



44933 North Fern Avenue, Lancaster, CA 93534
Chair Elizabeth Brubaker, Vice Chairman Dr. David Vierra,
Board Member Dr. Jackie Fisher, Board Member Larry Levin,
Board Member Sandy Smith, Board Member Jim Vose,
Board Member John Walker

LANCASTER SUCCESSOR AGENCY OVERSIGHT BOARD REGULAR MEETING AGENDA

Tuesday

December 18, 2012

Meeting – **4:00 p.m.**

Council Chambers – Lancaster City Hall

The City Clerk hereby declares the agenda was posted
by 5:00 p.m. on Friday, December 14, 2012
at the entrance to the Lancaster City Hall Council Chambers.

CALL TO ORDER

ROLL CALL

Board Members: Fisher, Levin, Smith, Vose, Walker; Vice Chairman Vierra; Chair Brubaker

PLEDGE OF ALLEGIANCE

AGENDA ITEMS TO BE REMOVED

Sometimes it is necessary to remove items from the agenda. We apologize for any inconvenience this may cause you.

PUBLIC BUSINESS FROM THE FLOOR - AGENDIZED ITEMS

Any person who would like to address the Lancaster Successor Agency Oversight Board on any agendized item is requested to complete a speaker card for the City Clerk and identify the agenda item you would like to discuss. Each person will be given an opportunity to address the Lancaster Successor Agency Oversight Board at the time such item is discussed. Speaker cards are available at the rear of the Council Chambers and your speaker card must be filled out *prior* to the agenda item being called. We respectfully request that you fill the cards out completely and print as clearly as possible. Following this procedure will allow for a smooth and timely process for the meeting and we appreciate your cooperation. *Individual speakers are limited to three (3) minutes each.*

Consent Calendar items may be acted upon with one motion, a second and the vote. If you desire to speak on an item or items on the Consent Calendar, you may fill out one speaker card for the Consent Calendar. You will be given three minutes to address your concerns before the Lancaster Successor Agency Oversight Board takes action on the Consent Calendar.

**LANCASTER SUCCESSOR AGENCY OVERSIGHT BOARD
REGULAR MEETING AGENDA
TUESDAY, DECEMBER 18, 2012**

MINUTES

M 1. Approve the Lancaster Successor Agency Oversight Board Regular Meeting minutes of November 20, 2012.

M 2. Approve the Lancaster Successor Agency Oversight Board Special Meeting minutes of December 10, 2012.

NEW BUSINESS

NB 1. Resolution Accepting and Approving the Due Diligence Review of Non-Housing Funds

Recommendation:

Adopt **Resolution No. OB 20-12**, a resolution of the Lancaster Successor Agency Oversight Board, accepting and approving the Due Diligence Review of Non- Housing Funds.

EXECUTIVE DIRECTOR ANNOUNCEMENT

CITY CLERK ANNOUNCEMENT

PUBLIC BUSINESS FROM THE FLOOR - NON-AGENDIZED ITEMS

This portion of the agenda allows an individual the opportunity to address the Lancaster Successor Agency Oversight Board on any item ***NOT ON THE AGENDA*** regarding Board business and speaker cards must be submitted ***prior*** to the beginning of this portion of the Agenda. Please complete a speaker card for the City Clerk and identify the subject you would like to address. We respectfully request that you fill the cards out completely and print as clearly as possible. Following this procedure will allow for a smooth and timely process for the Lancaster Successor Agency Oversight Board meeting and we appreciate your cooperation. State law prohibits the Lancaster Successor Agency Oversight Board from taking action on items not on the agenda and your matter will be referred to the Executive Director. ***Individual speakers are limited to three (3) minutes each.***

BOARD MEMBER COMMENTS

ADJOURNMENT

Next Regular Meeting:

Tuesday, January 15, 2013 - 4:00 p.m.

**LANCASTER SUCCESSOR AGENCY OVERSIGHT BOARD
REGULAR MEETING AGENDA
TUESDAY, DECEMBER 18, 2012**

MEETING ASSISTANCE INFORMATION

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the City Clerk Department at (661)723-6020. Services such as American Sign Language interpreters, a reader during the meeting, and/or large print copies of the agenda are available. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting.

AGENDA ADDENDUM INFORMATION

On occasion items may be added after the agenda has been mailed to subscribers. Copies of the agenda addendum item will be available at the City Clerk Department and are posted with the agenda on the windows of the City Council Chambers. For more information, please call the City Clerk Department at (661) 723-6020.

M 1
12/18/12
MVB

**LANCASTER SUCCESSOR AGENCY OVERSIGHT BOARD
MINUTES
NOVEMBER 20, 2012**

CALL TO ORDER

Chair Brubaker called the meeting to order at 4:02 p.m.

ROLL CALL

PRESENT: Board Members: Fisher, Harvey, Levin, Vose, Vice Chair Vierra, Chair Brubaker

ABSENT: Board Member: Walker

STAFF

MEMBERS: Executive Director; Assistant to the Executive Director; Finance Director; City Clerk; Economic Development Director

PLEDGE OF ALLEGIANCE

Board Member Levin

M 1. MINUTES

On a motion by Vice Chair Vierra and seconded by Board Member Harvey, the Lancaster Oversight Board approved the Lancaster Successor Agency Oversight Board Regular Meeting minutes of September 18, 2012, by the following vote: 5-0-1-1; AYES: Fisher, Harvey, Vose, Vice Chair Vierra, Chair Brubaker; NOES: None; ABSTAIN: Levin; ABSENT: Walker

M 2. MINUTES

On a motion by Board Member Levin and seconded by Board Member Harvey, the Lancaster Oversight Board approved the Lancaster Successor Agency Oversight Board Special Meeting minutes of October 8, 2012, by the following vote: 5-0-1-1; AYES: Harvey, Levin, Vose, Vice Chair Vierra, Chair Brubaker; NOES: None; ABSTAIN: Fisher; ABSENT: Walker

M 3. MINUTES

On a motion by Board Member Harvey and seconded by Vice Chair Vierra, the Lancaster Oversight Board approved the Lancaster Successor Agency Oversight Board Special Meeting minutes of October 15, 2012, by the following vote: 4-0-2-1; AYES: Harvey, Vose, Vice Chair Vierra, Chair Brubaker; NOES: None; ABSTAIN: Fisher, Levin; ABSENT: Walker

LANCASTER SUCCESSOR AGENCY OVERSIGHT BOARD
MINUTES
NOVEMBER 20, 2012

NB 1. APPROVAL OF TRANSFER OF PUBLIC USE ASSETS

The Economic Development Director presented the staff report regarding this matter.

Board Member Vose stated that in the past there had been discussion about providing the Board with a list of all the properties involved. A partial list was provided, however a complete list has not been provided. It is important to understand the roles and responsibilities of the Board; important for the Board to review all properties involved and it is the State that will have the overall authority regarding this matter. Additionally, the resolution should be modified in the first “whereas” to “direct” certain real property to be transferred.

The Economic Development Director stated that a complete list of the properties will be provided to the Board as soon as possible.

On a motion by Vice Chair Vierra and seconded by Board Member Levin, the Lancaster Successor Agency Oversight Board adopted **Resolution No. OB 17-12 (as amended)**, approving a Public Use List from among the properties owned by the Successor Agency and authorizing the Executive Director and/or Chairman of the Successor Agency to take all necessary actions to cause the transfer of these properties to the City of Lancaster for continued public use, by the following vote: 6-0-0-1; AYES: Fisher, Harvey, Levin, Vose, Vice Chair Vierra, Chair Brubaker; NOES: None; ABSTAIN: None; ABSENT: Walker

NB 2. GROUND LEASE WITH US TOPCO ENERGY INC., FOR THE CONSTRUCTION OF PHOTOVOLTAIC SOLAR GENERATION FACILITIES

The Executive Director presented the staff report regarding this matter.

Board Member Levin requested clarification regarding the actual ground lease; terms of the lease and renewal; confirmed that the lease does not exist yet but will be developed.

Board Member Vose clarified that ultimately all of the actions pertaining to the disposition of properties will come back to the Oversight Board and the Department of Finance will make the final determination.

Further discussion took place regarding the appraisal of properties and fair market value.

Vice Chair Vierra confirmed that staff is looking for direction to develop the lease in accordance with the law, subject to final approval by the Board.

LANCASTER SUCCESSOR AGENCY OVERSIGHT BOARD
MINUTES
NOVEMBER 20, 2012

NB 2. GROUND LEASE WITH US TOPCO ENERGY INC., FOR THE CONSTRUCTION OF PHOTOVOLTAIC SOLAR GENERATION FACILITIES (continued)

On a motion by Board Member Fisher and seconded by Vice Chair Vierra, the Lancaster Successor Agency Oversight Board adopted **Resolution No. OB 18-12 (as amended)**, directing the Lancaster Successor Agency to **develop and execute** a Ground Lease with US Topco Energy Inc. (Topco), to work cooperatively to design and construct a 5.5-megawatt photovoltaic solar generation facility on approximately 25 acres of land near the Old Fairgrounds and adjacent to the AV High School District Building, by the following vote: 6-0-0-1; AYES: Fisher, Harvey, Levin, Vose, Vice Chair Vierra, Chair Brubaker; NOES: None; ABSTAIN: None; ABSENT: Walker

EXECUTIVE DIRECTOR ANNOUNCEMENTS

The Executive Director thanked the Oversight Board for their time; this is now the phase of dissolution of redevelopment and the City values the Board's representation in the community; their interest and expertise. He stated that he welcomes input at any time and in this era of less staff, it is important to tap into the input of the community.

CITY CLERK /AUTHORITY SECRETARY ANNOUNCEMENT

The City Clerk stated that there were no speakers from the audience.

BOARD MEMBER COMMENTS

Board Member Vose discussed online training that the County offers; listening to two hours of speaking is challenging and it helps to have the reading material to assist with the details. He thanked the staff for the discussion and the time it took to prepare the resolutions for the ultimate outcome.

Board Member Levin congratulated Board Member Harvey for her upcoming appointment to the Lancaster City Council.

Board Member Harvey thanked the Board and staff for the professional guidance that has been provided to her and wished the Oversight Board the best of success in the future.

LANCASTER SUCCESSOR AGENCY OVERSIGHT BOARD
MINUTES
NOVEMBER 20, 2012

ADJOURNMENT

Chair Brubaker adjourned the meeting at 4:27 p.m. and stated that the next regular meeting of the Lancaster Oversight Board would take place on Tuesday, December 18, 2012 at 4:00 p.m.

PASSED, APPROVED and ADOPTED this _____day of _____, 2012, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST:

APPROVED:

GERI K. BRYAN, CMC
City Clerk
Lancaster, CA

ELIZABETH BRUBAKER
Chair
Lancaster Successor Agency
Oversight Board

STATE OF CALIFORNIA }
COUNTY OF LOS ANGELES } ss
CITY OF LANCASTER }

CERTIFICATION OF MINUTES
LANCASTER SUCCESSOR AGENCY OVERSIGHT BOARD

I, _____, _____ of the City of Lancaster, CA, do hereby certify that this is a true and correct copy of the original Lancaster Successor Agency Oversight Board minutes, for which the original is on file in my office.

WITNESS MY HAND AND THE SEAL OF THE CITY OF LANCASTER, CA on this _____ day of _____, _____.

(seal)

M 2
12/18/12
MVB

**LANCASTER SUCCESSOR AGENCY OVERSIGHT BOARD
SPECIAL MEETING MINUTES
DECEMBER 10, 2012**

CALL TO ORDER

Chair Brubaker called the meeting to order at 4:06 p.m.

ROLL CALL

PRESENT: Board Members: Levin, Vose, Vice Chair Vierra, Chair Brubaker

ABSENT: Board Members: Fisher, Harvey, Walker

STAFF

MEMBERS: Executive Director; Assistant to the Executive Director; Finance Director; City Clerk; Economic Development Director

PLEDGE OF ALLEGIANCE

Board Member Levin

NB 1. RESOLUTION OPENING THE PUBLIC COMMENT PERIOD FOR THE DUE DILIGENCE REVIEW OF NON-HOUSING FUNDS

The Finance Director presented the staff report regarding this matter.

Board Member Vose requested clarification regarding the report completed by the CPA Firm of Lance, Soll, Lunghard (LSL), inquiring as to whether this report included assets as well.

The Finance Director stated that the review included assets as required.

Board Member Vose inquired about two issues. The first issue - Section B2 on the attachment, stated that some of the items have been reviewed by the Board previously and inquired about the portions that refer to legal documentation that was not obtained at this time. The footnotes state – not approved as enforceable obligations. The second issue - he inquired if a meet and confer on the analysis ever took place.

LANCASTER SUCCESSOR AGENCY OVERSIGHT BOARD
SPECIAL MEETING MINUTES
DECEMBER 10, 2012

NB 1. RESOLUTION OPENING THE PUBLIC COMMENT PERIOD FOR THE DUE DILIGENCE REVIEW OF NON-HOUSING FUNDS (continued)

The Finance Director stated that in regards to Attachment B2, there are two lines to be looked at. The first line is the transfer of land for resale for \$14,482,000.00 and the second line is for the transfer of the Auto Mall parking lot for \$1,102,000.00. Those were transfers that had taken place in early 2011 when assets were transferred from the Redevelopment Agency to the City and fulfillment and partial repayment of loans that were owed. Subsequent to the transfer being made and the courts upholding the dissolution of Redevelopment, there was word from the State Controller's Office that the City was to reverse those transfers. Those actions have been heard by the Oversight Board and as of January 31, the documents were still being held by the former Redevelopment Agency. Legally the City should not have been holding them in the Successor Agency books, but they have since been transferred back. There is no meet and confer related to this but there was a meet and confer related to the housing assets transfer. The Housing Authority agreed to take on the obligations of the former low and moderate housing fund and with that they also took on the housing assets. The State required that the City provide them with a listing of all of the assets that were transferred from the former Redevelopment Agency to the Housing Authority. They have not yet approved that list; a meet and confer took place approximately six to eight weeks ago, but no word yet.

Board Member Vose clarified the book values of the line items; discussed the issue of enforceability of property assets and the determination that it is ultimately the Department of Finance that will make the final determination.

The Finance Director stated that this was correct and at the last Oversight Board meeting a list of properties was brought before the Board, some of which were public use properties such as the Sheriff's Station and parking lots. She stated that she has been communicating with the Department of Finance on what the properties are, how they are to be used and they will respond in a report. She stated that every resolution that is approved by the Oversight Board is then sent to the Department of Finance for them to review and approve. Until the City receives notice from the Department of Finance, none of the actions taken by the Oversight Board are effective.

Board Member Vose further discussed long range planning for the determination of assets and the required six month timeframe for the plan.

The Finance Director stated that a property management plan will come before the Oversight Board. Staff is currently working on the property listing that the Board requested at the last meeting and hopes to bring that back to the Board in February or March of 2013. The six month timeframe begins once a finding of completion has been received by the State. Further discussion took place regarding the steps and the processes that need to be taken before the finding of completion is given by the State and there are still several unresolved issues that must be taken care of regarding the State and the process as well.

LANCASTER SUCCESSOR AGENCY OVERSIGHT BOARD
SPECIAL MEETING MINUTES
DECEMBER 10, 2012

NB 1. RESOLUTION OPENING THE PUBLIC COMMENT PERIOD FOR THE DUE DILIGENCE REVIEW OF NON-HOUSING FUNDS (continued)

Board Member Vose stated that it is impossible to visualize how all the pieces of this process flow together; it is a complicated process; he has a level of trust with the staff but is still striving to find a comfort zone to clearly understand all the steps involved.

The Finance Director agreed; appreciated the questions and by working together all the pieces will eventually come together.

On a motion by Board Member Levin and seconded by Vice Chair Vierra, the Lancaster Successor Agency Oversight Board adopted **Resolution No. OB 19-12**, a resolution of the Lancaster Successor Agency Oversight Board, opening the public comment period for the due diligence review of Non-Housing Funds, by the following vote: 4-0-0-3; AYES: Levin, Vose, Vierra, Brubaker; NOES: None; ABSTAIN: None; ABSENT: Fisher, Harvey, Walker

EXECUTIVE DIRECTOR ANNOUNCEMENTS

None

CITY CLERK /AUTHORITY SECRETARY ANNOUNCEMENT

The City Clerk stated that there were no speakers from the audience.

BOARD MEMBER COMMENTS

None

LANCASTER SUCCESSOR AGENCY OVERSIGHT BOARD
SPECIAL MEETING MINUTES
DECEMBER 10, 2012

ADJOURNMENT

Chair Brubaker adjourned the special meeting at 4:24 p.m. and stated that the next regular meeting of the Lancaster Oversight Board would take place on Tuesday, December 18, 2012 at 4:00 p.m.

PASSED, APPROVED and ADOPTED this _____day of _____, 2012, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST:

APPROVED:

GERI K. BRYAN, CMC
City Clerk
Lancaster, CA

ELIZABETH BRUBAKER
Chair
Lancaster Successor Agency
Oversight Board

STATE OF CALIFORNIA }
COUNTY OF LOS ANGELES } ss
CITY OF LANCASTER }

CERTIFICATION OF MINUTES
LANCASTER SUCCESSOR AGENCY OVERSIGHT BOARD

I, _____, _____ of the City of Lancaster, CA, do hereby certify that this is a true and correct copy of the original Lancaster Successor Agency Oversight Board minutes, for which the original is on file in my office.

WITNESS MY HAND AND THE SEAL OF THE CITY OF LANCASTER, CA on this _____ day of _____, _____.

(seal)

STAFF REPORT
Lancaster Successor Agency Oversight Board

NB 1
12/18/12
MVB

Date: December 18, 2012

To: Chair Brubaker and Board Members

From: Barbara Boswell, Finance Director of the City of Lancaster

Subject: **Resolution Accepting and Approving the Due Diligence Review of Non-Housing Funds**

Recommendation:

Adopt **Resolution No. OB 20-12**, a resolution of the Lancaster Successor Agency Oversight Board, accepting and approving the Due Diligence Review of Non- Housing Funds.

Fiscal Impact:

There is no fiscal impact as a result of this action.

Background:

Health and Safety Code Section 34179.5 requires Due Diligence Reviews be undertaken by successor agencies of their non-housing funds. The legislation requires this review to be conducted by a licensed accountancy firm that was approved by the County Auditor-Controller. The City of Lancaster engaged Lance Soll Lunghard (LSL), CPAs to conduct the reviews. The review of the housing funds was due to be completed no later than December 15, 2012, with approval by the Oversight Board by January 15, 2013, after a five day public comment period.

On Monday, December 10, 2012, the Oversight Board adopted a resolution opening the public comment period for the Due Diligence Review of Non-Housing Funds, as required by Health and Safety Code Section 34179.6(b). The public comment period was required to be open at least 5 days prior to the Oversight Board taking action to approve the report.

Any comments received during the review period will be shared with the Oversight Board at this meeting.

BB:te

Attachments:

Resolution No. OB 20-12
Due Diligence Review – Non-Housing Funds

RESOLUTION NO. OB 20-12

A RESOLUTION OF THE LANCASTER SUCCESSOR AGENCY
OVERSIGHT BOARD ACCEPTING AND APPROVING THE DUE
DILIGENCE REVIEW OF NON-HOUSING FUNDS

WHEREAS, Health and Safety Code Section 34179.5 requires successor agencies to engage certified public accountants to prepare a Due Diligence Review of non-housing funds by December 15, 2012; and

WHEREAS, Health and Safety Code Section 34179.6(c) requires the Oversight Board to approve the Due Diligence Review of non-housing funds by January 15, 2013; and

WHEREAS, a public comment period is required five days prior to approval of the Due Diligence Review; and

WHEREAS, the public comment period was opened on December 10, 2012.

NOW THEREFORE, BE IT RESOLVED by the Lancaster Successor Agency Oversight Board, as follows:

SECTION 1. The Lancaster Successor Agency Oversight Board finds and determines that the foregoing recitals are true and correct.

SECTION 2. Due Diligence Review of Non-Housing Funds has been completed.

SECTION 3. The Lancaster Successor Agency Oversight Board held the five day public comment period.

SECTION 4. The Lancaster Successor Agency Oversight Board accepts and approves the Due Diligence Review of Non-Housing Funds.

SECTION 5. The Successor Agency shall maintain on file as a public record this Resolution.

PASSED, APPROVED, and ADOPTED this _____ day of _____, 2012, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST:

APPROVED:

GERI K. BRYAN, CMC
City Clerk
Lancaster, CA

ELIZABETH BRUBAKER
Chair
Lancaster Successor Agency Oversight Board

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) ss
CITY OF LANCASTER

CERTIFICATION OF RESOLUTION
LANCASTER SUCCESSOR AGENCY OVERSIGHT BOARD

I, _____, _____ City of Lancaster, CA,
do hereby certify that this is a true and correct copy of the original Resolution No. OB 20-12, for
which the original is on file in my office.

WITNESS MY HAND AND THE SEAL OF THE CITY OF LANCASTER, on this _____ day
of _____, _____.

(seal)



**Successor Agency of the Former
Lancaster Redevelopment Agency**

**Due Diligence Review
of the Other Redevelopment Agency Funds
Pursuant to Sections 34179.5(c)(1) through 34179.5(c)(6)
of Assembly Bill No. 1484 of 2012**

Lance Soll & Lunghard, LLP

Orange County
Silicon Valley
Temecula Valley

www.lslcpas.com

Successor Agency of the Former
Lancaster Redevelopment Agency

Due Diligence Review
of the Other Redevelopment Agency Funds
Pursuant to Sections 34179.5(c)(1) through 34179.5(c)(6)
of Assembly Bill No. 1484 of 2012



CERTIFIED PUBLIC ACCOUNTANTS

- Brandon W. Burrows, CPA
- David E. Hale, CPA, CFP
A Professional Corporation
- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA
- Bryan S. Gruber, CPA
- Deborah A. Harper, CPA

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES

To the Successor Agency of the
Former Lancaster Redevelopment Agency
City of Lancaster, California

We have performed the procedures enumerated in Attachment A for the Other Redevelopment Agency Funds, 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 ensuring that the dissolved redevelopment agency is complying with Assembly Bill 1484, Chapter 26, Section 17's amendment to health and safety code 34179.5. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Management of the successor agency is responsible for providing all the information obtained in performing these procedures. The sufficiency of these procedures is solely the responsibility of those parties specified in 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.

As stated above, the scope of this engagement was limited to performing the procedures identified in Attachment A, which specified the "List of Procedures for the Due Diligence Review" obtained from the California Department of Finance Website.

The results of the procedures performed are identified in Attachment B1 through B11.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of a certified opinion as to the appropriateness of the results of the procedures performed. 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 the Successor Agency.

This report is intended solely for the information and use of the Successor Agency Oversight Board, the Successor Agency and the 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.

Brea, California
November 16, 2012

List of Procedures for Due Diligence Review of the Other Redevelopment Agency Funds

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.
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.
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.

List of Procedures for Due Diligence Review for the Other Redevelopment Agency Funds (Continued)

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.
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 listing should be attached as an exhibit to the appropriate AUP report.
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).

List of Procedures for Due Diligence Review for the Other Redevelopment Agency Funds (Continued)

- 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 Successor the 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.
7. Perform the following:
- 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.
8. Perform the following:
- 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.

List of Procedures for Due Diligence Review for the Other Redevelopment Agency Funds (Continued)

- 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.
- 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.
- c. 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.
- d. 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.

List of Procedures for Due Diligence Review for the Other Redevelopment Agency Funds (Continued)

- 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.
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.
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).
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.

Procedure 1
List of Assets Transferred from the Former Redevelopment Agency to the Successor Agency
Other Redevelopment Agency Funds
As of February 1, 2012

<u>Asset</u>	<u>Balance at 2/1/2012</u>
Cash and investments	\$ 2,217,426
Cash with fiscal agent	14,231,888
Accounts receivable	325,277
Due from other government agencies	8,583
Notes and loans receivable	2,359,998
	<u>Total Assets transferred: \$ 19,143,172</u>

Procedure 2
 Listing of Transfers (Excluding Payments for Goods and Services) to the City
 Other Redevelopment Agency Funds
 For the Period from January 1, 2011 through June 30, 2012

Describe Purpose of Transfer	Enforceable Obligation (EO)/ Other Legal Requirement (LR)	Amount	Legal Documentation Obtained? (Y/N)
From former Redevelopment Agency to City for January 1, 2011 through January 31, 2012			
Cash transfer - Repayment of advances with City	EO	\$ 118,244	Y
Bond proceeds cash transfer - Repayment of advances with City	EO	9,206,660	Y
Transfer of land held for resale	EO	14,482,945	N
Transfer of auto mall parking lot	EO	1,102,400	N
	Sub-total:	24,910,249	

From Successor Agency to City for February 1, 2012 through June 30, 2012

No Transfers Noted

N/A

Sub-total:	-
Total Transfers to City for 1/1/2011 through 6/30/2012:	\$ 24,910,249

Footnotes:

- a) Not approved enforceable obligation
- b) The former redevelopment agency transferred cash and bond proceeds to repay advances made in prior years with the City. The monies were encumbered for a project before June 28, 2011. The City believes this transfer meets the definition of an enforceable obligation as defined in Health and Safety (H&S) Code Section 34167(d) effective June 28, 2011. It is the position of the City that the definition of enforceable obligation in H&S Code Section 34171(d) which specifically excludes agreements, contracts or arrangements between the City that created the redevelopment agency and the former redevelopment agency as an enforceable obligation was not effective until February 1, 2012. The City also does not believe this constitutes a transfer of assets subject to H&S Code 34167.5 or is applicable to this section, although the monies were encumbered for a project before June 28, 2011.

Procedure 3
 Listing of Transfers (Excluding Payments for Goods and Services) to Other Public Agencies or Private Parties
 Other Redevelopment Agency Funds
 For the Period from January 1, 2011 through June 30, 2012

Describe Purpose of Transfer	Enforceable Obligation (EO)/ Other Legal Requirement (LR)	Amount	Legal Documentation Obtained? (Y/N)
From former Redevelopment Agency to other public agencies or private parties for January 1, 2011 through January 31, 2012			
AVEK, Pass Through pmt, 11/20-3/20/11		\$ 2,522,909	Y
AVEK, Pass Through pmt, 4/20-6/20/11		1,720,699	Y
LA County Auditor Controller - SERAF Payment Due May 2011		3,598,805	Y
U S Bank - Debt Service payments on non-housing and schools 1/24/11		4,860,903	Y
U S Bank - Debt Service payments on non-housing and schools 7/22/11		2,452,538	Y
U S Bank - Debt Service payments on non-housing and schools 1/25/12		2,455,778	Y
	Sub-total:	<u>17,611,632</u>	

From Successor Agency to other public agencies or private parties for February 1, 2012 through June 30, 2012

AVEK, Pass through pmt, 11/20-1/20/12		1,550,016	Y
	Sub-total:	<u>1,550,016</u>	
	Total Transfers to other public agencies or private parties for 1/1/2011 through 6/30/2012:	\$ 19,161,648	

Procedure 4
 Summary of the Financial Transactions of Redevelopment Agency and Successor Agency
 All Funds
 Per schedule attached to List of Procedures for Due Diligence Review

	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 and investments	\$ 41,265,875	\$ 36,092,448	\$ 13,623,841	\$ 19,793,629
Cash and investments with trustee	31,580,747	19,926,322	26,574,483	19,056,194
Receivables:				
Tax increment	4,909,290	2,737,881	-	424,093
Accounts	263,740	333,921	332,117	298,870
Interest	161,062	48,427	-	-
Loans	6,258,034	5,136,083	5,141,869	6,683,502
Due from City	389,196	389,196	389,196	-
Due from Debt Service Funds	-	1,047,135	-	-
Due from other governments	241,947	153,680	8,583	31,281
Restricted cash	20,704,310	261,087	2,385,601	-
Advances to other funds	71,941,085	24,303,114	24,303,115	-
Land held for resale	(759,408)	70,476,955	64,437,501	249,000
Allowance for decline in value				
Total Assets	\$ 176,955,878	\$ 160,906,249	\$ 137,196,306	\$ 46,536,567
Liabilities (modified accrual basis)				
Accounts payable	\$ 335,803	\$ 741,480	\$ (219,037)	\$ 152,879
Deposits from others	53,265	58,272	47,516	15,099
Due to Capital Project Funds	-	1,047,135	-	-
Due to other governments/City/LHA	4,716,458	5,033,978	2,384,858	391
Deferred revenue	171,212	923,937	935,073	4,488,408
Advances from Low and Mod Housing	20,704,310	24,303,114	24,303,115	-
Cash Overdraft Payable	-	12,615,482	-	-
Total Liabilities	\$ 25,981,048	\$ 44,723,398	\$ 27,451,525	\$ 4,656,776
Equity	\$ 150,974,830	\$ 116,182,851	\$ 109,744,781	\$ 41,879,791
Total Liabilities + Equity	\$ 176,955,878	\$ 160,906,249	\$ 137,196,306	\$ 46,536,567
Total Revenues:	\$ 116,895,581	\$ 61,364,034	\$ 49,163,386	\$ 18,138,734
Total Expenditures:	104,803,337	98,860,546	33,867,558	14,697,873
Total Transfers:	(4,078,911)	(4,766,735)	(24,910,249)	38,438,930
Net change in equity	8,013,333	(42,263,247)	(9,614,421)	41,879,791
Beginning Equity (as restated):	142,961,497	158,446,098	119,359,202	-
Ending Equity:	\$ 150,974,830	\$ 116,182,851	\$ 109,744,781	\$ 41,879,791
Other Information (show year end balances for all four periods presented):				
Capital assets as of end of year	\$ 371,286,554	\$ -	\$ -	\$ -
Long-term debt as of end of year		\$ 340,757,753	\$ 336,714,432	\$ 358,602,309

Procedure 6
 Listing of Assets that are Restricted
 Other Redevelopment Agency Funds
 As of June 30, 2012

Item #	Description	Documentation Referenced	Amount	Purpose	Legal Documentation Obtained? (Y/N)
1	Cash with fiscal Agent				
	a) Reserve account-former RDA	992-1000000	\$ 5,957,913	Held in trust by fiduciary per bond restrictions	Y
	b) Reserve account-Schools	993-1000000	959,570	Held in trust by fiduciary per bond restrictions	Y
	c) Reserve account-County issues	994-1000000	2,941,626	Held in trust by fiduciary per bond restrictions	Y
2	Taxes receivable				
	a) Taxes Receivable	991-1140000	102,514	Restricted for library debt per bond restrictions	Y
TOTAL:			\$ 9,961,623		

Procedure 7
 Listing of Assets That Are Not Liquid or Otherwise Available for Distribution
 Other Redevelopment Agency Funds
 As of June 30, 2012

Item #	Description	Reference	Amount	Value Method	Variance Noted? (Y/N)
1	Land Held for Resale				
	a) Cedar Complex	991-1500000	\$ 249,000	Cost	N
	b) Commercial properties		14,482,945	Cost	N a
	c) Automall property		1,102,400	Cost	N a
2	Long-term receivable				
	a) Grace Resources	991-1210000	163,197	Cost	N
	b) S C Premier	991-1210000	2,195,094	Cost	N
	c) Rexhall Industries	991-1210000	222,444	Cost	N
	d) Hackett, Alvin & Sandra	991-1210000	65,217	Cost	N
	e) Antelope Valley Mazda Inc & Johnson Ford Inc	991-1210000	1,800,609	Cost	N
	f) Clutter Motors Inc	991-1210000	2,205,962	Cost	N
	g) Hawse Automotive Properties LLC	991-1210000	30,979	Cost	N
3	Accounts receivable				
	a) Accounts Receivable - General	991-1100000	288,040	Cost	N
	b) Accounts Receivable - Accrued	991-1102000	2,394	Cost	N
	c) Accounts Receivable - Short Term	991-1400000	(2)	Cost	N
4	Intergovernmental				
	a) Due from other governments	991-1150000	31,281	Cost	N
	TOTAL:		\$ 22,839,560		

Footnotes:

a) This item was disallowed in procedure 2. This amount represents the ending balance at June 30, 2012.

Procedure 8a
Listing of Assets (resources) that are dedicated or restricted for the funding of enforceable obligations
Other Redevelopment Agency Funds
As of June 30, 2012

ATTACHMENT B8a

Item #	Project Name	Reference	Approved Obligation Amount	Amount Paid in Period Ending June 30, 2012	Amount Restricted for Obligation for June 30, 2012 Balance	Legal Documentation Obtained? (Y/N)
--------	--------------	-----------	-------------------------------	--	--	---

None Noted

ATTACHMENT B8b

Procedure 8b
Listing of Assets (resources) that need to be retained due to insufficient funding for the funding of enforceable obligations
Other Redevelopment Agency Funds
As of June 30, 2012

Item #	Project Name	Reference	Approved Obligation Amount	Designated Amount Plus Estimated Future Revenues	Revenue Source	Amount Needed to be Retained from June 30, 2012 Balance	Legal Documentation Obtained? (Y/N)

Procedure 8c **ATTACHMENT B8c**
Listing of Assets (resources) that need to be retained due to projected insufficient property tax revenues for bond debt payments
Other Redevelopment Agency Funds
As of June 30, 2012

Item #	Project Name	Reference	Approved Obligation Amount	Estimated Future Revenues	Revenue Source	Amount Needed to be Retained from June 30, 2012 Balance	Legal Documentation Obtained? (Y/N)
--------	--------------	-----------	-------------------------------	---------------------------------	-------------------	--	---

None Noted

Procedure 9

Listing of Assets (resources) that need to be retained due to projected insufficient property tax revenues for future ROPS
Other Redevelopment Agency Funds
As of June 30, 2012

ATTACHMENT B9

Item #	Project Name	Reference	Approved Obligation Amount	Estimated Future Revenues	Revenue Source	Amount Needed to be Retained from June 30, 2012 Balance	Identified on the ROPS 2 or 3?
1	Lease payment-Cardlock	ROPS II 125	5,130,019	Unknown	RPTTF	\$ 35,696	2
TOTAL:						\$ 35,696	

Note: The City did not receive all of the requested and approved RPTTF money as part of ROPS 2 by \$32,508 and is projecting a short-fall for ROPS 3 and therefore needs to retain all \$35,696 as shown above.

Procedure 10

Summary of Other Redevelopment Agency Funds Available for Allocation to Affected Taxing Entities

ATTACHMENT B10

Total amount of assets held by the successor agency as of June 30, 2012 (procedure 5)

\$ 17,251,534

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)

To City 15,585,345
To other parties -

Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments (procedure 6)

(9,961,623)

Less assets that are not cash or cash equivalents (e.g., physical assets) - (procedure 7)

(22,839,560)

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)

(35,696)

∞ 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

\$

-



R. Rex Parris	Mayor
Ronald D. Smith	Vice Mayor
Ken Mann	Council Member
Marvin E. Crist	Council Member
Sandra Johnson	Council Member
Mark V. Bozigian	City Manager

November 16, 2012

Lance, Soll & Lunghard, LLP
 Certified Public Accountants
 203 North Brea Boulevard, Suite 203
 Brea, CA 92821-4056

We are providing this letter in connection with your performance of the Due Diligence Review of the Other Redevelopment Agency Funds in accordance with Assembly Bill 1484 for the Successor Agency of the former Lancaster Redevelopment Agency. We confirm that we are responsible for the complete and fair presentation of the previously mentioned review in conformity with the listed procedures of the Assembly Bill 1484 Due Diligence Review as published by the State Department of Finance on August 27, 2012. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your review:

1. We have made available to you:
 - a. In accordance with 34179.5(c)(1), the dollar value of all assets transferred from the former redevelopment agency to the successor agency on or about February 1, 2012.
 - b. In accordance with 34179.5(c)(2), the dollar value of all 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. We have also provided the documentation of any enforceable obligation that required the transfer.
 - c. In accordance with 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. We have also provided documentation of any enforceable obligation that required the transfer.
 - d. In accordance with 34179.5(c)(4), the expenditure and revenue accounting information and have identified 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.
 - e. In accordance with 34179.5(c)(5), 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.

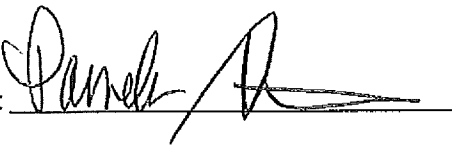
- f. In accordance with 34179.5(c)(5)(B), an itemized statement listing any amounts that are legally restricted as to purpose and cannot be provided to taxing entities. This could include the proceeds of any bonds, grant funds, or funds provided by other governmental entities that place conditions on their use.
 - g. In accordance with 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.
 - h. In accordance with 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, we have provided 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.
 - i. In accordance with 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.
2. There are no material transactions that have not been properly recorded in the accounting records underlying this Due Diligence Review.
 3. Management is not aware of any transfers (as defined by Section 34179.5) from either the former Redevelopment Agency or the Successor Agency to the City, other agencies or private parties for the period January 1, 2011 through June 30, 2012 that have not been identified in this report and related exhibits.
 4. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
 5. We have no knowledge of any fraud or suspected fraud affecting this Due Diligence Review involving:
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on this Due Diligence Review.
 6. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
 7. When applicable, we have taken timely and appropriate steps to remedy fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that you have reported to us.
 8. We have identified to you any previous audits, attestation engagements, performance audits, state controller reports or other studies related to the objectives of this Due Diligence Review and whether related recommendations have been implemented.
 9. The Successor Agency of the former Lancaster Redevelopment Agency has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or fund equity.
 10. We are responsible for compliance with the laws, regulations, provisions of contracts and grant agreements applicable to us, and all provisions related to the dissolution of the Redevelopment Agency in accordance with AB 1X 26 and AB 1484.

11. There are no known violations of:

- a. Laws and regulations,
- b. Provisions of contracts and grant agreements,
- c. Provisions related to the dissolution of the Redevelopment Agency in AB 1X 26 and AB 1484 whose effects should be considered for disclosure in this Due Diligence Review.

12. All bank accounts and investments associated with this review have been properly reflected in the general ledger accounting records.

13. No events, including instances of noncompliance, have occurred subsequent to the performance of this Due Diligence Review and through the date of this letter that would require adjustment to or disclosure in the aforementioned Due Diligence Review.

Signed: 

Signed: _____

Title: Assistant Finance Director

Title: _____