

# County of Santa Clara

Finance Agency

County Government Center  
70 West Hedding Street, East Wing, 2nd Floor  
San Jose, California 95110-1705  
(408) 299-5205 FAX: (408) 287-7629



Thursday, December 20, 2012

Hon. John Chiang, State Controller  
P.O. Box 942850  
Sacramento, CA 94250

Ms. Ana Matosantos, Director  
Department of Finance  
915 L Street  
Sacramento, CA 95814

Oversight Board for the Town of Los Gatos Successor Agency  
110 E. Main Street  
P.O. Box 949  
Los Gatos, CA 95030

Town of Los Gatos Successor Agency  
110 E. Main Street  
P.O. Box 949  
Los Gatos, CA 95030

**Re: Los Gatos Successor Agency Due Diligence Review for All Funds (Except Housing)  
Pursuant to Health and Safety Code Section 34179.5**

Dear State Controller, Department of Finance, Oversight Board, and Successor Agency:

We present this Due Diligence Report for the Los Gatos Successor Agency ("Agency") in accordance with Health and Safety Code section 34179.5. The agreed upon procedures were completed by Macias Gini & O'Connell, retained under contract by the Santa Clara County Finance Agency. Management of the Successor Agency is responsible for the accounting records.

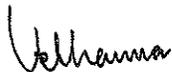
The information presented in this report meets the requirements of Health and Safety Code section 34179.5 for the non-housing funds of the Agency. The County Finance Agency has verified all information with the establishment of assets and liabilities per the agreed upon procedures report issued on September 27, 2012, pursuant to Health and Safety Code section 34182.

In its response to the draft report, the Successor Agency raised two significant concerns, neither of which resulted in an adjustment in this report for the following reasons:

- First, the Successor Agency contends that a portion of the \$6.3 million transferred from the former RDA to the Town in January 2011 does not need to be returned to the Successor Agency because, in previous years, the Town incurred certain costs related to the library project that it believes should be reimbursed to the Town by the former RDA. We examined this issue in detail during the AUP report issued in September 2012; we again re-examined this issue for this report. In both cases, based on a review of all the information provided by the Town, we were unable to find an enforceable obligation requiring the reimbursement of those expenses. More importantly, the proper process for any such reimbursement would be through the normal ROPS review—not the retention of unallowable cash transfers.
- Second, the Successor Agency requested the retention of several million dollars for a reserve for payments on its 2010 COPs that may occur after the Agency reaches its tax increment cap. The amount of such a reserve would vary depending on the future growth in property tax. The County Finance Agency has already expressly recognized this as a liability in the AUP report issued in September 2012 (see Attachment B, Section 1, Item 7, of that report). However, we believe that this issue should be addressed through the development of an appropriate amortization schedule, adjusted as needed based on growth in property tax revenue, and recovered through the semi-annual ROPS process over time. The County Finance Agency is committed to working closely with the Town for the development of such a schedule, and we are willing to do so prior to the ROPS IV approval by March 4, 2013.

The amount to be remitted to the Auditor-Controller for distribution to taxing entities pursuant to Health and Safety Code section 34179.6 is shown in Attachment B as **\$6,726,146** as of June 30, 2012, plus interest earned on the unallowable transfers from the date of transfers through June 30, 2012, plus interest earned on the entire amount from June 30, 2012, through the date of remittance.

Respectfully submitted,



Vinod K. Sharma, C.P.A.  
Director of Finance  
County of Santa Clara

Attachments:

Attachments A through I – Agreed-Upon Procedures and Findings

**Town of Los Gatos, Successor Agency to the  
Town of Los Gatos Redevelopment Agency**

**Attachment A – Agreed-Upon Procedures and Findings  
Successor Agency Assets, Excluding Low and Moderate Income Housing Funds**

The agreed-upon procedures, as it relates to the assets of the Successor Agency, excluding the Low and Moderate Income Housing Funds, and findings are as follows:

1. Obtain from the Successor Agency a listing of all assets that were transferred from the former redevelopment agency to the Successor Agency on or about 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.

**Finding:** We obtained from the Successor Agency a listing of all assets that were transferred from the former redevelopment agency to the Successor Agency on or about February 1, 2012 and agreed the amounts which totaled \$5,760,831 as of February 1, 2012 to the account balances established in the accounting records of the Successor Agency. Of the total assets transferred, \$3,421,900 represents current assets, and \$2,338,931 represents capital assets net of depreciation.

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.

**Finding:** We noted that the State Controller's Office has not completed its review of transfers as of the date of this report. As such, we performed procedures 2A through 2C.

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.

**Finding:** We obtained a listing prepared by the Successor Agency of transfers from the former redevelopment agency to the Town and noted that the former Agency transferred cash in the amount of \$6,532,688 to the Town that was not required by one of the Agency's enforceable obligations or other legal requirements. In addition, we noted that \$1,277,063 in bond reserve funds related to the 2010 COPs was held in a trustee account on the Town's books. Since the Successor Agency is reimbursing the Town for the annual debt service payments on the 2010 COPs, the 2010 COPs Reserve Fund should be held by the Successor Agency to facilitate tracking of this reserve. The results of this procedure are itemized in Attachment C.

- 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.

**Town of Los Gatos, Successor Agency to the  
Town of Los Gatos Redevelopment Agency**

**Attachment A – Agreed-Upon Procedures and Findings  
Successor Agency Assets, Excluding Low and Moderate Income Housing Funds**

**Finding:** We obtained a listing prepared by the Successor Agency of transfers and noted that the Successor Agency did not list any transfers to the Town for the period from February 1, 2012 through June 30, 2012.

- 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.

**Findings:** As noted in Procedure 2A above, the asset transfers of \$6,532,688 by the former Agency were not required by enforceable obligations or other legal requirements and the bond reserve funds of \$1,277,063 should be held by the Successor Agency, and therefore, should be transferred to the Successor Agency.

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.

**Finding:** We noted that the State Controller's Office has not completed its review of transfers as of the date of this 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.

**Finding:** We obtained a listing prepared by the Successor Agency of transfers from the former redevelopment agency to any other public agency or to private parties and noted that the Successor Agency did not list any transfers during the period from January 1, 2011 through January 31, 2012.

- 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.

**Finding:** We obtained a listing prepared by the Successor Agency of transfers from the Successor Agency to any other public agency or to private parties and noted that the Successor Agency did not list any transfers during the period from February 1, 2012 through June 30, 2012.

- 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.

**Town of Los Gatos, Successor Agency to the  
Town of Los Gatos Redevelopment Agency**

**Attachment A – Agreed-Upon Procedures and Findings  
Successor Agency Assets, Excluding Low and Moderate Income Housing Funds**

**Findings:** The procedure is not applicable. The Successor Agency did not list any transfer any assets to any other public agency or private party during the period from January 1, 2011 through June 30, 2012.

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.

**Findings:** No exceptions were noted as a result of applying these procedures. Please refer to Attachment D for a summary of the financial transactions of the former Redevelopment Agency and the Successor Agency for the periods ended on June 30, 2010, June 30, 2011, January 31, 2012, and June 30, 2012. We agreed the financial transactions of the former Redevelopment Agency for the period ended June 30, 2010, to the corresponding audited financial statements and State Controller's Report. We agreed the financial transactions of the former Redevelopment Agency for the period ended June 30, 2011, to the corresponding audited financial statements. We agreed the financial transactions of the former Redevelopment Agency for the period ended January 31, 2012 and for the Successor Agency for the period ended June 30, 2012, to the respective financial records.

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.

**Finding:** We obtained from the Successor Agency a listing of all assets, excluding assets of the Low and Moderate Income Housing Fund, as of June 30, 2012 and agreed the assets listed to the recorded balances reflected in the accounting records of the Successor Agency. The Successor Agency reported assets of \$5,484,006 at June 30, 2012 as itemized in Attachment E.

**Town of Los Gatos, Successor Agency to the  
Town of Los Gatos Redevelopment Agency**

**Attachment A – Agreed-Upon Procedures and Findings  
Successor Agency Assets, Excluding Low and Moderate Income Housing Funds**

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 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.

**Finding:** No exceptions were noted as a result of applying these procedures. Please refer to Attachment F for the listing of the Successor Agency’s restricted assets held by the Successor Agency at June 30, 2012. The Successor Agency did not list grant proceeds and program income that are restricted by third parties nor other assets considered to be legally restricted.

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

**Town of Los Gatos, Successor Agency to the  
Town of Los Gatos Redevelopment Agency**

**Attachment A – Agreed-Upon Procedures and Findings  
Successor Agency Assets, Excluding Low and Moderate Income Housing Funds**

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.

**Finding:** No exceptions were noted as a result of applying these procedures. Please refer to Attachment G for the listing of Successor Agency's assets other than cash and cash equivalents, held by the Successor Agency at June 30, 2012.

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.
- 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

**Town of Los Gatos, Successor Agency to the  
Town of Los Gatos Redevelopment Agency**

**Attachment A – Agreed-Upon Procedures and Findings  
Successor Agency Assets, Excluding Low and Moderate Income Housing Funds**

- 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.
- 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.

**Finding:** We noted the Successor Agency did not have asset balances as of June 30, 2012 that need to be retained to satisfy enforceable obligations that are not otherwise already listed on the Recognized Obligation Payment Schedule in procedure 9.

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.

**Town of Los Gatos, Successor Agency to the  
Town of Los Gatos Redevelopment Agency**

**Attachment A – Agreed-Upon Procedures and Findings  
Successor Agency Assets, Excluding Low and Moderate Income Housing Funds**

**Finding:** The Successor Agency believes that cash balances as of June 30, 2012, in the amount of \$1,571,332 need to be retained to satisfy certain obligations for the period of July 1, 2012 through December 31, 2012. Please refer to Attachment H for the results of these procedures. Also, refer to Attachment I for a copy of the approved ROPS for the period of July 1, 2012 through December 31, 2012.

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).

**Finding:** The Successor Agency should remit \$6,726,146 to the Auditor-Controller for the County of Santa Clara for disbursement to taxing entities. Please refer to Attachment B for the results of this procedure.

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.

**Finding:** No exceptions noted as a result of this procedure.

**TOWN OF LOS GATOS, SUCCESSOR AGENCY TO THE TOWN OF LOS GATOS**  
**ATTACHMENT B - SUCCESSOR AGENCY ASSETS, EXCLUDING LOW AND MODERATE INCOME HOUSING FUND ASSETS,**  
**AVAILABLE TO DISTRIBUTE TO AFFECTED TAXING ENTITIES**

**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)	\$ 5,484,006
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)	7,809,751
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments (procedure 6)	2,463,939
Less assets that are not cash or cash equivalents (e.g., physical assets) - (procedure 7)	2,237,239
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)	1,571,332
Less the amount of payments made on July 12, 2012 to the County Auditor-Controller as directed by the California Department of Finance	<u>295,101</u>
Amount to be remitted to county for disbursement to taxing entities	<u><u>\$ 6,726,146</u></u>

**TOWN OF LOS GATOS, SUCCESSOR AGENCY TO THE TOWN OF LOS GATOS**

**ATTACHMENT C - SUCCESSOR AGENCY RETURN OF ASSETS, EXCLUDING LOW AND MODERATE INCOME HOUSING FUND ASSETS,  
FOR WHICH AN ENFORCEABLE OBLIGATION DOES NOT EXIST**

Asset Description	Name of the recipient	Date of Transfer	Book value of asset at date of transfer	Describe the purpose of the transfer and specify the enforceable obligation or other legal requirement requiring such transfer and the date of such requirement. Also, note whether the asset transfer was reversed and the date of such reversal.	Finding
1 Cash and cash equivalents	Town of Los Gatos	1/19/2011	\$ 6,356,550	Transfer was based on the Town of Los Gatos public improvements grant and co-op agreement entered in January 2011.	Per the County of Santa Clara Auditor-Controller, this transfer of assets should be reversed and returned to the Successor Agency pursuant to AB x1 26 and AB 1484.
2 Cash and cash equivalents	Town of Los Gatos	12/31/2011	176,138	Transfer represents administrative costs for the period February 2012 through June 2012 which was transferred in December 2011.	Transfer was not an enforceable obligation.
3 Cash and cash equivalents	Town of Los Gatos	12/31/2011	<u>1,277,063</u>	Bond reserve funds related to the 2010 COPs are held by the Town. Debt service for the 2010 COPs is being repaid by the Successor Agency and, accordingly, the bond reserve fund should be held by the Successor Agency for tracking purposes.	Bond reserve funds that relate to the debt being repaid by the Successor Agency should be reported in the Successor Agency.
Total Assets			<u>\$ 7,809,751</u>		

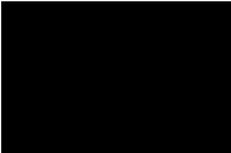
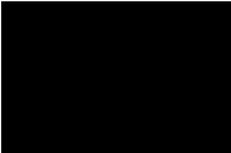
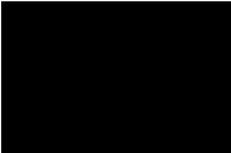
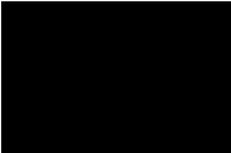
**TOWN OF LOS GATOS, SUCCESSOR AGENCY TO THE TOWN OF LOS GATOS**

**ATTACHMENT D - CONDENSED SUMMARY OF FINANCIAL DATA**

	Redevelopment Agency 12 Months Ended 6/30/2010	Redevelopment Agency 12 Months Ended 6/30/2011	Redevelopment Agency 7 Months Ended 1/31/2012	Successor Agency 5 Months Ended 6/30/2012
<b>Assets (modified accrual basis)</b>				
Cash and investments	\$ 18,272,969	\$ 7,690,788	\$ 3,505,252	\$ 3,291,288
Restricted cash and investments	1,297,979	1,184,589	1,087,839	1,186,876
Accounts receivable	10,028	23,129	31,169	-
Notes receivable	565,114	576,778	482,113	-
<b>Total Assets</b>	<u>\$ 20,146,090</u>	<u>\$ 9,475,284</u>	<u>\$ 5,106,373</u>	<u>\$ 4,478,164</u>
<b>Liabilities (modified accrual basis)</b>				
Accounts payable	\$ 119,949	\$ 249,428	\$ 1,497	\$ 69,621
Grants payable	-	621,969	1,100,000	-
Deferred revenue	565,114	576,778	482,113	-
Accrued benefits	-	-	-	378
Town operating loan to RDA	1,500,000	1,500,000	-	-
Pass-through obligations	3,992,741	3,829,751	-	-
<b>Total Liabilities</b>	<u>\$ 6,177,804</u>	<u>\$ 6,777,926</u>	<u>\$ 1,583,610</u>	<u>\$ 69,999</u>
<b>Equity</b>	<u>13,968,286</u>	<u>2,697,358</u>	<u>3,522,763</u>	<u>4,408,165</u>
<b>Total Liabilities + Equity</b>	<u>\$ 20,146,090</u>	<u>\$ 9,475,284</u>	<u>\$ 5,106,373</u>	<u>\$ 4,478,164</u>
<b>Total Revenues</b>	<u>\$ 10,190,406</u>	<u>\$ 9,939,174</u>	<u>\$ 6,834,912</u>	<u>\$ 98,360</u>
<b>Total Expenditures/Expenses</b>	<u>\$ 14,906,982</u>	<u>\$ 21,210,105</u>	<u>\$ 6,009,507</u>	<u>\$ 312,958</u>
<b>Gain on RDA Dissolution</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,100,000</u>
<b>Net change in equity</b>	<u>\$ (4,716,576)</u>	<u>\$ (11,270,931)</u>	<u>\$ 825,405</u>	<u>\$ 885,402</u>
<b>Beginning Equity</b>	\$ 18,684,862	\$ 13,968,289	\$ 2,697,358	\$ 3,522,763

**TOWN OF LOS GATOS, SUCCESSOR AGENCY TO THE TOWN OF LOS GATOS**

**ATTACHMENT D - CONDENSED SUMMARY OF FINANCIAL DATA**

	Redevelopment Agency 12 Months Ended 6/30/2010	Redevelopment Agency 12 Months Ended 6/30/2011	Redevelopment Agency 7 Months Ended 1/31/2012	Successor Agency 5 Months Ended 6/30/2012
<b>Ending Equity</b>	\$ 13,968,286	\$ 2,697,358	\$ 3,522,763	\$ 4,408,165
<b>Other Information (show year end balances for all three years presented)</b>				
<b>Capital assets as of end of year</b>	\$ 7,110,395	\$ 7,660,238		\$ 2,237,239
<b>Notes receivable</b>	\$ 565,114	\$ 576,778		\$ -
<b>Long-term debt as of end of year</b>	\$ 25,265,000	\$ 24,780,000		\$ 23,745,000
<b>Accrued interest payable</b>	\$ 190,278	\$ 451,120		\$ -

**TOWN OF LOS GATOS, SUCCESSOR AGENCY TO THE TOWN OF LOS GATOS  
ATTACHMENT E - SUCCESSOR AGENCY ASSETS, EXCLUDING LOW AND  
MODERATE INCOME HOUSING FUND ASSETS, HELD BY THE SUCCESSOR  
AGENCY AT JUNE 30, 2012**

Assets	June 30, 2012
Cash and investments	\$ 2,062,825
US Bank 1992 COP Reserve	254,136
US Bank 1992 COP Lease	204,000
Bank of New York 2002 COP Reserve	686,251
Bank of New York 2002 COP Construction	42,489
GASB 31 Fair Value provision	(2,934)
Capital assets, net of accumulated depreciation - Parking Structure*	2,237,239
Total Assets	\$ 5,484,006

\* Title reverts to Town of Los Gatos upon final lease payment in July of 2012.

**TOWN OF LOS GATOS, SUCCESSOR AGENCY TO THE TOWN OF LOS GATOS**  
**ATTACHMENT F - SUCCESSOR AGENCY RESTRICTED ASSETS, EXCLUDING LOW AND MODERATE INCOME HOUSING FUND**  
**RESTRICTED ASSETS, HELD BY THE SUCCESSOR AGENCY AT JUNE 30, 2012**

**A. Unspent Bond Proceeds**

Assets	6/30/2012	Source for the computation of the restricted balance (i.e. accounting records or other supporting documentation)	Identify the document requiring the restriction. For each restriction identified on these schedules, indicate in the period of time for which the restrictions are in effect. Note whether the restrictions are in effect until the related assets are expended for their intended purpose.
Bank of New York 2002 COP Construction	\$ 42,489	BNY Statement 6/30/12	Per COP documentation for the 2002 COP, restriction in effect until the bond proceeds are spent for their intended use.
Bank of New York 2002 COP Reserve	686,251	BNY Statement 6/30/12	Per COP documentation for the 2002 COP, restriction in effect until the bond proceeds are spent for their intended use.
US Bank 1992 COP Reserve	254,136	US Statement 6/30/12	Per COP documentation for the 1992 COP, restriction in effect until the bond proceeds are spent for their intended use.
US Bank 1992 COP Lease	204,000	US Statement 6/30/12	Per COP documentation for the 1992 COP, restriction in effect until the bond proceeds are spent for their intended use.
Bank of New York 2010 COP Reserve	1,277,063	BNY Statement 6/30/12	Per COP documentation for the 2010 COP, restriction in effect until the bond proceeds are spent for their intended use.
	<u>\$ 2,463,939</u>		

**TOWN OF LOS GATOS, SUCCESSOR AGENCY TO THE TOWN OF LOS GATOS**  
**ATTACHMENT G - SUCCESSOR AGENCY ASSETS OTHER THAN CASH AND CASH EQUIVALENTS, EXCLUDING LOW AND MODERATE**  
**INCOME HOUSING FUND ASSETS, HELD BY THE SUCCESSOR AGENCY AT JUNE 30, 2012**

Asset	6/30/2012	Basis (i.e. Book Value/Fair Market Value)	Description of the records provided supporting the book value listed and any differences noted. If differences pertain to disposal of assets, note whether the proceeds were deposited into the Successor Agency.	Description of the methodology used to support the market value listed. If no evidence is available to support the value and/or the methodology used, note as a finding in the report.
Lot 4 - Parking Lot Structure *	\$ 4,067,708	Book Value	Capital asset records. No differences were noted.	N/A - book value.
Less accumulated depreciation	<u>(1,830,469)</u>	Book Value	Capital asset records. Only difference is current year depreciation.	N/A - book value.
Total Assets	<u>\$ 2,237,239</u>			

\* Title reverts to Town of Los Gatos upon final lease payment in July of 2012.

**TOWN OF LOS GATOS, SUCCESSOR AGENCY TO THE TOWN OF LOS GATOS**  
**Attachment H - Balances needed to be Retained by the Successor Agency to Satisfy**  
**Enforceable Obligations on the Recognized Obligation Payment Schedule for the Period from**  
**July 1, 2012 through December 31, 2012**

Enforceable Obligation	Existing cash held at 6/30/12 needed to satisfy ROPS obligations*
2002 Cop Reimbursement	\$ 479,720
2010 COP Reimbursement	963,412
2002/2010 COP Bank Services Fees	3,200
Successor Agency Administrative Costs	125,000
Total	\$ 1,571,332

\* The Successor Agency believes that such balances are needed to satisfy the obligations approved on the Recognized Obligation Payment Schedule, as summarized in Attachment I.

**County of Santa Clara**  
Finance Agency

County Government Center  
70 West Hedding Street, East Wing, 2nd Floor  
San Jose, California 95110-1705  
(408) 299-5205 FAX: (408) 287-7629



May 14, 2012

To: State Controller's Office  
State Department of Finance  
Los Gatos RDA Successor Agency Oversight Board  
Town of Los Gatos

Please find attached the Recognized Obligation Payment Schedules that have been certified by Finance Agency office pursuant to Health and Safety Code sections 34177(i)(2) and 34182 for the obligations payable by the Town of Los Gatos RDA Successor Agency between July 1 and December 31, 2012.

Please note that all administrative costs have been excluded from certification at this time as their approval is subject to a separate review and approval process by the Oversight Board.

Respectfully Submitted,

Irene Lui  
Controller-Treasurer

**RECOGNIZED OBLIGATION PAYMENT SCHEDULE - CONSOLIDATED**  
**FILED FOR THE Jul 1, 2012 to Dec 31, 2012 PERIOD**

Name of Successor Agency: Town of Los Gatos

	Current	
	Total Outstanding Debt or Obligation	Total Due During Fiscal Year
Outstanding Debt or Obligation	NOTE B	1,606,102
	Total Due for Six Month Period	
Outstanding Debt or Obligation	1,606,102	
Available Revenues other than anticipated funding from RPTTF	138,769	
Enforceable Obligations paid with RPTTF	1,467,333	
Administrative Cost paid with RPTTF	125,000	
Pass-through Payments paid with RPTTF		
<b>Administrative Allowance</b> (greater of 5% 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)	NOTE C	125,000

**Note B:** This amount was provided by the Successor Agency and will be certified after completion of a review of the assets and liabilities.

**Note C:** The Administrative budget is subject to the approval of the Oversight Board.

Certification of Oversight Board Chairman:

Pursuant to Section 34177(l) 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.

\_\_\_\_\_  
Name Title

\_\_\_\_\_  
Signature Date

Name of Successor Agency: Town of Los Gatos  
 Project Area(s) RDA Project Area All

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

Project Name / Debt Obligation	Contract/Agreement Execution Date	Payee	Description	Project Area	Note B Total Outstanding Debt or Obligation	Note A Total Due During Fiscal Year 2012-2013**	Funding Source	Payable from the Redevelopment Property Tax Trust Fund (RPTTF)							
								Jul 2012	Aug 2012	Sep 2012	Oct 2012	Nov 2012	Dec 2012	Total	
1) 1992 COP Reimbursement	8/1/1992	U. S Bank	Reimbursement Agreement	Central Los Gatos	252,000	21,000	RPTTF	21,000							21,000
2) 2002 COP Reimbursement	7/1/2002	The BNY Mellon Trust Co. N.A.	Reimbursement Agreement	Central Los Gatos	13,457,045	479,720	RPTTF	479,720							479,720
3) 2010 COP Reimbursement	6/1/2010	The BNY Mellon Trust Co. N.A.	Reimbursement Agreement	Central Los Gatos	21,054,700	963,413	RPTTF	963,413							963,413
4) 1992/2002/2010 COP Bank Service Fees	7/1/2002 & 6/1/2010	COP Fiscal Agents	Bank Service Charges	Central Los Gatos	3,200	3,200	RPTTF	3,200							3,200
Totals - This Page (RPTTF Funding)					34,788,945	1,487,333	N/A	21,000	1,445,333						1,467,333
Totals - Page 2 (Other Funding)					386,771	138,769	N/A	69,427	13,868	13,868	13,868	13,868	13,868	13,868	138,769
Totals - Page 3 (Administrative Cost Allowance)					4,000,000	125,000	N/A	20,833	20,833	20,833	20,833	20,834	20,834	20,834	125,000
Totals - Page 4 (Pass Thru Payments)							N/A								
Grand total - All Pages					39,115,716	1,731,102		111,260	1,481,034	34,702	34,702	34,702	34,702	34,702	1,731,102

\* 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 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  
 LMHF - Low and Moderate Income Housing Fund  
 Admin - Successor Agency Administrative Allowance

Note A: This amount represents six months' obligation from July 2012 to December 2012.  
 Note B: This amount was provided by the Successor Agency and will be certified after completion of a review of the assets and liabilities.

FORM B - All Revenue Sources Other Than Redevelopment Property Tax Trust Fund (RPPTF)

Name of Successor Agency: Town of Los Gatos  
 Project Area(s) RDA Project Area All

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

Project Name / Debt Obligation	Contract/Agreement Execution Date	Payee	Description	Project Area	Note B Total Outstanding Debt or Obligation	Note A Total Due During Fiscal Year 2012-2013**	Funding Source ***	Payable from Other Revenue Sources											
								Payments by month											
								Jul 2012	Aug 2012	Sep 2012	Oct 2012	Nov 2012	Dec 2012	Total					
1) Completion of Library Project	N/A	Contractor (Miscellaneous)	Completion of Library Project	Central Los Gatos	182,351	55,559	OTHER	55,559								55,559			
2) RDA Wind-Down Activities	2/1/2012	Successor Agency	Implementation of RDA Dissolution	Central Los Gatos	118,420	58,210	OTHER	9,702	9,702	9,702	9,702	9,701	9,701	9,701	9,701	58,210			
3) Contract for Consulting Services	2/7/2011	Goldfarb/Lipman + Jones Hall	Attorney services	Central Los Gatos	50,000	25,000	OTHER	4,167	4,165	4,167	4,167	4,167	4,167	4,167	4,167	25,000			
Totals - LMHIF					328,771	138,769		69,427	13,868	13,869	13,869	13,868	13,868	13,868	13,868	138,769			
Totals - Bond Proceeds					-	-		-	-	-	-	-	-	-	-	-			
Totals - Other					-	-		-	-	-	-	-	-	-	-	-			
Grand Total - This Page					328,771	138,769		69,427	13,868	13,869	13,869	13,868	13,868	13,868	13,868	138,769			

\* 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 RPPTF could also mean tax increment allocated to the Agency prior to February 1, 2012.)

RPPTF - Redevelopment Property Tax Trust Fund

LMHIF - Low and Moderate Income Housing Fund

Admin - Successor Agency Administrative Allowance

Note A: This amount represents six months obligation from July 2012 to December 2012.

Note B: This amount was provided by the Successor Agency and will be certified after completion of a review of the assets and liabilities.

Note D: This is an administrative item whose certification by the County Auditor/Controller is expressly made contingent on the Oversight Board's approval of this item as part of the Successor Agency administrative budget for the relevant ROPS period pursuant to H&S Code, Section 34177(0).

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

Name of Successor Agency: Town of Los Gatos

Project Area(s) RDA Project Area All

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

Project Name / Debt Obligation	Payee	Description	Project Area	NOTE B Total Outstanding Debt or Obligation	NOTE A & C Total Due During Fiscal Year 2012-2013**	Funding Source**	Payable from the Administrative Allowance Allocation ****						Total
							Jul 2012	Aug 2012	Sep 2012	Oct 2012	Nov 2012	Dec 2012	
1) Materials and Supplies	Successor Agency	Office supplies, meeting expenses, postage, bulk mail, copies, printing services, special noticing, membership fees, dues and subscriptions	Central Los Gatos	81,485	2,550	RPTTF	425	425	425	425	425	425	2,550
2) Travel and Training	Successor Agency	Meetings and events and employee training	Central Los Gatos	47,921	1,500	RPTTF	250	250	250	250	250	250	1,500
3) Financial, Contractual, Consultant, and Other Operational Support	Successor Agency	Finance services, direct salary charges, and direct benefit charges	Central Los Gatos	3,811,204	113,037	RPTTF	18,840	18,840	18,840	18,839	18,839	18,839	113,037
4) Internal Services	Successor Agency	Insurance, information technology support, and building maintenance	Central Los Gatos	54,246	1,698	RPTTF	283	283	283	283	283	283	1,698
5) Maintenance	Successor Agency	Property maintenance, weed abatement and security	Central Los Gatos	205,164	6,422	RPTTF	1,070	1,070	1,070	1,070	1,071	1,071	6,422
Totals - This Page				4,000,000	125,207		20,868	20,868	20,867	20,867	20,868	20,868	125,207
							Administrative cost cap: (Greater of 3% of RPTTF or \$725,000)						\$ 125,000

\* 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.)

RPTTF - Redevelopment Property Tax Trust Fund

LMHF - Low and Moderate Income Housing Fund

\*\*\*\* - Administrative Cost Allowance caps are 5% of Form A 6-month totals in 2011-12 and 3% of Form A 6-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

Bonds - Bond proceeds

Admin - Successor Agency Administrative Allowance

Note A: This amount represents six months' obligation from July 2012 to December 2012.

Note B: This amount was provided by the Successor Agency and will be certified after completion of a review of the assets and liabilities.

Note C: The Administrative budget is subject to the approval of the Oversight Board.

FORM D - Pass-Through Payments

Name of Successor Agency: Town of Los Gatos  
 Project Area(s) RDA Project Area All

OTHER OBLIGATION PAYMENT SCHEDULE  
 Per AB 26 - Section 34177 (\*)

Project Name / Debt Obligation	Payee	Description	Project Area	Total Outstanding Debt or Obligation	Total Due During Fiscal Year 2012-2013**	Source of Fund***	Pass Through and Other Payments ****								
							Jul 2012	Aug 2012	Sep 2012	Oct 2012	Nov 2012	Dec 2012	Total		
No reportable items				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Totals - Other Obligations				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

\* 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.)  
 RPTTF - Redevelopment Property Tax Trust Fund  
 LMHF - Low and Moderate Income Housing Fund  
 Admin - Successor Agency Administrative Allowance  
 Other - reserves, rents, interest earnings, etc

\*\*\*\* - Only the January through June 2012 ROPS should include expenditures for pass-through payments. Starting with the July through December 2012 ROPS, per HSC section 34183 (a) (1), the county auditor controller will make the required pass-through payments prior to transferring money into the successor agency's Redevelopment Obligation Retirement Fund for items listed in an oversight board approved ROPS.