775 of non-housing fund assets were transferred to the Successor Agency. See additional asset detail on Exhibit B1 & B2.

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. We obtained 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.

**Results:** The State Controller's Office has not completed the review of transfers. The non-funds did not transfer any funds to the City of Victorville or the County of San Bernardino for the period from January 1, 2011 through January 31, 2012. However

there were transfers of two Capital Assets to the City of Victorville, see Exhibit D for further details.

- b. We obtained 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.

Results: The State Controller's Office has not completed the review of transfers. The non-housing fund did not transfer any funds to the city, county, or city and county for the period from February 1, 2012 through June 30, 2012.

- c. For each transfer, we obtained the legal document that formed the basis for the enforceable obligation that required any transfer.

Results: No applicable transfers were noted during the testing above.

3. If the State Controller's Office has completed its review of transfers required under both Sections 34167.5 and 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the AUP report. If this has not yet occurred, perform the following procedures:

- a. We obtained 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.

Results: The State Controller's Office has not completed the review of transfers. The non-housing fund did not transfer any funds to any other public or private parties for the period from January 1, 2011 through January 31, 2012.

- b. We obtained 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.

Results: The State Controller's Office has not completed the review of transfers. The non-housing fund did not transfer any funds to any other public or private parties for the period from February 1, 2012 through June 30, 2012.

- c. For each transfer, we obtained the legal document that formed the basis for the enforceable obligation that required any transfer.

Results: No applicable transfers were noted during the testing above.

4. We obtained from the Successor Agency a summary of the financial transactions of the Redevelopment Agency and the Successor Agency in the format set forth in the California State Controller's Office's procedures for the fiscal year ended June 30, 2010, the fiscal year ended June 30, 2011, the period July 1, 2011 through January 31, 2012, and the period February 1, 2012 through June 30, 2012. For each period presented, we determined that the total of revenues, expenditures, and transfers accounted fully for the changes in equity from the previous fiscal period. We compared amounts in the schedule relevant to the fiscal years ending June 30, 2010 to the state controller's reports filed for the Redevelopment Agency for that periods then ended.

Results: There were two exceptions as a result of our procedures noted on Exhibit B. The exceptions were primarily due to the State Controllers Report being filed prior to the completion of the audited financial statements. The schedule presented at Exhibit B is based on the audited financial statements.

5. We obtained from the Successor Agency a listing of all assets of the Non-Housing Fund as of June 30, 2012. We also agreed the assets so listed to recorded balances reflected in the accounting records of the Successor Agency.

Results: The listing of assets is included in Exhibit B1 & B2. We agreed the asset balances to the recorded balances reflected in the accounting records of the Successor Agency. We compared the balances to the June 30, 2011 audited financial statements and tested balances with significant variances.

6. We obtained from the Successor Agency a listing of asset balances held on June 30, 2012 that are restricted for specific purposes and performed the following procedures:

- a. Unspent bond proceeds:

- i. We obtained 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.

Results: There are no non-housing unspent bond proceeds.

- b. Grant proceeds and program income that are restricted by third parties:

- i. We obtained the Successor Agency's computation of the restricted balances.
- ii. We traced individual components of this computation to related account balances in the accounting records, or to other supporting documentation.
- iii. We obtained from the Successor Agency a copy of the grant agreement that sets forth the restriction pertaining to these balances.

Results: There are no non-housing grant proceeds or program income.

- c. Other assets considered to be legally restricted:

- i. We obtained the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).

Results: The amount of cash restricted is that which was held in a fiscal agent account for Debt Service Reserves.

- ii. We traced individual components of this computation to related account balances in the accounting records, or to other supporting documentation.

Results: We traced the balances of restricted cash recorded in the trial balance as of June 30, 2012 to confirmations of outstanding balance in the related Fiscal Agent accounts.

- iii. We obtained from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances.

Results: The former RDA had previously issued bonds for which they are required to maintain a specified reserve amount in order to secure future principal and interest payments on the issued debt. We reviewed the official statements for the related debt issues to ensure that these were in fact legal restrictions on cash held in the Fiscal Agent Accounts. The amount held in these accounts at June 30, 2012 was \$1,794,393 and is reported on Exhibit C.

- d. We attached the above mentioned Successor Agency prepared schedule as an exhibit to the AUP report. For each restriction identified on these schedules, we indicated in the report the period of time for which the restrictions are in effect.

Results: See Exhibit C.

7. We obtained 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 ascertained 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.

- a. If the assets were listed at purchase cost, we traced the amounts to a previously audited financial statement (or to the accounting records of the Successor Agency) and noted any differences.

Results: See Exhibit D. We traced all outstanding balances to previously audited financial statements and noted all differences within.

- b. For any differences noted in 6(a), we inspected evidence of disposal of the asset and ascertained that the proceeds were deposited into the Successor Agency trust fund. If the differences are due to additions, we inspected supporting documentation and noted the circumstance.

Results: See Exhibit D. We traced all outstanding balances to previously audited financial statements and noted all differences within.

- c. If the assets were listed at recently estimated market value, we inspected the evidence (if any) supporting the value and noted the methodology used.

Results: No assets were valued at estimated market value. Step is not applicable.

8. We performed the following procedures:

- a. For assets balance needed to be retained to satisfy enforceable obligations, we obtained 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 performed the following procedures:
  - i. We compared 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. We compared all current balances to the amounts reported in the accounting records of the Successor Agency or to an alternative computation.
  - iii. We compared the specified enforceable obligations to those that were included in the final Recognized Obligation Payment Schedule approved by the California Department of Finance.
  - iv. We attached as an exhibit to the report the listing obtained from the Successor Agency. We also identified 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: The only assets to be retained were noted in procedure 5(c) and are reported in Exhibit C. We obtained the final Recognized Obligation Payment Schedule and support for the approval by the California Department of Finance.

- b. If 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, we obtained from the Successor Agency a schedule of approved enforceable obligations that included a projection of the annual spending requirements to satisfy each obligation and a projection of the annual revenues available to fund those requirements and performed the following procedures:
  - i. We compared the enforceable obligations to those that were approved by the California Department of Finance.
  - ii. We compared the forecasted annual spending requirements to the legal document supporting each enforceable obligation by obtaining 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, we obtained the assumptions for the forecasted annual revenues and disclosed the major assumptions associated with the projections.

Results: MHM has documented assumptions and any exceptions to the above procedures in the "Notes and Assumptions" section of Exhibit E.

- c. If projected property tax revenues and other general purpose revenues that were received by the Successor Agency are insufficient to pay bond debt service payments, we obtained from the Successor Agency a schedule demonstrating this insufficiency and applied the following procedures to the information reflected in that schedule:
- i. We compared the timing and amounts of bond debt service payments to the related bond debt service schedules in the bond agreement.
  - ii. We obtained the assumptions for the forecasted property tax revenues and disclose major assumptions associated with the projections.
  - iii. We obtained the assumptions for the forecasted other general purpose revenues and disclose major assumptions associated with the projections.

Results: MHM has documented assumptions and any exceptions to the above procedures in the “Notes and Assumptions” section of Exhibit E.

- d. If procedures, A, B, or C were performed, we calculated the amount of current unrestricted balances necessary for retention in order to meet the enforceable obligations by performing the following procedures:
- i. We combined 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. We reduced the amount of total resources available by the amount forecasted for the annual spending requirements.

Results: See Shortfall analysis at Exhibit E.

9. For cash balances as of June 30, 2012 that 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, we obtained 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.

Results: See Revenue Shortfall Analysis at Exhibit E where the Successor Agency has indicated the amount of funds that are to be retained to fund future expenditures.

10. We have included a schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Entities.

Results: See Exhibit A.

11. We obtained a representation letter from 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.

Results: Required representations were obtained from management.

Oversight Board of the Successor Agency  
of the former Redevelopment Agency of  
the City of Victorville  
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This letter is intended solely for the information and use of the Oversight Board of the Successor Agency of the former Redevelopment Agency of the City of Victorville, the Successor Agency of the former Redevelopment Agency of the City of Victorville, the California Department of Finance, the California State Controller's Office, and the County of San Bernardino's Auditor-Controller's Office and is not intended to be and should not be used by anyone other than those specified parties.

*Mayor Hoffman Melam P.C.*

Irvine, California  
January 14, 2013

**EXHIBIT A**

SUCCESSOR AGENCY OF THE VICTORVILLE REDEVELOPMENT AGENCY  
Summary of Balances Available for Allocation of Affected Taxing Entities - Non-Housing Funds  
June 30, 2012

SUMMARY OF BALANCES AVAILABLE FOR ALLOCATION TO AFFECTED TAXING ENTITIES

Total amount of assets held by the successor agency as of June 30, 2012 (Exhibit B2)	\$	40,418,866
Add the Capital Assets of the Non-Housing Funds (Exhibit B2)		484,062
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments (Exhibit C)		(1,794,393)
Less assets that are not cash or cash equivalents (Exhibit D)		(33,128,975)
Less County of San Bernardino application of unexpended RPTTF funds originally remitted for the period from January 1, 2012 through June 30, 2012 that have been applied to the ROPS submitted for the period from January 1, 2013 through June 30, 2013		(2,338,334)
Less RPTTF funds received in June 2012 to fund ROPS payments for the period from July 1, 2012 through December 31, 2012		(1,723,894)
Less balances needed to satisfy ROPS for future fiscal years (Exhibit E)		<u>(42,860,195)</u>
Amount to be remitted to county for disbursement to taxing entities	\$	<u>(40,942,863)</u>



SUCCESSOR AGENCY OF THE VICTORVILLE REDEVELOPMENT AGENCY  
Reconciliation of Successor Agency Activities  
June 30, 2012

	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	
<b>Assets:</b>					
Cash and Investments	\$ 17,874,686	13,086,297	20,222,467	15,381,306	<b>C</b>
Cash and Investments with Fiscal Agent	1,799,751	1,797,377	1,797,377	1,794,393	<b>D</b>
Accounts Receivable	-	17,500	-	285,140	
Notes Receivable	4,326,888	5,328,582	6,760,592	7,188,025	
Due from other governments	234,415	343,259	121,037	121,037	
Due from other funds	-	3,264,495	1,638,633	-	
Due from VVEDA	7,353,674	8,031,648	2,426,590	-	
Advances to SCLAA	11,771,861	11,830,132	11,834,020	11,872,661	
Advances to other Funds	9,736,688	13,149,560	13,213,074	14,866,221	
Property Held for Resale	20,432,175	20,432,175	27,726,476	29,106,393	
<b>Total Assets</b>	<b>73,530,138</b>	<b>77,281,025</b>	<b>85,740,266</b>	<b>80,615,176</b>	
<b>Liabilities:</b>					
Accounts Payable	328,549	413,763	244,353	299,900	
Deposits Payable	9,948	1,225	54,501	-	
Deferred Revenue	901,344	1,077,055	1,148,350	-	
Due to Other Funds	-	3,264,495	1,638,633	-	
Advances from SCLAA	-	6,978,386	6,995,955	6,995,955	
Advances from Other Funds	9,736,688	13,149,560	13,190,149	14,871,910	
<b>Total Liabilities</b>	<b>10,976,529</b>	<b>24,884,484</b>	<b>23,271,941</b>	<b>22,167,765</b>	
<b>Equity</b>	<b>62,553,609</b>	<b>52,396,541</b>	<b>62,468,325</b>	<b>58,447,411</b>	
<b>Total Liabilities + Equity</b>	<b>73,530,138</b>	<b>77,281,025</b>	<b>85,740,266</b>	<b>80,615,176</b>	
<b>Total Revenues:</b>	<b>E 34,027,510</b>	<b>25,945,535</b>	<b>7,675,209</b>	<b>3,233,137</b>	
<b>Total Expenditures/Expenses:</b>	<b>F (43,058,599)</b>	<b>(29,124,217)</b>	<b>(3,100,342)</b>	<b>(7,254,051)</b>	
<b>Total Transfers:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>62,468,325</b>	
<b>Net change in equity</b>	<b>(9,031,089)</b>	<b>(3,178,682)</b>	<b>4,574,867</b>	<b>58,447,411</b>	
<b>Beginning Equity:</b>	<b>71,584,698</b>	<b>62,553,609</b>	<b>52,396,541</b>	<b>-</b>	
<b>Equity adjustment:</b>	<b>-</b>	<b>(6,978,386) A</b>	<b>5,496,917 B</b>	<b>-</b>	
<b>Ending Equity:</b>	<b>\$ 62,553,609</b>	<b>52,396,541</b>	<b>62,468,325</b>	<b>58,447,411</b>	
<b>Capital Assets, net</b>	<b>9,653,746</b>	<b>13,412,005</b>	<b>4,881,499</b>	<b>484,062</b>	
<b>Bonds Payable</b>	<b>43,280,000</b>	<b>42,395,000</b>	<b>41,470,000</b>	<b>41,470,000</b>	

**A** There was a prior period adjustment in 2011 to correct a loan previously recorded incorrectly.

**B** There was a prior period adjustment in 2012 an entry to reclassify land into land held for resale as it was determined that this was the intended purpose of the land and should not have been recorded there initially.

**C** The 2006 and 2007 SCLAA Housing Set-Aside Bonds are secured by VVEDA Property Tax Revenues deposited into the RDA's VVEDA 20% Fund. As such the remaining cash held in the VVEDA 20% fund at June 30, 2012 has been legally restricted to fund the SCLAA Debt Service Payments, which will remain in effect until the cash is expended. This amount was equal to \$2,591,125 at June 30, 2012.

**D** Fiscal Agent Cash held by the Non-Housing funds is legally restricted in order to secure principal and interest payments on debt, which will remain in effect until the cash is expended.

**E** This amount was reported as \$34,715,569 in the 2010 State Controller's Report.

**F** This amount was reported as \$43,170,534 in the 2010 State Controller's Report.

SUCCESSOR AGENCY OF THE VICTORVILLE REDEVELOPMENT AGENCY  
Reconciliation of Successor Agency Activities  
June 30, 2012

	Redevelopment Agency 7 Months Ended 1/31/2012			Successor Agency 5 Months Ended 6/30/2012			
	Low and Moderate Income Housing	Non-Housing	Total	Low and Moderate Income Housing	Non-Housing	Total	
<b>Assets:</b>							
Cash and Investments	\$ 12,367,910	7,854,557	20,222,467	9,807,923	5,573,383	15,381,306	<b>C</b>
Cash and Investments with Fiscal Agent	-	1,797,377	1,797,377	-	1,794,393	1,794,393	<b>D</b>
Accounts Receivable	-	-	-	-	285,140	285,140	
Notes Receivable	6,602,851	157,741	6,760,592	7,080,247	107,778	7,188,025	
Due from other governments	-	121,037	121,037	-	121,037	121,037	
Due from other funds	-	1,638,633	1,638,633	-	-	-	
Due from VVEDA	2,426,590	-	2,426,590	-	-	-	
Advances to SCLAA	1,719,098	10,114,922	11,834,020	1,719,098	10,153,563	11,872,661	
Advances to other Funds	9,876,726	3,336,348	13,213,074	9,876,726	4,989,495	14,866,221	
Property Held for Resale	11,712,316	16,014,160	27,726,476	11,712,316	17,394,077	29,106,393	
<b>Total Assets</b>	<b>44,705,491</b>	<b>41,034,775</b>	<b>85,740,266</b>	<b>40,196,310</b>	<b>40,418,866</b>	<b>80,615,176</b>	
<b>Liabilities:</b>							
Accounts Payable	-	244,353	244,353	-	299,900	299,900	
Deposits Payable	-	54,501	54,501	-	-	-	
Deferred Revenue	944,068	204,282	1,148,350	-	-	-	
Due to Other Funds	-	1,638,633	1,638,633	-	-	-	
Advances from SCLAA	6,995,955	-	6,995,955	6,995,955	-	6,995,955	
Advances from Other Funds	-	13,190,149	13,190,149	-	14,871,910	14,871,910	
<b>Total Liabilities</b>	<b>7,940,023</b>	<b>15,331,918</b>	<b>23,271,941</b>	<b>6,995,955</b>	<b>15,171,810</b>	<b>22,167,765</b>	
<b>Equity</b>	<b>36,765,468</b>	<b>25,702,857</b>	<b>62,468,325</b>	<b>33,200,355</b>	<b>25,247,056</b>	<b>58,447,411</b>	
<b>Total Liabilities + Equity</b>	<b>36,765,468</b>	<b>41,034,775</b>	<b>77,800,243</b>	<b>40,196,310</b>	<b>40,418,866</b>	<b>80,615,176</b>	
<b>Total Revenues:</b>	<b>3,669,715</b>	<b>4,005,494</b>	<b>7,675,209</b>	<b>948,740</b>	<b>2,284,397</b>	<b>3,233,137</b>	
<b>Total Expenditures/Expenses:</b>	<b>(123,173)</b>	<b>(2,977,169)</b>	<b>(3,100,342)</b>	<b>(4,513,853)</b>	<b>(2,740,198)</b>	<b>(7,254,051)</b>	
<b>Total Transfers:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,765,468</b>	<b>25,702,857</b>	<b>62,468,325</b>	
<b>Net change in equity</b>	<b>3,546,542</b>	<b>1,028,325</b>	<b>4,574,867</b>	<b>33,200,355</b>	<b>25,247,056</b>	<b>58,447,411</b>	
<b>Beginning Equity:</b>	34,573,842	17,822,699	52,396,541	-	-	-	
<b>Equity adjustment:</b>	(1,354,916) <b>A</b>	6,851,833 <b>B</b>	5,496,917	-	-	-	
<b>Ending Equity:</b>	<b>\$ 36,765,468</b>	<b>25,702,857</b>	<b>62,468,325</b>	<b>33,200,355</b>	<b>25,247,056</b>	<b>58,447,411</b>	
<b>Capital Assets, net</b>	-	4,881,499	4,881,499	-	484,062	484,062	
<b>Bonds Payable</b>	-	41,470,000	41,470,000	-	41,470,000	41,470,000	

**A** There was a prior period adjustment in 2012 to move certain land held for resale from the Low Mod Fund into a Non-Housing Fund of the RDA as it was not housing related and should not have been recorded there initially.

**B** There was a prior period adjustment in 2012 to reclassify land as land held for resale as it was determined that this was the intended purpose of the land and should not have been recorded there initially.

**C** The 2006 and 2007 SCLAA Housing Set-Aside Bonds are secured by VVEDA Property Tax Revenues deposited into the RDA's VVEDA 20% Fund. As such the remaining cash held in the VVEDA 20% fund at June 30, 2012 has been legally restricted to fund the SCLAA Debt Service Payments, which will remain in effect until the cash is expended. This amount was equal to \$2,591,125 at June 30, 2012.

**D** Fiscal Agent Cash held by the non-housing funds is legally restricted in order to secure principal and interest payments on debt, which will remain in effect until the cash is expended.

**EXHIBIT C**

SUCCESSOR AGENCY OF THE VICTORVILLE REDEVELOPMENT AGENCY  
 Reconciliation of Cash with Fiscal Agent by Debt Issue  
 June 30, 2012

	On Approved			
	ROPS	Maturity Date	Account #	Total
<u>Tax Allocation Bonds - 2002A</u>				
Bond Reserve			421004	\$ 323,337
Project Account			421005	5,864
Sub-Total	Yes	2032		<u>329,201</u>
<u>Tax Allocation Bonds - 2003A Refunding</u>				
Series A Reserve Fund			372281	279,924
Sub-Total	Yes	2032		<u>279,924</u>
<u>Tax Allocation Bonds - 2003B Refunding</u>				
Series B Reserve Fund			372275	140,140
Sub-Total	Yes	2032		<u>140,140</u>
<u>Taxable Tax Allocation Parity Bonds - 2006A</u>				
Bond Reserve			372941	1,044,746
Project Fund			372943	382
Sub-Total	Yes	2039		<u>1,045,128</u>
Total Cash with Fiscal Agent				<u>\$ 1,794,393</u>

*Note: The Indebtures of Trust for the above debt issues are the legal documents restricting unspent bond proceeds until the maturity date.*

SUCCESSOR AGENCY OF THE VICTORVILLE REDEVELOPMENT AGENCY  
Listing of Non-Housing Fund Assets that are not Available for Distribution  
June 30, 2012

Asset	Balance at 6/30/2012	Reported at Cost or Market Value	Balance per 6/30/11 audited financial statements	Differences Noted
Notes Receivable	107,778	Cost	808,706	(1)
Advances to SCLAA	10,153,563	Cost	10,114,922	(2)
Advances to other Funds	4,989,495	Cost	3,336,029	(3)
Land Held for Resale	17,394,077	Cost	7,364,943	(4)
Capital Assets	<u>484,062</u>	Cost	<u>13,412,005</u>	(4)
	<u>33,128,975</u>		<u>35,036,605</u>	

(1) Loans receivable balances as of 6/30/11 included loans related to an NSP funded project, the administration of which will not be taken on by the Successor Agency. As such this loan (\$651,000 in 2011) is not represented in the Notes Receivable balance as of 6/30/2012. The remaining variance represents payments received of \$50,000 on the only other loan remaining in the Non-Housing funds of the Successor Agency. The balance otherwise agreed to Prior Year audited financial statements.

(2) Advances to SCLAA at 6/30/2012 were obtained from the trial balance and supporting detail of advances to/from. The increase noted here relates to accrued interest on the advance.

(3) Advances to other Funds at 6/30/12 were obtained from the trial balance and supporting detail of advances to/from. During the 2011/12 audit certain due to/froms totalling \$1,640,722 were reclassified to advances to/from as it was determined that there were long term agreements approved by the RDA Board of Directors for the repayment of these loans. The balance otherwise agreed to Prior Year audited financial statements.

(4) Land Held for Resale and Capital Assets at 6/30/12 were obtained from the trial balance and supporting detail of Assets. During the 2011/12 Fiscal Year the Agency identified several pieces of land held for resale that had previously been recorded incorrectly as land. At July 1, 2011 the City booked an entry to reclassify those assets. Additionally, the Agency identified a piece of land that had previously been recorded incorrectly in the Redevelopment Agency. At July 1, 2011 the Agency booked an entry to move the asset into a the City's General Fixed Asset Account Group. The Agency also completed a project (held in construction in progress) that was subsequently contributed to the Cit of Victorville. The balance otherwise agreed to Prior Year audited financial statements.

RDA Successor Agency  
 Revenue Shortfall Analysis - Housing and Non-Housing  
 June 30, 2012

Project Name / Debt Obligation	Contract/ Agreement Execution Date	Payee	Description	Project Area	Total Outstanding Debt or Obligation	Funding Source	Total Due During Fiscal Year 12-13	Total Due During Fiscal Year 13-14	Total Due During Fiscal Year 14-15	Total
<b>Funding Sources:</b>										
1	Estimated Loan Repayments	N/A	N/A		BV	N/A	58,087	58,087	-	116,174
2	Estimated Property Taxes	N/A	N/A		BV	N/A	8,610,351	8,610,351	8,610,351	25,831,053
3	Estimated Property Taxes	N/A	N/A		OT	N/A	81,319	181,528	181,528	444,375
4	Estimated Property Taxes	N/A	N/A		VVEDA	N/A	14,349,626	14,765,309	15,243,923	44,358,858
5	Unspent ROPS #1 RPTTF Funds	N/A	N/A		BV	N/A	2,338,334	-	-	2,338,334
6	Auto Park Association	01/01/11	Auto Park at Valley Center Association	Lease Revenue	BV	N/A	180,000	-	-	180,000
<b>Total Funding Sources:</b>							<b>25,617,717</b>	<b>23,615,275</b>	<b>24,035,802</b>	<b>73,268,794</b>

<b>Spending:</b>										
1	Personnel Expenses-SA	N/A	City of Victorville	wages & benefits, PERS, W/C	BV		210,960	210,960	210,960	632,880
2	Indirect Cost Allocation	N/A	City of Victorville	finance, Payroll, HR, IT, Risk Mgmt svcs	BV		40,416	40,416	40,416	121,248
3	Utilities	N/A	City of Victorville	electric,water, gas/based on office space	BV		3,320	3,320	3,320	9,960
4	Office Supplies/Postage	N/A	Staples, Xerox, etc.	paper, office supplies, postage, copier costs	BV		5,040	5,040	5,040	15,120
5	Training & Education	N/A	Unknown vendor(s)	travel/training for SA/OB matters	BV		1,200	1,200	1,200	3,600
6	Oversight Board staffing	N/A	City of Victorville	Costs of staffing OB (meeting prep, etc.)	BV		6,000	6,000	6,000	18,000
7	Contract Services	N/A	Unknown vendor(s)	non-project specific (fiscal, real estate)	BV		60,000	60,000	60,000	180,000
8	Legal	N/A	GDQ Law	non-project specific/dissolution matters	BV		50,400	50,400	50,400	151,200
9	Successor Agency Admin	N/A	City of Victorville	Reimbursement for office improvements	BV	2,339	2,339	2,339	2,339	7,017
10	Auto Park Sign	08/19/09	Visual Marketing Concepts	Programming for LED	BV	259,644	9,600	-	-	9,600
11	Auto Park Sign	10/28/08	Quiel Bros. Signs	Sign Repair and maintenance	BV	680,182	18,552	-	-	18,552
12	Auto Park Sign	N/A	SCE	Electricity for sign	BV	1,094,310	24,000	-	-	24,000
13	Auto Park Sign	N/A	Verizon	DSL services for sign	BV	115,147	3,120	-	-	3,120
14	Auto Park Association	01/01/11	Auto Park at Valley Center Association	Net lease revenue pledged	BV	3,110,949	72,000	-	-	72,000
15	Vict RDA Series 2002A, 2003A, 2003B, 2006A Tax Allocation Bonds	8/22/2002-5/1/2006	The Bank of New York Trust Company, N.A.	RDA Bond issue (BV Project Area)	BV	73,802,555	3,200,673	3,199,549	3,199,496	9,599,718
16	Vict RDA Series 2002A, 2003A, 2003B, 2006A Tax Allocation Bonds	8/22/2002-5/1/2006	RSG, Inc.	Continuing Disclosure Report	BV		7,500	7,500	7,500	22,500
17	Foxborough Rail	09/01/08	Wilson & Company	Rail inspection-required by BNSF ITA	BV	366,415	10,356	10,356	10,356	31,068
18	Foxborough Rail	09/02/08	Wilson & Company	Rail maint & repair - requied by BNSF ITA	BV	1,670,350	90,000	60,000	60,000	210,000
19	Bond Compliance		Bank of New York	Bond Trustee Admin Fees	BV		7,020	7,020	7,020	21,060
20	Bond Compliance		BLX	Bond arbitrage calculations	BV		3,000	-	-	3,000
21	Desert Plazas OPA	11/18/2008	WPI Development I and II	Public Improvements Reimbursement	BV		600,000	2,200,000	2,000,000	4,800,000
23	WBW Inc. Land Swap Agreement	7/10/2006	Undetermined contractor	Grading required per agreement	BV	50,000	50,000	-	-	50,000
24	Legal representation		GDQ Law	Project specific legal counsel	BV		30,000	-	-	30,000
25	Bond Compliance		Rosenow Spevacek Group	Continuing Disclosure Reports	BV		7,500	-	-	7,500
26	Auto Park Association	1/1/2011	Auto Park at Valley Center Association	Marketing pledge per agreement	BV	2,800,000	99,996	-	-	99,996
27	Audit	N/A	Mayer Hoffman McCann	SA audit required by H&S 34177(n)	BV		15,000	15,000	15,000	45,000
28	Northgate Apartments	07/15/05	National Core (formerly So Cal Housing)	Aff Housing Agmt- operational subsidy	BV	7,022,603	665,000	250,000	250,000	1,165,000
29	Vict RDA Series 2002A, 2003A, 2003B, 2006A Tax Allocation Bonds		City of Victorville	Establish 6 month debt service operating reserve due to prevent cash flow issues due to RPTTF distribution dates	BV		-	2,093,986	-	2,093,986
30	Bear Valley - Hook Blvd / Passthru payment (HS Sec 33401, 33676, 33607.5, 33607.7)		Various	Statutory Pass Through payments due through FY 14/15	BV		3,179,639	3,179,639	3,179,639	9,538,917
32	Loan from SCLAA to Old Town Project Area	07/21/09	Southern California Logistics Airport Auth	Loan for OT land acquisitions	OT	6,978,395	200,000	400,000	6,395,955	6,995,955
33	Legal representation		Best, Best & Krieger	Nuway lawsuit - attorney bills	OT		12,000	-	-	12,000
34	Old Town/Midtown / Passthru payment (HS Sec 33401, 33676, 33607.5, 33607.7)		Various	Statutory payments due for 7/1/11 - 1/31/22	OT		16,264	36,306	36,306	88,876

35	SCLAA Series 2005A, 2006 (4),2007, 2008A Tax Allocation Bonds	6/2/2005-4/3/2008	The Bank of New York Trust Company N.A.	4.00	VVEDA	687,144,613	Other	18,002,108	17,993,043	17,991,886	53,987,037	
36	SCLAA Housing Series 2006, 2007 Bonds	6/7/2006-3/13/2007	The Bank of New York Trust Company N.A.	SCLAA Housing Bond Issues	VVEDA	109,798,921	Other	3,527,570	3,523,343	3,522,136	10,573,049	
37	SCLAA Series 2005A, 2006 (4),2007, 2008A Tax Allocation Bonds	6/2/2005-4/3/2008	The Bank of New York Trust Company N.A.	Replenish trustee non-housing bond reserves	VVEDA	6,162,610	Other	6,162,610	-	-	6,162,610	
38	SCLA non-housing and housing bonds	6/2/2005-4/3/2008	RSG, Inc.	Continuing Disclosure Report	VVEDA		Other	5,000	-	-	5,000	
39	Loan from VV VVEDA L/M to VV VVEDA	10/03/06	Low Mod Fund-VV VVEDA	Loan to fund property acquisition	VVEDA	4,200,518	Other	4,200,518	-	-	4,200,518	
40	Loan from VV VVEDA L/M to VV VVEDA	05/04/10	Low Mod Fund-VV VVEDA	Loan to fund FY 09-10 SERAF payment	VVEDA	5,030,202	Other	5,030,202	-	-	5,030,202	
41	Bond Compliance		Bank of New York	Bond Trustee Admin Fees	VVEDA		Other	16,200	-	-	16,200	
42	Bond Compliance		BLX	Bond arbitrage calculations	VVEDA		Other	4,500	-	-	4,500	
43	Legal representation		GDQ Law	Project specific legal counsel	VVEDA		Other	30,000	-	-	30,000	
44	Bond Compliance		Rosenow Spevacek Group	Continuing Disclosure Reports	VVEDA		Other	15,000	-	-	15,000	
45	Legal representation		Graves & King	Lamar Dispute- attorney bills	VVEDA		Other	24,000	-	-	24,000	
								<i>Total Spending:</i>	<i>45,718,603</i>	<i>33,355,417</i>	<i>37,054,969</i>	<i>116,128,989</i>
								<i>Total Shortfall:</i>	<i>(20,100,886)</i>	<i>(9,740,142)</i>	<i>(13,019,167)</i>	<i>(42,860,195)</i>

**Notes & Assumptions:**

- A - The former RDA entered into a development agreement with Victorville Motors Inc. which included a \$200,000 promissory note due to the Victorville RDA. The amounts reported here are based upon the repayment schedule for this Promissory Note.
- B - For Fiscal Year (FY) 12/13, the Successor Agency (SA) compared the County's Assessed Property Values for FY 11/12 and 12/13 and noted a 2.4% increase. This increase was applied to property tax revenue received in FY 11/12 in order to estimate FY 12/13 Property Tax Revenue. Due to the inherent volatility in Property values the SA assumed no growth for FY's 13/14 & 14/15. Amounts are shown net of a \$125,000 fee charged by the County of San Bernardino for administration of the Tax Increment Payment.
- C - FY 12/13 Property Tax Revenue projections based on a SB County Report Dated 12/14/12 indicating property tax increment receipts for the Victorville Old Town Project Area. FY 13/14 and 14/15 estimates are based on 1% of the SB County Tax Increment per the FY 12/13 County assessed valuation report.
- D - All projections based on Continuing Disclosure Report dated February 15, 2012 for SCLAA bonds as prepared by the Rosenow Spevacek Group Inc., which report contains its professional assessed value and growth assumptions.
- E - This amount represents funds received for ROPS #1 expenditures that have not yet been incurred by the Successor Agency, and as such it will be used to fund ROPS #3 expenditures. Per the Department of Finance's ROPS #3 Q&A this amount will be used to offset the next RPTTF payment and has been included above in the calculation of the Total Shortfall.
- F - The former RDA entered into many advertising agreements with auto dealers in the Auto Park at Valley Center Association, the funds of which are to be used to fund Association expenses noted at Spending item #14 above. The estimated revenue above is based on the various advertising agreements entered into between the former RDA and the various Auto Dealers.
- G - Debt Service Operating Reserve to satisfy cash flow issues with RPTTF Distributions and debt service due dates
- H - The County of San Bernardino provided the Successor Agency a report dated 10/3/12 indicating its estimated Pass Through Obligations for FY 12/13. MHM obtained this report and ensured the amounts reported here were in agreement.
- I - As of June 30, 2012 this loan had an outstanding balance of \$6,995,955, and has a balloon payment on July 24, 2012
- J - Pass through payment amounts here are based on 20% of Property Tax increment for the Old Town Project Area