



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Merced County Auditor-Controller / Oversight Board of the Successor Agency
County of Merced
Merced, California

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We have performed the minimum required agreed-upon procedures (AUP) enumerated in Attachment A, which were agreed to by the California State Controller's Office, Department of Finance, and Merced County Auditor-Controller, solely to assist you in ensuring that the dissolved redevelopment agency is complying with its statutory requirements with respect to ABX1 26. Management of the successor agency and the County of Merced are responsible for the accounting records pertaining to statutory compliance pursuant to Health and Safety Code section 34182(a)(1). This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The scope of this engagement was limited to performing the minimum required agreed-upon procedures as set forth in Attachment A. The results of the procedures performed are also listed under each related testing step in Attachment A.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion as to the appropriateness of the results summarized in Attachment A. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Merced County Auditor-Controller, the successor agency, and applicable State agencies, and is not intended to be, and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
September 17, 2012



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

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

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

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

A. RDA Dissolution and Restrictions

For each redevelopment agency dissolved, perform the following:

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

Result:

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

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

Result:

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

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

Result:

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

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

Result:

We noted the agency did execute a transfer of the Low and Moderate Income Housing Fund to the Merced County Auditor-Controller by February 1, 2012 for appropriate dispersal per the January 24, 2012 Board of Supervisors' meeting Agenda Item. The County of Merced is the redevelopment and housing successor agency. The County of Merced completed the transfer by renaming the existing Low and Moderate Income Housing Fund as the Successor Agency Fund.

5. Inquire and specifically state in the report how housing activities (assets and functions, rights, powers, duties, and obligations) were transferred and the manner in which this agency did or did not execute a transfer. Procedures to accomplish this might include changing the name of the accounting fund and related bank accounts that are holding these assets for the other agency. An examination of bank statements and changing of account titles and fund names evidencing such transfers will be sufficient. If the housing successor is a party other than the agency that created the redevelopment agency, an examination of bank statements and re-recording of titles evidencing such transfer will be sufficient.

Result:

The County of Merced is the redevelopment and housing successor agency. The County of Merced completed the transfer by renaming the existing Low and Moderate Income Housing Fund as the Successor Agency Fund.

B. Successor Agency

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

Result:

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

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

Result:

We noted the agency did execute a transfer of redevelopment operations by February 1, 2012, per the January 24, 2012, Board of Supervisors' meeting Agenda Item. The County of Merced is the redevelopment and housing successor agency. The County of Merced completed the transfer by renaming the existing Low and Moderate Income Housing and Redevelopment Agency (RDA) Funds as the Successor Agency Funds.

3. Ascertain that the successor agency has established the Redevelopment Obligation Retirement Fund(s) in its accounting system.

Result:

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

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

Result:

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

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

Result:

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

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

C. Recognized Obligation Payment Schedule (Draft ROPS)

- Obtain a copy of the initial draft of the ROPS from the successor agency.

1. Inspect evidence that the initial draft of the ROPS was prepared by March 1, 2012.

Result:

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

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

Result:

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

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

Result:

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

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

Result:

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

5. Select a sample and trace enforceable obligations listed on the draft ROPS to the legal document that forms the basis for the obligation.

Result:

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

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

Result:

We found no material differences as a result of the procedures performed.

D. Recognized Obligation Payment Schedule (Final ROPS)

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

Result:

We found the following exception:

- A) The final ROPS was submitted on May 15, 2012. This is 30 days after the required submission date of April 15, 2012.
- 2. Inspect the final ROPS and identify the payments that were due to be paid through the date of the Agreed-Upon Procedures report. For payments on the ROPS that were identified as being due through the date of the Agreed-Upon Procedures report, inspect evidence of payment and determine that amounts agree to the purpose of the obligation as amounts could be estimated.

Result:

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

- 3. Select a sample and trace enforceable obligations listed on the final ROPS to the legal agreements or documents that forms the basis for the obligation.

Result:

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

E. Other Procedures

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

Result:

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

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

Result:

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

**Attachment B—List of Assets for the Successor Agency of the
County of Merced Redevelopment Agency**

	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>January 31, 2012</u>
ASSETS			
Cash and Investments	\$ 194,895	\$ 229,176	\$ 148,021
Tax Receivable	2,657	14,409	-
Capital Assets - Nondepreciable	<u>450,864 (A)</u>	<u>534,407 (A)</u>	<u>280,000 (B)</u>
Total Assets	<u><u>\$ 648,416</u></u>	<u><u>\$ 777,992</u></u>	<u><u>\$ 428,021</u></u>

(A) - This represents construction in progress.

(B) - This represents 1.16 acres of land with buildings no. 4112 and 4114 (APN #051-010-008).