



April 8, 2013

Mr. Bruce Foltz, Finance Director
City of Wasco
764 E Street
Wasco, CA 93280

Dear Mr. Foltz:

Subject: Other Funds and Accounts Due Diligence Review

This letter supersedes the California Department of Finance's (Finance) original Other Funds and Accounts (OFA) Due Diligence Review (DDR) determination letter dated March 13, 2013. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Wasco Successor Agency (Agency) submitted an oversight board approved OFA DDR to the Finance on January 14, 2013. The purpose of the review was to determine the amount of cash and cash equivalents available for distribution to the affected taxing entities. Finance issued an OFA DDR determination letter on March 13, 2013. Subsequently, the Agency requested a Meet and Confer session on one or more items adjusted by Finance. The Meet and Confer session was held on March 27, 2013.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of those specific items being disputed. Specifically, the following adjustments were made:

- The Agency's request to retain \$401,400 was not allowed. During the Meet and Confer process, the Agency provided additional information showing this amount was approved on the January through June 2012 Recognized Obligation Payment Schedule (ROPS I), but not expended until after June 30, 2012. Since the ROPS I approved expenditures were not paid until the July through December 2012 Recognized Obligation Payment Schedule (ROPS II) period, the funds were included in the June 30, 2012 balance. Therefore, the \$401,400 needs to be retained.

Finance notes that amounts requested and approved in a Recognized Obligation Payment Schedule (ROPS) are effective only for the six-month period covered. To the extent the Agency does not expend funds approved and received on a ROPS until a subsequent period, the Agency should relist the unexpended amounts that need to be retained for those enforceable obligations on the subsequent ROPS with the funding source as "Reserves" or "Other" and an entry in the Notes section indicating the funds were received in a prior ROPS period.

- The DDR requests to retain \$298,488 for fiscal year 2012-13 obligations. For the ROPS II period, Finance approved \$180,491 from the Redevelopment Property Tax

Trust Fund (RPTTF). The County Auditor Controller reported a distribution of \$180,491 in June 2012. Therefore, \$180,491 needs to be retained.

For the January through June 2013 Recognized Obligation Payment Schedule (ROPS III), Finance approved and the County Auditor Controller distributed \$165,286 from the RPTTF. Since the County Auditor Controller distributed RPTTF for approved ROPS III obligations after the June 30, 2012 OFA balances delineated in the DDR, the Agency does not need to retain current OFA balances for obligations that have already been funded through a separate process.

Therefore, the OFA balances available for distribution to the taxing entities will be increased by \$117,997 (\$298,488 - \$180,491).

The Agency's OFA balance available for distribution to the affected taxing entities is \$490,438 (see table below).

OFA Balances Available For Distribution To Taxing Entities	
Available Balance per DDR:	\$ 372,441
Finance Adjustments	
Add:	
Requested retained balance not supported:	117,997
Total OFA available to be distributed:	\$ 490,438

This is Finance's final determination of the OFA balances available for distribution to the taxing entities. HSC section 34179.6 (f) requires successor agencies to transmit to the county auditor-controller the amount of funds identified in the above table within five working days, plus any interest those sums accumulated while in the possession of the recipient. Upon submission of payment, it is requested you provide proof of payment to Finance within five business days.

If funds identified for transmission are in the possession of the successor agency, and if the successor agency is operated by the city or county that created the former redevelopment agency, then failure to transmit the identified funds may result in offsets to the city's or the county's sales and use tax allocation, as well as its property tax allocation. If funds identified for transmission are in the possession of another taxing entity, the successor agency is required to take diligent efforts to recover such funds. A failure to recover and remit those funds may result in offsets to the other taxing entity's sales and use tax allocation or to its property tax allocation. If funds identified for transmission are in the possession of a private entity, HSC 34179.6 (h) (1) (B) states that any remittance related to unallowable transfers to a private party may also be subject to a 10 percent penalty if not remitted within 60 days.

Failure to transmit the identified funds will also prevent the Agency from being able to receive a finding of completion from Finance. Without a finding of completion, the Agency will be unable to take advantage of the provisions detailed in HSC section 34191.4. Specifically, these provisions allow certain loan agreements between the former redevelopment agency (RDA) and the city, county, or city and county that created the RDA to be considered enforceable obligations. These provisions also allow certain bond proceeds to be used for the purposes in which they were sold and allows for the transfer of real property and interests into the Community Redevelopment Property Trust Fund once Finance approves the Agency's long-range property management plan.

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In addition to the consequences above, willful failure to return assets that were deemed an unallowable transfer or failure to remit the funds identified above could expose certain individuals to criminal penalties under existing law.

Pursuant to HSC sections 34167.5 and 34178.8, the California State Controller's Office (Controller) has the authority to claw back assets that were inappropriately transferred to the city, county, or any other public agency. Determinations outlined in this letter do not in any way eliminate the Controller's authority.

Please direct inquiries to Evelyn Suess, Supervisor or Mary Halterman, Analyst at (916) 445-1546.

Sincerely,

A handwritten signature in black ink, appearing to read 'STEVE SZALAY', with a stylized flourish extending to the left.

STEVE SZALAY
Local Government Consultant

cc: Ms. Vickie Hight, City Clerk, City of Wasco
Ms. Mary B. Bedard, Kern County Auditor-Controller
California State Controller's Office