

**City of Yucaipa
Successor Agency to the Yucaipa
Redevelopment Agency**

**Independent Accountants' Report
On Applying Agreed-Upon Procedures**

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Agreed-Upon Procedures**

City of Yucaipa
Successor Agency to the Yucaipa
Redevelopment Agency
Yucaipa, CA

We have performed the required agreed-upon procedures (AUP), enumerated in Attachment A, which were agreed to by the California State Controller's Office, and the State of California Department of Finance (State Agencies) solely to assist you in complying with the requirements described in AB 1484. Management of the Successor Agency is responsible for the accounting records pertaining to compliance with the applicable requirements of AB 1484. 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 in Attachment A 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. Attachment A identifies the findings noted as a result of the procedures performed.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records and 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 applicable State Agencies and the City of Yucaipa, 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.

Teaman Ramirez & Smith, Inc.

January 7, 2013

Attachment A

List of Procedures for Due Diligence Review

City of Yucaipa (Successor Agency)

General information regarding these procedures:

1. The procedures associated with Sections 34179.5(c)(1) through 34179.5(c)(3) and Sections 34179.5(c)(5) through 34179.5(c)(6) are to be applied separately to (a) the Low and Moderate Income Housing Fund of the Successor Agency and to (b) all other funds of the Successor Agency combined (excluding the Low and Moderate Income Housing Fund).
2. The due date for the report associated with the Low and Moderate Income Housing Fund is October 1, 2012.
3. The due date for the report associated with all other funds of the Successor Agency combined (excluding the Low and Moderate Income Housing Fund) is December 15, 2012.
4. Because the procedures required by Section 34179.5(c)(4) pertain to the Successor Agency as a whole, these procedures should be addressed in the report that is due on December 15, 2012.

Fiscal year references below refer to fiscal years ending on June 30. This language should be modified for those agencies that have a different fiscal year-end.

For purposes of the procedures below and the related exhibits, the amount of the assets presented should be based upon generally accepted accounting principles (GAAP), unless otherwise noted.

To the extent the procedures listed below are duplicative to the agreed upon procedures that were performed pursuant to HSC 34182 (a)(1), it is acceptable to obtain and use information from the HSC 34182 (a)(1) procedures for purposes of this due diligence review without having to re-perform the procedures. When this is done, the due diligence report should refer to the report that was issued for the agreed upon procedures performed under HSC 34182 (a)(1).

Certain assets may qualify as a deduction under more than one category of deduction. In such cases, care should be taken to ensure that such assets have been included as a deduction in the summary schedule only once.

Citation:

34179.5(c)(1) The dollar value of assets transferred from the former redevelopment agency to the successor agency on or about February 1, 2012.

Suggested Procedure(s):

1. Obtain from the Successor Agency a listing of all assets that were transferred from the former redevelopment agency to the Successor Agency on February 1, 2012. Agree the amounts on this listing to account balances established in the accounting records of the Successor Agency. Identify in the Agreed-Upon Procedures (AUP) report the amount of the assets transferred to the Successor Agency as of that date.

Results:

We obtained a schedule from the Successor Agency which listed cash of \$4,374,016 being transferred to the Successor Agency on February 1, 2012. We agreed this amount to the Successor Agency's January 31, 2012 G/L Trial Balance Report for the other RDA funds (Fund 80, 82, 84, 85, 86). No other assets were reported as transferred.

Citation:

34179.5(c)(2) The dollar value of assets and cash and cash equivalents transferred after January 1, 2011, through June 30, 2012, by the redevelopment agency or the successor agency to the city, county, or city and county that formed the redevelopment agency and the purpose of each transfer. The review shall provide documentation of any enforceable obligation that required the transfer.

Suggested Procedure(s):

2. If the State Controller's Office has completed its review of transfers required under both Sections 34167.5 and 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the AUP report. If this has not yet occurred, perform the following procedures:
 - A. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the former redevelopment agency to the city, county, or city and county that formed the redevelopment agency for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
 - B. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Successor Agency to the city, county, or city and county that formed the redevelopment agency for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

- C. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

Results:

2. A. The Successor Agency provided us with a schedule of transfers for the above period (see Attachment B), which includes a transfer of \$1,491,170 to the City of Yucaipa, during the above period. This transfer was for repayment of prior years' advances from the City. The schedule also lists \$161,537 in property transfers to the City. Also included at Attachment B is a schedule detailing the calculation of the above \$1,491,170, including interest.

2. B. No such transfers were reported.

2. C. For the transfer of \$1,491,170 in cash to the City, the Successor Agency provided us with a schedule of the original loan amounts made to the Redevelopment Agency, and the balance owed and amount repaid on February 28, 2011, including interest. The Successor Agency provided us with copies of the Resolutions, as listed at Attachment B, authorizing the original loans. We agreed these Resolutions to the original loan amounts on the attached schedule. For the \$10,000 loan made in the 1992-93 fiscal year, the Successor Agency provided us with copies of minutes from a Council Meeting approving the loan. While reviewing these documents, we noted the \$10,000 loan did not include a description of the applicable interest rate, and Resolution No. 95-18 relating to the \$28,000 loan indicated an interest rate equivalent to the LAIF rate. No other legal documents were provided to us regarding the \$1,491,170 transfer to the City.

Regarding the above \$161,537 property transfer to the City, the Successor Agency provided us with a listing of the three properties, along with purchase price (included at Attachment B), and also copies of Resolutions 2011-13 and 2011-14 (dated 3-7-11) approving the transfer and assignment of property from the Redevelopment Agency to the City of Yucaipa. The Resolutions included the APN numbers of the transferred properties. Copies of the applicable Resolutions are included at Attachment B.

Citation:

34179.5(c)(3) The dollar value of any cash or cash equivalents transferred after January 1, 2011, through June 30, 2012, by the redevelopment agency or the successor agency to any other public agency or private party and the purpose of each transfer. The review shall provide documentation of any enforceable obligation that required the transfer.

Suggested Procedure(s):

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

- A. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) [from the former redevelopment agency to any other public agency or to private parties for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
- B. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) [from the Successor Agency to any other public agency or private parties for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
- C. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

Results:

3. A. and B. The Successor Agency indicated there were no transfers as described above, except for the payment of goods and services. Therefore, these steps are not applicable.

3. C. Not applicable - see above.

Citation:

34179.5(c)(4) The review shall provide expenditure and revenue accounting information and identify transfers and funding sources for the 2010–11 and 2011–12 fiscal years that reconciles balances, assets, and liabilities of the successor agency on June 30, 2012 to those reported to the Controller for the 2009–10 fiscal year.

Suggested Procedure(s):

4. Perform the following procedures:
 - A. Obtain from the Successor Agency a summary of the financial transactions of the Redevelopment Agency and the Successor Agency in the format set forth in the attached schedule for the fiscal periods indicated in the schedule. For purposes of this summary, the financial transactions should be presented using the modified accrual basis of accounting. End of year balances for capital assets (in total) and long-term liabilities (in total) should be presented at the bottom of this summary schedule for information purposes.
 - B. Ascertain that for each period presented, the total of revenues, expenditures, and transfers accounts fully for the changes in equity from the previous fiscal period.

- C. Compare amounts in the schedule relevant to the fiscal year ended June 30, 2010 to the state controller's report filed for the Redevelopment Agency for that period.
- D. Compare amounts in the schedule for the other fiscal periods presented to account balances in the accounting records or other supporting schedules. Describe in the report the type of support provided for each fiscal period.

Results:

4. *A. and B.* We obtained the attached schedule (Attachment C) as required. For the periods presented, the total of revenues, expenditures, and transfers accounts fully for the changes in equity from the previous fiscal period. The total transfers reported in the second column (year ended 6/30/11) include \$6,055,631 in bond proceeds and \$48,425 in advances from the City of Yucaipa.

4. *C.* We compared the amounts in the schedule relevant to the fiscal year ended June 30, 2010 to the state controller's report filed for the Redevelopment Agency for that period. No exceptions were noted, except for the \$31,065 reported as capital assets at the bottom of the schedule. No capital assets were reported in the state controller's report filed for that year. However, the Redevelopment Agency purchased a piece of property for \$31,065 in that fiscal year, which was eventually transferred to the City of Yucaipa.

4. *D.* The amounts for the fiscal year ended June 30, 2011 were compared to the audited financial statements of the former Redevelopment Agency. No discrepancies were noted, except for the \$803,562 reported as capital assets at the bottom of the schedule. Although the Redevelopment Agency purchased properties for this amount, they were not included in the Redevelopment Agency financial statements, but were, for the most part, included in the City's financial statements. All these properties were eventually transferred to the City of Yucaipa. For the other two periods presented, we agreed the amounts to accounting records provided to us by the City. No discrepancies were noted.

Citation:

34179.5(c)(5) A separate accounting for the balance for the Low and Moderate Income Housing Fund for all other funds and accounts combined shall be made as follows:

(A) A statement of the total value of each fund as of June 30, 2012.

Suggested Procedure(s):

- 5. Obtain from the Successor Agency a listing of all assets of the Low and Moderate Income Housing Fund as of June 30, 2012 for the report that is due October 1, 2012 and a listing of all assets of all other funds of the Successor Agency as of June 30, 2012 (excluding the previously reported assets of the Low and Moderate Income Housing Fund) for the report that is due December 15, 2012. When this procedure is applied to the Low and Moderate Income Housing Fund, the schedule attached as an exhibit will include only those assets of the Low and Moderate Income Housing Fund that were held by the Successor Agency as of June 30, 2012 and will exclude all assets held by the entity that assumed the housing function previously performed by the former redevelopment

agency. Agree the assets so listed to recorded balances reflected in the accounting records of the Successor Agency. The listings should be attached as an exhibit to the appropriate AUP report.

Results:

The Successor Agency provided us with the attached schedule (Attachment D), which lists total assets of \$4,217,810 held by the Successor Agency as of June 30, 2012. We agreed the amounts on the schedule to the accounting records of the Successor Agency as of June 30, 2012. No exceptions were noted, except for the \$443,759 reported as "Due from City." That amount was not included in the Successor Agency's accounting records.

Citation:

34179.5(c)(5)(B) An itemized statement listing any amounts that are legally restricted as to purpose and cannot be provided to taxing entities. This could include the proceeds of any bonds, grant funds, or funds provided by other governmental entities that place conditions on their use.

Suggested Procedure(s):

6. Obtain from the Successor Agency a listing of asset balances held on June 30, 2012 that are restricted for the following purposes:

A. Unspent bond proceeds:

- i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures, amounts set aside for debt service payments, etc.)
- ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
- iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.

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

- i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).
- ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
- iii. Obtain from the Successor Agency a copy of the grant agreement that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of

language restricting the use of the balances that were identified by the Successor Agency as restricted.

C. Other assets considered to be legally restricted:

- i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).
- ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
- iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.

D. Attach the above mentioned Successor Agency prepared schedule(s) as an exhibit to the AUP report. For each restriction identified on these schedules, indicate in the report the period of time for which the restrictions are in effect. If the restrictions are in effect until the related assets are expended for their intended purpose, this should be indicated in the report.

Results:

The Successor Agency provided us with the schedule at Attachment E listing \$3,151,322 in cash balances that were restricted as of June 30, 2012. Included in the schedule is \$768,082 in bond reserve funds, which we agreed to the Successor Agency's accounting records and also to June 30, 2012 statements obtained from the fiscal agent for the bond issues. These funds are set aside for debt service in accordance with the applicable bond documents. Also included in the above \$3,151,322 are \$479,399 in amounts already expended at June 30, 2012, and which are recorded as accounts payable. We agreed these amounts to the Successor Agency's accounting records as of June 30, 2012. \$370,368 of the above \$479,399 relates to pass-through payments owed to affected taxing entities at June 30, 2012, while the remainder represents miscellaneous payables at year-end, including payables from restricted bond proceeds (see below). We agreed \$414,758 of the above \$479,399 to the disbursements subsequent to June 30, 2012, including the supporting documentation (i.e., invoices, etc.).

Also included in restricted assets at June 30, 2012 is \$443,759 which is listed as "Due from City" at Attachment D. It appears this receivable is not included in the Successor Agency's accounting records, but is included in the schedule of total assets held by the Successor Agency as of June 30, 2012 (procedure No. 5). It represents amounts previously loaned by the General Fund to the former Redevelopment Agency, but repaid as of June 30, 2012.

Also included at Attachment E is the Successor Agency's calculation of unspent bond proceeds as of June 30, 2012 (total of \$1,460,083). The net unspent bond proceeds include original bond proceeds of \$5,248,137 for the 2010 TABs, less expenditures through June 30, 2012 of \$3,788,054. We verified the \$3,788,054 reported as expenditures at Attachment E with accounting reports provided by the Successor Agency. The original bond proceeds

amount was verified with bond documents, the June 30, 2011 audited financial statements of the Redevelopment Agency, and schedules provided by the Successor Agency. Attachment E lists various projects approved by the City Council for the bond proceeds, and the amount expended through June 30, 2012. For the projects approved by the City Council, we agreed the Facade Improvement project, the Uptown Streetscape - Yucaipa Blvd project, the Wilson Business Park project, and the Technology Based Manufacturing Development Initiative project to CIP budgets approved by the City Council.

The total restricted balances at June 30, 2012, as calculated by the Successor Agency (Attachment E), amounts to \$3,151,322. The restrictions are in effect until the related assets are expended for their intended purpose.

Citation:

34179.5(c)(5)(C) An itemized statement of the values of any assets that are not cash or cash equivalents. This may include physical assets, land, records, and equipment. For the purpose of this accounting, physical assets may be valued at purchase cost or at any recently estimated market value. The statement shall list separately housing-related assets.

Suggested Procedure(s):

7. Perform the following procedures:
 - A. Obtain from the Successor Agency a listing of assets as of June 30, 2012 that are **not** liquid or otherwise available for distribution (such as capital assets, land held for resale, long-term receivables, etc.) and ascertain if the values are listed at either purchase cost (based on book value reflected in the accounting records of the Successor Agency) or market value as recently estimated by the Successor Agency.
 - B. If the assets listed at 7(A) are listed at purchase cost, trace the amounts to a previously audited financial statement (or to the accounting records of the Successor Agency) and note any differences.
 - C. For any differences noted in 7(B), inspect evidence of disposal of the asset and ascertain that the proceeds were deposited into the Successor Agency trust fund. If the differences are due to additions (this generally is not expected to occur), inspect the supporting documentation and note the circumstances.
 - D. If the assets listed at 7(A) are listed at recently estimated market value, inspect the evidence (if any) supporting the value and note the methodology used. If no evidence is available to support the value and/or methodology, note the lack of evidence.

Results:

The Successor Agency did not provide a listing of assets that are not liquid or otherwise available for distribution. Therefore, the above procedures are not applicable.

Citation:

34179.5(c)(5)(D) An itemized listing of any current balances that are legally or contractually dedicated or restricted for the funding of an enforceable obligation that identifies the nature of the dedication or restriction and the specific enforceable obligation. In addition, the successor agency shall provide a listing of all approved enforceable obligations that includes a projection of annual spending requirements to satisfy each obligation and a projection of annual revenues available to fund those requirements. If a review finds that future revenues together with dedicated or restricted balances are insufficient to fund future obligations and thus retention of current balances is required, it shall identify the amount of current balances necessary for retention. The review shall also detail the projected property tax revenues and other general purpose revenues to be received by the successor agency, together with both the amount and timing of the bond debt service payments of the successor agency, for the period in which the oversight board anticipates the successor agency will have insufficient property tax revenue to pay the specified obligations.

Suggested Procedure(s):

8. Perform the following procedures:
 - A. If the Successor Agency believes that asset balances need to be retained to satisfy enforceable obligations, obtain from the Successor Agency an itemized schedule of asset balances (resources) as of June 30, 2012 that are dedicated or restricted for the funding of enforceable obligations and perform the following procedures. The schedule should identify the amount dedicated or restricted, the nature of the dedication or restriction, the specific enforceable obligation to which the dedication or restriction relates, and the language in the legal document that is associated with the enforceable obligation that specifies the dedication of existing asset balances toward payment of that obligation.
 - i. Compare all information on the schedule to the legal documents that form the basis for the dedication or restriction of the resource balance in question.
 - ii. Compare all current balances to the amounts reported in the accounting records of the Successor Agency or to an alternative computation.
 - iii. Compare the specified enforceable obligations to those that were included in the final Recognized Obligation Payment Schedule approved by the California Department of Finance.
 - iv. Attach as an exhibit to the report the listing obtained from the Successor Agency. Identify in the report any listed balances for which the Successor Agency was unable to provide appropriate restricting language in the legal document associated with the enforceable obligation.

Results:

The Successor Agency did not provide a schedule described above, for asset balances as of June 30, 2012 that are dedicated or restricted for the funding of enforceable obligations. Therefore, the above procedures are not applicable.

- B. If the Successor Agency believes that future revenues together with balances dedicated or restricted to an enforceable obligation are insufficient to fund future obligation payments and thus retention of current balances is required, obtain from the Successor Agency a schedule of approved enforceable obligations that includes a projection of the annual spending requirements to satisfy each obligation and a projection of the annual revenues available to fund those requirements and perform the following procedures:
- i. Compare the enforceable obligations to those that were approved by the California Department of Finance. Procedures to accomplish this may include reviewing the letter from the California Department of Finance approving the Recognized Enforceable Obligation Payment Schedules for the six month period from January 1, 2012 through June 30, 2012 and for the six month period July 1, 2012 through December 31, 2012.
 - ii. Compare the forecasted annual spending requirements to the legal document supporting each enforceable obligation.
 - a. Obtain from the Successor Agency its assumptions relating to the forecasted annual spending requirements and disclose in the report major assumptions associated with the projections.
 - iii. For the forecasted annual revenues:
 - a. Obtain from the Successor Agency its assumptions for the forecasted annual revenues and disclose in the report major assumptions associated with the projections.

Results:

The Successor Agency did not provide a schedule of approved enforceable obligations described above. Therefore, the above procedures are not applicable.

- B. If the Successor Agency believes that projected property tax revenues and other general purpose revenues to be received by the Successor Agency are insufficient to pay bond debt service payments (considering both the timing and amount of the related cash flows), obtain from the Successor Agency a schedule demonstrating this insufficiency and apply the following procedures to the information reflected in that schedule.
- i. Compare the timing and amounts of bond debt service payments to the related bond debt service schedules in the bond agreement.
 - ii. Obtain the assumptions for the forecasted property tax revenues and disclose major assumptions associated with the projections.
 - iii. Obtain the assumptions for the forecasted other general purpose revenues and disclose major assumptions associated with the projections.

Results:

The Successor Agency did not provide the schedule described above. Therefore, the above procedures do not apply.

- C. If procedures A, B, or C were performed, calculate the amount of current unrestricted balances necessary for retention in order to meet the enforceable obligations by performing the following procedures.
- i. Combine the amount of identified current dedicated or restricted balances and the amount of forecasted annual revenues to arrive at the amount of total resources available to fund enforceable obligations.
 - ii. Reduce the amount of total resources available by the amount forecasted for the annual spending requirements. A negative result indicates the amount of current unrestricted balances that needs to be retained.
 - iii. Include the calculation in the AUP report.

Results:

Not applicable - no procedures performed for A, B or C above.

Citation:

34179.5(c)(5)(E) An itemized list and analysis of any amounts of current balances that are needed to satisfy obligations that will be placed on the Recognized Obligation Payment Schedules for the current fiscal year.

Suggested Procedure(s):

9. If the Successor Agency believes that cash balances as of June 30, 2012 need to be retained to satisfy obligations on the Recognized Obligation Payment Schedule (ROPS) for the period of July 1, 2012 through June 30, 2013, obtain a copy of the final ROPS for the period of July 1, 2012 through December 31, 2012 and a copy of the final ROPS for the period January 1, 2013 through June 30, 2013. For each obligation listed on the ROPS, the Successor Agency should add columns identifying (1) any dollar amounts of existing cash that are needed to satisfy that obligation and (2) the Successor Agency's explanation as to why the Successor Agency believes that such balances are needed to satisfy the obligation. Include this schedule as an attachment to the AUP report.

Results:

Attachment F represents a schedule provided by the Successor Agency, indicating that total cash balances of \$969,721 need to be retained to satisfy obligations on the ROPS for the above periods. The schedule provides a description of the obligation and the amount of cash which needs to be retained for each obligation. We agreed the amounts on the attached schedule to a copy of the ROPS II (included at Attachment F), except for the first line indicating \$70,000 should be retained, and the \$50,885 amount on the fifth line, which appears to be included on the ROPS III.

Citation:

34179.5(c)(6) The review shall total the net balances available after deducting the total amounts described in subparagraphs (B) to (E), inclusive, of paragraph (5). The review shall add any amounts that were transferred as identified in paragraphs (2) and (3) of subdivision (c) if an enforceable obligation to make that transfer did not exist. The resulting sum shall be available for allocation to affected taxing entities pursuant to Section 34179.6. It shall be a rebuttable presumption that cash and cash equivalent balances available to the successor agency are available and sufficient to disburse the amount determined in this paragraph to taxing entities. If the review finds that there are insufficient cash balances to transfer or that cash or cash equivalents are specifically obligated to the purposes described in subparagraphs (B), (D), and (E) of paragraph (5) in such amounts that there is insufficient cash to provide the full amount determined pursuant to this paragraph, that amount shall be demonstrated in an additional itemized schedule.

Suggested Procedure(s):

10. Include (or present) a schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Entities. Amounts included in the calculation should agree to the results of the procedures performed in each section above. The schedule should also include a deduction to recognize amounts already paid to the County Auditor-Controller on July 12, 2012 as directed by the California Department of Finance. The amount of this deduction presented should be agreed to evidence of payment. The attached example summary schedule may be considered for this purpose. Separate schedules should be completed for the Low and Moderate Income Housing Fund and for all other funds combined (excluding the Low and Moderate Income Housing Fund).

Results:

See schedule at Attachment G.

Suggested Procedure(s):

11. Obtain a representation letter from Successor Agency management acknowledging their responsibility for the data provided to the practitioner and the data presented in the report or in any attachments to the report. Included in the representations should be an acknowledgment that management is not aware of any transfers (as defined by Section 34179.5) from either the former redevelopment agency or the Successor Agency to other parties for the period from January 1, 2011 through June 30, 2012 that have not been properly identified in the AUP report and its related exhibits. Management's refusal to sign the representation letter should be noted in the AUP report as required by attestation standards.

Results:

The required representation letter from the Successor Agency management was obtained. We verified the letter included the provisions described above.

Attachment B

H&S §34179.5 (c)(2)

Transfers: Between 1/1/11 and 1/31/12 to the City

Date of Transfer	Asset Description	Asset Value	Legal Document	Enforceable Obligation?
2/28/2011	Cash - Repayment of l	\$ 1,491,169.59	Repayment of GF Loan to RDA	
3/7/2011	Property - APN 0319-C	\$ 31,064.67	Transfer and Assignment of Properties	
3/7/2011	Property - APN 0319-C	\$ 87,497.50	Transfer and Assignment of Properties	
3/7/2011	Property - APN 0319-C	\$ 42,975.00	Transfer and Assignment of Properties	

Transfers: Between 2/1/12 and 6/30/12 to the City

Date of Transfer	Asset Description	Asset Value	Legal Document	Enforceable Obligation?
None				

H&S §34179.5 (c)(3)

Transfers: Between 1/1/11 and 6/30/12 to any other public agency

Date of Transfer	Asset Description	Asset Value	Legal Document	Enforceable Obligation?
None				

Attachment B - Continued

As of 2-28-11

CITY OF YUCAIPA
REDEVELOPMENT INTEREST SCHEDULE

LOAN DATE	Date Adopted	City Resolution	AMOUNT	INTEREST RATE	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	INTEREST 2011-2012
1990-91	1/28/1991	91-013	100,000	8.27%	25,955.30	28,101.80	30,425.82	32,942.03	35,666.34	38,615.95	25,743.96
1992-93	6/22/1992	92-30	100,000	5.40%	10,696.47	11,276.19	11,885.10	12,526.90	13,203.35	13,916.33	9,277.55
1992-93	1/11/1993	No. reso.	10,000	5.40%	1,043.44	1,098.73	1,158.06	1,220.60	1,286.51	1,355.98	903.99
1994-95	6/27/1994	94-24	125,000	5.40%	11,523.94	12,146.23	12,802.13	13,493.46	14,222.09	14,990.09	9,993.39
1994-95	3/27/1995	95-18	28,000	5.75%	2,842.97	3,006.44	3,179.31	3,362.12	3,555.44	3,759.88	2,505.58
					52,063.12	55,629.39	59,450.42	63,545.10	67,933.74	72,638.22	48,435.48
1990-91			100,000	8.27%	339,804.11	367,905.91	398,331.73	431,273.77	466,940.11	505,556.05	492,684.07
1992-93			100,000	5.40%	208,818.30	220,094.49	231,879.59	244,506.49	257,709.84	271,626.17	266,987.39
1994-95			125,000	5.40%	20,346.91	21,445.64	22,603.70	23,824.30	25,110.82	26,466.80	26,014.81
1994-95			28,000	5.75%	52,285.87	55,292.31	58,471.62	61,833.73	65,389.17	69,149.05	67,895.76
					846,186.45	901,814.85	961,265.27	1,024,810.37	1,092,744.10	1,165,362.83	1,141,169.59
											350,000.00
											1,491,169.59

Attachment B - Continued

Yucaipa Redevelopment Agency
Agency Owned Properties

Transferred on March 7, 2011

- 35157 Yucaipa Blvd (Barber Shop)
 - APN: 0319-061-05
 - Purchased in FY 09/10 for \$31,064.67
 - Use: Uptown Streetscape construction office
- Verizon Parking Lot (1st Street @ Ave A)
 - APN: 0319-051-37
 - Purchased in FY 10/11 for \$87,497.50
 - Use: Parking lot
- Martines Parking Lot
 - APN: 0319-061-25
 - Purchased in FY 10/11 for \$42,975.00
 - Use: Parking Lot

RESOLUTION NO. 2011-13

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF YUCAIPA APPROVING AND ACCEPTING THE TRANSFER AND ASSIGNMENT OF PROPERTY FROM THE YUCAIPA REDEVELOPMENT AGENCY PURSUANT TO HEALTH AND SAFETY CODE SECTIONS 33445.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF YUCAIPA DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. Findings. The City Council hereby finds, determines and declares that:

1.1 The Redevelopment Agency of the City of Yucaipa ("Agency") is a community redevelopment agency duly organized and existing under the Community Redevelopment Law ("CRL"), Health and Safety Code Sections 33000 et seq. and has been authorized to transact business and exercise the powers of a redevelopment agency pursuant to action of the City Council of the City of Yucaipa.

1.2 The Redevelopment Agency owns two properties (APN 0319-061-05 and APN 0319-051-37) and desires to transfer these properties to the City of Yucaipa for use as public parking.

1.3 The Redevelopment Agency is in escrow to purchase a property (APN 0319-061-25) and desires to assign its rights, interests and obligations under the Purchase and Sale Agreement and Escrow Instructions to the City of Yucaipa. The City of Yucaipa authorizes the payment by the Yucaipa Redevelopment Agency of the purchase price and estimated closing costs.

1.4 The City of Yucaipa accepts the transfer and assignment of the properties and authorizes the City Manager to sign the Certificate of Acceptance.

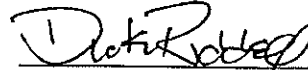
1.5 The acquisition of the land or the installation or construction of the buildings, facilities, structures, or other improvements that are publicly owned are of benefit to the project area by helping to eliminate blight within the project area.

1.6 That no other reasonable means of financing the acquisition of the land or the installation or construction of the buildings, facilities, structures, or other improvements that are publicly owned, are available to the community.

1.7 That the payment of funds for the acquisition of land or the cost of buildings, facilities, structures, or other improvements that are publicly owned is consistent with the implementation plan adopted pursuant to Section 33490.

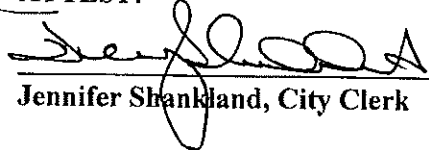
SECTION 2. Certification. The City Clerk shall certify the adoption of this Resolution.

THE FOREGOING RESOLUTION IS PASSED, APPROVED AND ADOPTED BY THE CITY COUNCIL OF THE CITY OF YUCAIPA THIS SEVENTH (7th) DAY OF MARCH, 2011.



Dick Riddell, Mayor

ATTEST:



Jennifer Shankland, City Clerk

APPROVED AS TO FORM:



Amy Greyson, Interim City Attorney

YUCAIPA REDEVELOPMENT AGENCY

RESOLUTION NO. 2011-14

A RESOLUTION OF THE YUCAIPA REDEVELOPMENT AGENCY APPROVING THE TRANSFER AND ASSIGNMENT OF PROPERTY FROM THE YUCAIPA REDEVELOPMENT AGENCY TO THE CITY OF YUCAIPA PURSUANT TO HEALTH AND SAFETY CODE SECTION 33445.

NOW, THEREFORE, THE YUCAIPA REDEVELOPMENT AGENCY DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. Findings. The Yucaipa Redevelopment Agency hereby finds, determines and declares that:

1.1 The Redevelopment Agency of the City of Yucaipa ("Agency") is a community redevelopment agency duly organized and existing under the Community Redevelopment Law ("CRL"), Health and Safety Code Sections 33000 et seq. and has been authorized to transact business and exercise the powers of a redevelopment agency pursuant to action of the City Council of the City of Yucaipa.

1.2 The Redevelopment Agency owns two properties (APN 0319-061-05 and APN 0319-051-37) and desires to transfer these properties to the City of Yucaipa for use as public parking.

1.3 The Redevelopment Agency is in escrow to purchase a property (APN 0319-061-25) and desires to assign its rights, interests and obligations under the Purchase and Sale Agreement and Escrow Instructions to the City of Yucaipa. The Agency will pay the purchase price, and the property will be used for public parking.

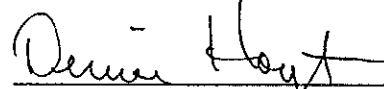
1.4 The acquisition of the land or the installation or construction of the buildings, facilities, structures, or other improvements that are publicly owned are of benefit to the project area by helping to eliminate blight within the project area.

1.5 That no other reasonable means of financing the acquisition of the land or the installation or construction of the buildings, facilities, structures, or other improvements that are publicly owned, are available to the community.

1.6 That the payment of funds for the acquisition of land or the cost of buildings, facilities, structures, or other improvements that are publicly owned is consistent with the implementation plan adopted pursuant to Section 33490.


SECTION 2. Certification. The Agency Secretary shall certify the adoption of this Resolution.

THE FOREGOING RESOLUTION IS PASSED, APPROVED AND ADOPTED BY
GOVERNING BOARD OF THE YUCAIPA REDEVELOPMENT AGENCY OF THE CITY
OF YUCAIPA THIS SEVENTH (7th) DAY OF MARCH, 2011.



Denise Hoyt, Chairperson

ATTEST:



Jennifer Shankland, Agency Secretary

APPROVED AS TO FORM:



Amy Greyson, Interim City Attorney

Attachment C

**Yucaipa Redevelopment Agency
Due Diligence Review
H&S §34179.5 (c)(4)**

	Redevelopment Agency 12 Months Ended 6/30/2010	Redevelopment Agency 12 Months Ended 6/30/2011	Redevelopment Agency 7 Months Ended 1/31/2012	Successor Agency 5 Months Ended 6/30/2012
Assets (modified accrual basis)				
Cash	\$ 5,691,950	\$ 8,307,137	\$ 3,931,777	\$ 3,052,259
Cash With Fiscal Agents	246,568	779,707	\$ 767,981	768,082
Due From Other Funds	243,561	1,054,475	745,679	745,679
Accounts Receivable	109,270	54,891	-	-
Interest Receivable	-	-	-	3,710
Total Assets	\$ 6,291,349	\$ 10,196,210	\$ 5,445,438	\$ 4,569,731
Liabilities (modified accrual basis)				
Accounts Payable	\$ 500,812	\$ 854,109	\$ -	\$ 479,046
Due to Other Funds	243,561	1,054,475	745,679	745,679
Medical Insurance Payable	-	-	-	349
Misc. Employee Deductions	-	-	-	3
Other Liabilities	3,190	-	-	-
Total Liabilities	\$ 747,563	\$ 1,908,584	\$ 745,679	\$ 1,225,078
Equity	5,543,786	8,287,626	4,699,758	3,344,653
Total Liabilities + Equity	\$ 6,291,349	\$ 10,196,210	\$ 5,445,437	\$ 4,569,731
Total Revenues:	\$ 1,972,147	\$ 2,042,408	\$ 1,234,794	\$ 413,330
Total Expenditures:	\$ 1,957,655	\$ 5,402,624	\$ 4,822,760	\$ 1,217,042
Total Transfers:	\$ 67,934	\$ 6,104,056	\$ -	\$ (551,296)
Net change in equity	\$ 82,426	\$ 2,743,840	\$ (3,587,966)	\$ (1,355,008)
Beginning Equity:	\$ 5,461,360	\$ 5,543,786	\$ 8,287,626	\$ 4,699,660
Ending Equity:	\$ 5,543,786	\$ 8,287,626	\$ 4,699,660	\$ 3,344,652
Other Information (show year end balances for all three years presented):				
Capital assets as of end of year	\$ 31,065	\$ 803,562		
Long-term debt as of end of year	\$ 3,932,745	\$ 8,489,786	\$ 8,288,941	\$ 8,288,941

Attachment D

**Yucaipa Redevelopment Agency
Listing of Assets
As of June 30, 2012**

Assets	Fund 80	Fund 82	Fund 84	Fund 85	Fund 86	Fund 87	Fund 89	Total
1010 Cash	929,894.91	95,708.47	57.19	827,540.00	760,745.46	14,585.88	373,727.39	3,002,259.30
1012 Cash With Fiscal Agent - 1998 TABs		54,420.41	-	-	-	-	-	54,420.41
1013 Cash With Fiscal Agent - 2004 TABs		191,073.01	-	-	-	-	-	191,073.01
1014 Cash With Fiscal Agent - 2010 TABs		522,588.90	-	-	-	-	-	522,588.90
1201 Accounts Receivable	-	-	-	-	-	-	-	-
1250 Interest Receivable	486.16	58.11	15.70	-	3,150.34	-	-	3,710.31
1500 Due From Other Funds	-	-	-	-	-	-	-	-
Due from City	-	-	-	-	443,758.50	-	-	443,758.50
Land	-	-	-	-	-	-	-	-
Total Assets	930,381.07	863,848.90	72.89	827,540.00	1,207,654.30	14,585.88	373,727.39	4,217,810.43

Attachment E

**Yucaipa Redevelopment Agency
Listing of Liabilities
As of June 30, 2012**

	Fund 80	Fund 82	Fund 84	Fund 85	Fund 86	Fund 87	Fund 89	Total
Liabilities								
2101 Accounts Payable	374,484.42	-	-	54,290.91	26,250.00	24,020.98	-	479,046.31
2134 Medical Insurance Payable	349.21	-	-	-	-	-	-	349.21
2135 Misc. Employee Deductions	3.06	-	-	-	-	-	-	3.06
2500 Due To Other Funds	-	-	-	-	-	-	-	-
Bond Reserve Funds	-	768,082.32	-	-	-	-	-	768,082.32
Repayment of General Fund Loan after 2 years of RDA	-	-	-	-	443,758.50	-	-	443,758.50
Total Liabilities	374,836.69	768,082.32	-	54,290.91	470,008.50	24,020.98	-	1,691,239.40
Unspent Bond Proceeds - 2010 Tax Allocation Bonds								
SLO - Façade Improvement	-	-	-	-	817.34	-	-	817.34
SLO - Electronic Message Board	-	-	-	-	42,628.31	-	-	42,628.31
Uptown Streetscape - Yucaipa Blvd	-	-	-	-	-	-	-	-
Wilson Business Park	-	-	-	-	60,500.00	-	-	60,500.00
Dunlap Drain	-	-	-	-	288,500.67	-	-	288,500.67
Technology Based Manufacturing Development Initiative (TBMDI)	-	-	-	-	254,320.55	-	-	254,320.55
Repayment of General Fund Loan - Set Aside In General Fund	-	-	-	-	651,983.32	-	-	651,983.32
Amount required to complete Uptown Streetscape Project	-	-	-	-	93,696.13	-	-	93,696.13
Additional Façade Improvement Program	-	-	-	-	60,000.00	-	-	60,000.00
Unallocated Bond Proceeds	-	-	-	-	7,636.75	-	-	7,636.75
Total Unspent Bond Proceeds	-	-	-	-	1,460,083.07	-	-	1,460,083.07
Total Liabilities and Unspent Bond Proceeds:	374,836.69	768,082.32	-	54,290.91	1,930,091.57	24,020.98	-	3,151,322.47

Attachment E - continued

**Yucaipa Redevelopment Agency
Tax Allocation Bond Proceeds**

	General Ledger Account / Notes		
	Allocated	Expended	Remaining
1998 TAB Proceeds			
Net Bond Proceeds (after Reserve, Cost of Issuance, etc)	\$ 590,822.50		
Uptown Streetscape - California Street	\$ 565,099.49	565,099.49	
Uptown Streetscape - Yucaipa Blvd	\$ 24,000.00	24,000.00	
Total Council Actions	\$ 589,099.49	\$ 589,099.49	
Total Available after Council Actions	\$ 1,723.01		

2004 TAB Proceeds			
Net Bond Proceeds (after Reserve, Cost of Issuance, etc)	\$ 2,123,283.12		
Chicken Springs Wash	\$ 1,310,283.12	1,310,283.12	
Uptown Streetscape - Yucaipa Blvd	\$ 813,000.00	813,000.00	
Total Council Actions	\$ 2,123,283.12	\$ 2,123,283.12	
Total Available after Council Actions	\$ -		

2010 TAB Proceeds			
Net Bond Proceeds (after Reserve, Cost of Issuance, etc)	\$ 5,248,136.75		
Council Actions:			
SLO - Façade Improvement	120,000.00	119,192.66	817.34
SLO - Electronic Message Board	75,000.00	32,371.69	42,628.31
Uptown Streetscape - Yucaipa Blvd	2,925,000.00	2,925,000.00	
Wilson Business Park	60,500.00		60,500.00
Dunlap Drain	1,000,000.00	711,499.33	288,500.67
Technology Based Manufacturing Development Initiative	254,320.55		254,320.55
Repayment of General Fund Loan - Set Aside in General Fund	651,983.32		651,983.32
Amount required to complete Uptown Streetscape Project	93,696.13		93,696.13
Additional Façade Improvement Program	60,000.00		60,000.00
Total Council Actions:	\$ 5,240,500.00	3,786,053.68	1,452,446.32
Total Available after Council Actions	\$ 7,636.75		

Total TAB allocated to Uptown Streetscape project: \$ 2,926,723.01

Attachment F

**Yucaipa Redevelopment Agency
Cash Balances Obligated
As of June 30, 2012**

Obligations:	ROPS #	Page - Line	Fund 80	Fund 85	Fund 89	Total
Set Aside for ROPS 2 Debt Service Principal Payment	Per SB County		70,000.25			70,000.25
Shortage in ROPS 2 (July - December 2012)	Coverage of ROPS 2 Shortage		84,104.59		(84,104.59)	-
Senior Housing Project Development Impact Fees	ROPS 2	Pg 2 - 5	360,648.22			360,648.22
ROPS 2 Approved Façade Improvement Program	ROPS 2	Pg 2 - 1	30,356.00			30,356.00
Amount required to complete Uptown Streetscape Project	ROPS 3	Pg 1 - 16		50,884.71		50,884.71
ROPS 2 - Bond Payments	ROPS 2	Pg 1 - 1, 2, & 3			277,193.50	277,193.50
ROPS 2 - Audit Services	ROPS 2	Pg 1 - 5			3,000.00	3,000.00
ROPS 2 - Agency Counsel	ROPS 2	Pg 1 - 6			6,000.00	6,000.00
ROPS 2 - Agency Counsel	ROPS 2	Pg 1 - 7			30,000.00	30,000.00
ROPS 2 - Community Development Consultant	ROPS 2	Pg 1 - 8			8,800.00	8,800.00
ROPS 2 - Oversight Committee Expenditures	ROPS 2	Pg 1 - 9			4,999.98	4,999.98
ROPS 2 - Administrative Allowance	ROPS 2	Pg 3 - 1 & 2			127,838.50	127,838.50
Total Obligations			545,109.06	50,884.71	373,727.39	969,721.16

Fund	Explanations for retaining cash balances
Fund 80	<p>\$70,000 is necessary to pay the uneven debt service payment not accounted for in ROPS 2. Initially, the ROPS 1 and ROPS 2 were submitted with an anticipated level debt service payment schedule. Because principal payments are only made one time per year, the ROPS should have reflected the uneven payment schedule.</p> <p>\$84,104.59 represents the amount of approved enforceable obligations in ROPS 2 in excess of the revenue available. The carryover balance is necessary to cover that deficit.</p> <p>\$360,648.22 represents an amount necessary to pay for an enforceable obligation approved in ROPS 2 from Other for a contractual commitment for a Senior Housing Project. Those Other funds were intended to come from this carryover balance. Paying this amount still leaves a funding deficit for this project in the amount of approximately \$45,000.</p> <p>\$30,356 represents the amount of contractual obligations approved in ROPS 1 that were not yet completed for a Façade Improvement Program. Because they were approved by the DOF, it is necessary to fund these obligations as there are no more revenues anticipated to be received to complete this obligation.</p>
Fund 85	\$50,884.71 represent funding that will be used to satisfy the final retention payment for a contract approved in ROPS 1 in the Uptown Streetscape Project.
Fund 89	The amount of \$373,727.39 was received prior to June 30, 2012 from the County of San Bernardino RPTIF for the approved enforceable obligations in ROPS 2. Please note that the amount received is \$84,104.59 short of the approved enforceable obligations making the funding identified in Fund 80 as carryover balances so critical.



April 27, 2012

Gregory A. Franklin, Director of Administrative Services
City of Yucaipa
34272 Yucaipa Blvd.
Yucaipa, CA 92399

Dear Mr. Franklin:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Yucaipa (City) submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 12, 2012, for the periods January through June 2012 and July through December 2012. Finance staff contacted you for clarification of items listed in the ROPS.

HSC section 34171 (d) lists enforceable obligations (EO) characteristics. Based on a sample of items reviewed and application of the law, the following items do not qualify as EOs:

January through June 2012 and July through December 2012 Periods

- HSC section 34163(b) prohibits a redevelopment agency (RDA) from entering into a contract with any entity after June 27, 2011. The contracts for the following items were not entered into prior to June 28, 2011:
 - Page 1, items 4 and 5, in the amount of \$1.8 million. The Participation Agreement stated that the former RDA was to enter into construction contracts; however, no construction contracts were provided. Further, the agreement did not specify the total contract amount.
 - Page 2, items 12, 14 and 16, in the amount of \$548,299.
- Page 2, item 8, in the amount of \$445,000. The City did not provide a contract document to support this item.
- Page 2, item 11, in the amount of 187,460. The contract did not identify the former RDA as a party to the contract.
- HSC section 34171(d)(2) states that loan agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable unless the loan agreements were entered into within the first two years of the date of the creation of the RDA. It is our understanding that the following items were loans not issued within the first two years of the former RDA's establishment date of 1990.
 - Page 2, items 13, 15, 17, and 18, in the amount of \$598,960.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for your reconsideration. This action will cause the specific ROPS items noted above to be ineffective

Mr. Franklin
April 27, 2012
Page 2

until Finance approval. Furthermore, items listed on future ROPS will be subject to review and may be denied as EOs.

If you believe we have reached this conclusion in error, please provide further evidence that the items questioned above meet the definition of an EO.

Please direct any inquiries to Chikako Takagi-Galamba, Supervisor or Cindie Lor, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL
Program Budget Manager

cc: Ms. Vanessa Doyle, Property Tax Manager, San Bernardino County Auditor Controller
Ms. Linda Santillano, Supervising Accountant, San Bernardino County Auditor Controller
Ms. Franciliza Zyss, Accountant III, San Bernardino County Auditor Controller



May 25, 2012

Gregory A. Franklin, Director of Administrative Services
City of Yucaipa
34272 Yucaipa Blvd.
Yucaipa, CA 92399

Dear Mr. Franklin:

Subject: Recognized Obligation Payment Schedule Approval Letter

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Yucaipa submitted Recognized Obligation Payment Schedules (ROPS) to the California Department of Finance (Finance) on April 12, 2012 for the periods January to June 2012 and July to December 2012. The Agency also submitted a revised ROPS on May 10, 2012 for the period July to December 2012. Finance is assuming appropriate oversight board approval. Finance has completed its review of your ROPS, which may have included obtaining clarification for various items.

In Finance's letter dated April 27, 2012, we identified the following items as not qualifying as enforceable obligations (EO) for both ROPS periods:

- Page 1, Items 4 and 5, in the amount of \$1.8 million
- Page 2, Items 12, 14 and 16, in the amount of \$548,299
- Page 2, Item 8, in the amount of \$445,000
- Page 2, Item 11, in the amount \$187,460
- Page 2, Items 13, 15, 17 and 18, in the amount of \$598,960

Based on review of information provided by the Agency on May 17, 2012, all items questioned remain as reported on our April 27, 2012 letter:

- Page 1, Items 4 and 5: The Agency provided a staff report defining the estimated costs for the project, but no valid contract was provided.
- Page 2, items 11, 12, 14 and 16: No additional information was provided.
- Page 2, item 8: The Agency provided a purchase order dated August 10, 2011, which was after June 28, 2011.
- Page 2, items 15, 17 and 18: The Agency provided loan agreements dated May 14, 2012, which was after June 28, 2011 and not signed within the first two years of the date of the creation of RDA.
- Page 2, item 13: The Agency stated this item was inadvertently included on the ROPS and was intended to be funded with other City sources.

Mr. Franklin
May 25, 2012
Page 3

The revised ROPS listed the items previously questioned in Finance's letter dated April 27, 2012 on Form E. Because our results remain as reported, items 13 to 23 on Form E on the revised ROPS for July to December 2012 are not EOs.

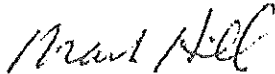
Except for items disallowed in whole or in part as enforceable obligations noted above, Finance is approving the remaining items listed in your ROPS. This is our determination with respect to any items funded from the Redevelopment Property Tax Trust Fund (RPTTF) for the June 1, 2012 property tax allocations. If your oversight board disagrees with our determination with respect to any items not funded with property tax, any future resolution of the disputed issue may be accommodated by amending the ROPS for the appropriate time period. Items not questioned during this review are subject to a subsequent review, if they are included on a future ROPS. If an item included on a future ROPS is not an enforceable obligation, Finance reserves the right to remove that item from the future ROPS, even if it was not removed from the preceding ROPS.

Please refer to Exhibit 12 at http://www.dof.ca.gov/assembly_bills_26-27/view.php for the amount of RPTTF that was approved by Finance based on the schedule submitted.

As you are aware the amount of available RPTTF is the same as the property tax increment that was available prior to ABx1 26. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available in the RPTTF.

Please direct inquiries to Chikako Takagi-Galamba, Supervisor or Cindie Lor, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL
Program Budget Manager

cc: Ms. Vanessa Doyle, Property Tax Manager, San Bernardino County Auditor Controller
Ms. Linda Santiliano, Supervising Accountant, San Bernardino County Auditor Controller
Ms. Fanciliza Zyss, Accountant III, San Bernardino County Auditor Controller

RESOLUTION NO. 2012-32

A RESOLUTION OF THE OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY TO THE CITY OF YUCAIPA REDEVELOPMENT AGENCY AMENDING RESOLUTION NO. 2012-28, APPROVING RECOGNIZED OBLIGATION PAYMENT SCHEDULES PURSUANT TO HEALTH AND SAFETY CODE SECTION 34180 FOR THE SIX-MONTH FISCAL PERIOD COMMENCING JANUARY 1, 2012 AND ENDING JUNE 30, 2012 AND THE SIX-MONTH FISCAL PERIOD COMMENCING JULY 1, 2012 AND ENDING DECEMBER 31, 2012, AND TAKING CERTAIN ACTIONS IN CONNECTION THEREWITH

RECITALS:

A. Health and Safety Code Section 34177 provides that before each six-month fiscal period, a successor agency to a former redevelopment agency must prepare a Recognized Obligation Payment Schedule ("ROPS") for the enforceable obligations of the former redevelopment agency in accordance with the requirements of Section 34177.

B. The Successor Agency to the City of Yucaipa Redevelopment Agency (the "Successor Agency") has submitted to the Oversight Board for the Successor Agency (the "Oversight Board") a ROPS for the six-month fiscal period that commences on July 1, 2012 and ends on December 31, 2012, attached hereto as Exhibit A and incorporated herein by reference (the "Second ROPS").

C. Pursuant to Health and Safety Code Section 34180(g), establishment of a ROPS by the Successor Agency shall be approved by the Oversight Board.

D. Health and Safety Code Section 34177(l)(2) provides that the First ROPS must be reviewed and certified, as to its accuracy, by an external auditor designated pursuant to Health and Safety Code Section 34182 and that the Oversight Board is to approve the certified First ROPS.

E. Pursuant to subdivisions (l)(2)(C) and (l)(3) of Health and Safety Code Section 34177, as modified by the California Supreme Court, a copy of the certified and approved First ROPS must be submitted to the California Department of Finance ("DOF") by April 15, 2012.

F. As of the date of this Resolution, the audit described in paragraph D has not yet been completed, and the First ROPS has not been reviewed and certified as to its accuracy by an external auditor.

G. DOF may review an oversight board action taken pursuant to AB X1 26. All oversight board actions shall not be effective for three business days, pending a request for review by DOF. In the event that DOF requests review of a given oversight board action, DOF shall have ten days from the date of its request to approve the oversight board action or return it to the oversight board for reconsideration and such oversight board action shall not be effective

Resolution No. 2012-32
Oversight Board for the Successor Agency
To the Yucaipa Redevelopment Agency

until approved by DOF. In the event that DOF returns the oversight board action to the oversight board for reconsideration, the oversight board shall resubmit the modified action for DOF approval and the modified oversight board action shall not become effective until approved by DOF.

H. On April 17, 2012, the DOF notified the Agency staff that the DOF would be requesting a review of one or more enforceable obligations contained in the Second ROPS. On April 27, 2012, the DOF sent a formal letter identifying the specific items that were being challenged and provided the Successor Agency with an opportunity to provide further evidence that the items questioned meet the definition of an enforceable obligation. The Second ROPS has been amended to isolate the items challenged by the DOF, pending final approval, and to make other clarifying amendments including a change in the submittal form, as requested by the office of the San Bernardino County Auditor-Controller.

NOW, THEREFORE, THE OVERSIGHT BOARD TO THE SUCCESSOR AGENCY TO THE YUCAIPA REDEVELOPMENT AGENCY, HEREBY FINDS, DETERMINES, RESOLVES, AND ORDERS AS FOLLOWS:

Section 1. The above recitals are true and correct and are a substantive part of this Resolution.

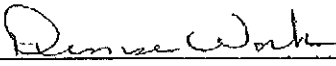
Section 2. This Resolution is adopted pursuant to Health and Safety Code Section 34180(g).

Section 3. Subject to certification of the First ROPS by an external audit in accordance with paragraph D hereof, the Oversight Board hereby approves the amended Second ROPS and hereby directs the staff of the Successor Agency to post the First ROPS and the amended Second ROPS on the Successor Agency's Internet website (being a page on the Internet website of the City of Yucaipa) and submit the amended Second ROPS to the County Auditor-Controller and State Controller's Office ("SCO") and to the DOF, together with a copy of this Resolution and the telephone number and email contact information for the Finance Officer of the Successor Agency, the official designated by the Oversight Board to whom DOF may make a request for review in connection with ROPS's. Unless the County Auditor-Controller, the SCO, or DOF directs otherwise, such submittal may be by mail or electronic means, and a notification providing the Internet website location of the posted documents will suffice.

Section 4. The officers of the Oversight Board and the staff of the Successor Agency are hereby authorized and directed, jointly and severally, to do any and all things which they may deem necessary or advisable to effectuate this Resolution.

Resolution No. 2012-32
Oversight Board for the Successor Agency
To the Yucaipa Redevelopment Agency

PASSED AND ADOPTED this 12TH day of JUNE, 2012.


Chair

ATTEST:

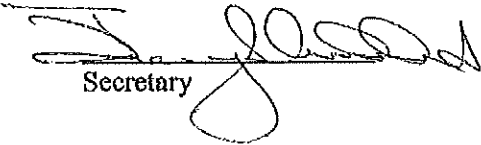

Secretary

EXHIBIT A

**SUCCESSOR AGENCY TO THE YUCAIPA REDEVELOPMENT AGENCY
RECOGNIZED OBLIGATION PAYMENT SCHEDULE
(July 1, 2012 through December 31, 2012)**

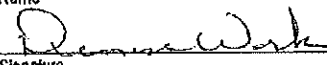
Exhibit A

RECOGNIZED OBLIGATION PAYMENT SCHEDULE - CONSOLIDATED
 FILED FOR THE July 2012 to December 2012 PERIOD

Name of Successor Agency Yuccapa Redevelopment Agency

	Current	
	Total Outstanding Debt or Obligation	Total Due During Fiscal Year
Outstanding Debt or Obligation	\$ 9,076,713.41	\$ 1,053,018.89
	Total Due for Six Month Period	
Outstanding Debt or Obligation	\$ 960,460.47	
Available Revenues other than anticipated funding from RPTTF	\$ 576,733.08	
Enforceable Obligations paid with RPTTF	\$ 245,888.89	
Administrative Cost paid with RPTTF	\$ 127,838.50	
Pass-through Payments paid with RPTTF	\$ -	
Administrative Allowance (greater of 3% of anticipated Funding from RPTTF or 250,000. Note: Calculation should not include pass-through payments made with RPTTF. The RPTTF Administrative Cost figure above should not exceed this Administrative Cost Allowance figure)	\$ 250,000.00	

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

Denise Work Chairperson
 Name Title

 Signature Date

FORM A - Redevelopment Property Tax Trust Fund (RPTTF)

Name of Redevelopment Agency: Yucipita Redevelopment Agency
 Project Area(s): RDA Project Area All

DRAFT RECOGNIZED OBLIGATION PAYMENT SCHEDULE
 Per AB 26 - Section 34177 (*)

Project Name / Debt Obligation	Contract/Agreement Execution Date	Payee	Description	Project Area/Agency Code (RR01- RG01)	Total Outstanding Debt or Obligation	Total Due During Fiscal Year 2012-2013**	Funding Source	Payments by month					Total	
								Jul 2012	Aug 2012	Sep 2012	Oct 2012	Nov 2012		Dec 2012
1) 1990 Tax Allocation Bonds	4/27/1998	Union Bank	Bonds issue to fund non-housing projects	All Areas	500,000.00	41,517.00	RPTTF		20,758.50					20,758.50
2) 2004 Tax Allocation Bonds	9/13/2004	Union Bank	Bonds issue to fund non-housing projects	All Areas	1,025,000.00	126,800.00	RPTTF		64,406.00					64,406.00
3) 2010 Tax Allocation Bonds	10/17/2010	Union Bank	Bonds issue to fund non-housing projects	All Areas	6,030,000.00	384,070.00	RPTTF		192,035.00					192,035.00
4) Professional Services		Wilsons Financial	Bond Disburse Services	All Areas	5,000.00	5,000.00	RPTTF							5,000.00
5) Professional Services		Yuenen Ramirez & Smith	Audit Services	All Areas	7,900.00	7,900.00	RPTTF							7,900.00
6) Agency Counsel		Stanley, York, Cannon	Agency Counsel	All Areas	12,000.00	12,000.00	RPTTF							12,000.00
7) Agency Counsel		Reynolds Winson Cannon	Agency Counsel	All Areas	60,000.00	60,000.00	RPTTF							60,000.00
8) Agency Development Consultant		Various	Community Development Consultant	All Areas	38,720.00	17,680.00	RPTTF		1,468.67					1,468.67
9) Oversight Committee Meetings		Various	Oversight Committee Expenditures	All Areas	10,000.00	10,000.00	RPTTF		833.33					833.33
10)														
11)					(64,104.59)	(64,104.59)	RPTTF		(64,104.59)					(64,104.59)
12)														
13)														
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Totals - This Page (RPTTF Funding)								\$ 8,300.00	\$ 8,300.00	\$ 201,988.94	\$ 11,300.00	\$ 8,300.00	\$ 8,300.00	\$ 245,898.66
Totals - Page 2 (Other Funding)								\$ 374,911.60	\$ 13,663.38	\$ 67,927.67	\$ 13,663.38	\$ 13,663.38	\$ 63,663.38	\$ 576,733.08
Totals - Page 3 (Administrative Cost Allowance)								\$ 21,306.42	\$ 21,306.42	\$ -	\$ 21,306.42	\$ -	\$ 21,306.42	\$ -
Totals - Page 4 (Pass Thru Payments)								\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grand total - All Pages								\$ 403,918.01	\$ 43,269.79	\$ 320,453.28	\$ 46,269.79	\$ 43,269.79	\$ 93,269.79	\$ 850,450.47

* The Preliminary Draft Recognized Obligation Payment Schedule (ROPS) is to be completed by 3/1/2012 by the successor agency, and subsequently be approved by the oversight board before the final ROPS is submitted to the State Controller and State Department of Finance.

** All totals due during fiscal year and payment amounts are projected.

--- Funding sources from the successor agency: [For fiscal 2011-12 only, references to RPTTF could also mean tax increment allocated to the Agency prior to February 1, 2012.]

RPTTF - Redevelopment Property Tax Trust Fund
 LMIHF - Low and Moderate Income Housing Fund
 Admin - Successor Agency Administrative Allowance
 Bonds - Bond proceeds
 Other - reserves, rents, interest earnings, etc

FORM C - Administrative Cost Allowance Paid With Redevelopment Property Tax Trust Fund (RPTTF)

Name of Redevelopment Agency: Yucalpa Redevelopment Agency
 Project Area(s): RDA Project Area All

DRAFT RECOGNIZED OBLIGATION PAYMENT SCHEDULE
 Per AB 28 - Section 34177 (*)

Project Name / Debt Obligation	Payee	Description	Project Area/Agency Code (RR01-RG01)	Total Outstanding Debt or Obligation	Total Due During Fiscal Year 2012-2013**	Funding Source ***	Payable from the Administrative Allowance Allocation ****						Total
							Payments by month						
							Jul 2012	Aug 2012	Sep 2012	Oct 2012	Nov 2012	Dec 2012	
1) Employee Costs	Employees of Agency	Payroll for employees	All Areas	143,822.00	143,822.00	Admin	11,988.50	11,988.50	11,988.50	11,988.50	11,988.50	11,988.50	71,811.00
2) Employer Costs	City of Yucalpa	Overhead Allocation	All Areas	112,955.00	112,955.00	Admin	9,337.92	9,337.92	9,337.92	9,337.92	9,337.92	9,337.92	56,027.50
3)													
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Totals - This Page							\$ 21,306.42	\$ 21,306.42	\$ 21,306.42	\$ 21,306.42	\$ 21,306.42	\$ 21,306.42	\$ 127,836.50

* The Preliminary Draft Recognized Obligation Payment Schedule (ROPS) is to be completed by 3/1/2012 by the successor agency, and subsequently be approved by the oversight board before the final ROPS is submitted to the State Controller and State Department of Finance by April 15, 2012. It is not a requirement that the Agreed Upon Procedures Audit be completed before submitting the final Oversight-Approved ROPS to the State Controller and State Department of Finance.
 ** All total due during fiscal year and payment amounts are projected.
 *** Funding sources from the successor agency: (For fiscal 2011-12 only, references to RPTTF could also mean tax increment allocated to the Agency prior to February 1, 2012.)
 -> COPS shows \$360,000 in Outstanding Obligation, Amount of \$167,921 included in Direct Administration for Bond Funded projects.
 RPTTF - Redevelopment Property Tax Trust Fund
 LMIHF - Low and Moderate Income Housing Fund
 **** - Administrative Cost Allowance caps are 6% of Form A, 5-month totals in 2012-13. The calculation should not factor in pass through payments paid for with RPTTF in Form D.
 Other - reserves, rents, interest earnings, etc

Attachment G

V. 8-27-12

SUMMARY OF BALANCES AVAILABLE FOR ALLOCATION TO AFFECTED TAXING ENTITIES

Total amount of assets held by the successor agency as of June 30, 2012 (procedure 5)	\$	4,217,810
Add the amount of any assets transferred to the city or other parties for which an enforceable obligation with a third party requiring such transfer and obligating the use of the transferred assets did not exist (procedures 2 and 3)		-
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments (procedure 6)		(3,151,322)
Less assets that are not cash or cash equivalents (e.g., physical assets) - (procedure 7)		-
Less balances that are legally restricted for the funding of an enforceable obligation (net of projected annual revenues available to fund those obligations) - (procedure 8)		-
Less balances needed to satisfy ROPS for the 2012-13 fiscal year (procedure 9)		(969,721)
Less the amount of payments made on July 12, 2012 to the County Auditor-Controller as directed by the California Department of Finance		-
Amount to be remitted to county for disbursement to taxing entities	\$	<u>96,767</u>

Note that separate computations are required for the Low and Moderate Income Housing Fund held by the Successor Agency and for all other funds held by the Successor Agency.

NOTES: For each line shown above, an exhibit should be attached showing the composition of the summarized amount.

If the review finds that there are insufficient funds available to provide the full amount due, the cause of the insufficiency should be demonstrated in a separate schedule.