

SUCCESSOR AGENCY TO THE AVALON COMMUNITY IMPROVEMENT AGENCY

Independent Accountants' Report on Applying Agreed-Upon Procedures
On the Avalon Community Improvement Agency's
And
The Successor Agency to the Avalon Community Improvement Agency's
All Other Funds

Pursuant to California Health and Safety Code Section 34179.5

**SUCCESSOR AGENCY TO THE AVALON COMMUNITY IMPROVEMENT AGENCY
AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS**

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**Independent Accountants' Report on Applying Agreed-Upon Procedures
Related to All Other Funds**

Oversight Board of the Successor Agency
to the Avalon Community Improvement Agency
Avalon, California

We have performed the minimum required agreed-upon procedures (AUP) enumerated in Attachment A, which were agreed to by the California Department of Finance, the California State Controller's Office, the Los Angeles County Auditor-Controller, and the Successor Agency to the Avalon Community Improvement Agency (Successor Agency), (collectively, the Specified Parties), solely to assist you in meeting the statutory requirements of Health and Safety Code Section 34179.5 related to all other funds except for the Low and Moderate Income Housing Fund (All Other Funds) of the former Avalon Community Improvement Agency and the Successor Agency. Management of the Successor Agency is responsible for meeting the statutory requirements of Health and Safety Code Section 34179.5 related to All Other Funds. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

The scope of this engagement was limited to performing the agreed-upon procedures as set forth in Attachment A. Attachment A also identifies the findings noted as a result of the procedures performed.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on whether the Successor Agency has met the statutory requirements of Health and Safety Code Section 34179.5 related to All Other Funds. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Oversight Board and management of the Successor Agency to the Avalon Community Improvement Agency, the California Department of Finance, the California State Controller's Office, and the Los Angeles County Auditor-Controller, and is not intended to be, and should not be, used by anyone other than these specified parties.

White Nelson Diehl Evans LLP

Irvine, California
January 25, 2013

SUCCESSOR AGENCY TO THE AVALON COMMUNITY IMPROVEMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS
RELATED TO ALL OTHER FUNDS

1. **Procedure:**

Obtain from the Successor Agency a listing of all assets that were transferred from All Other Funds of 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.

Finding:

We agreed the amounts listed on Schedule 1 to the Successor Agency's accounting records without exceptions. The former redevelopment agency transferred \$20,152,781 in assets from All Other Funds to the Successor Agency as detailed in Schedule 1.

2A. **Procedure:**

Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from All Other Funds of the former redevelopment agency to the city 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:

This procedure is not applicable as the former redevelopment agency did not make any transfers other than payments for goods and services from All Other Funds to the City of Avalon during the period from January 1, 2011 through January 31, 2012.

2B. **Procedure:**

Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from All Other Funds of the Successor Agency to the city 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.

Finding:

This procedure is not applicable as the Successor Agency did not make any transfers other than payments for goods and services from All Other Funds to the City of Avalon during the period from February 1, 2012 through June 30, 2012.

SUCCESSOR AGENCY TO THE AVALON COMMUNITY IMPROVEMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS
RELATED TO ALL OTHER FUNDS

2C. **Procedure:**

For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required the 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.

Finding:

This procedure is not applicable since no transfers were identified as a result of Procedures 2A and 2B.

3A. **Procedure:**

Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from All Other Funds of 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:

This procedure is not applicable as the former redevelopment agency did not make any transfers to other public agencies or private parties other than payments for goods and services from All Other Funds during the period from January 1, 2011 through January 31, 2012.

3B. **Procedure:**

Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from All Other Funds of the Successor Agency to any other public agency or to 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 described 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:

This procedure is not applicable as the Successor Agency did not make any transfers to other public agencies or private parties other than payments for goods and services from All Other Funds during the period from February 1, 2012 through June 30, 2012.

SUCCESSOR AGENCY TO THE AVALON COMMUNITY IMPROVEMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS
RELATED TO ALL OTHER FUNDS

3C. **Procedure:**

For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required the 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.

Finding:

This procedure is not applicable since no transfers were identified as a result of Procedures 3A and 3B.

4. **Procedure:**

Obtain from the Successor Agency a summary of the financial transactions of the Redevelopment Agency and the Successor Agency for the fiscal periods ended June 30, 2010, June 30, 2011, January 31, 2012 and June 30, 2012. Ascertain that for each period presented, the total of revenues, expenditures and transfers account fully for the changes in equity from the previous fiscal period. Compare amounts for the fiscal period ended June 30, 2010 to the state controller's report filed for the Redevelopment Agency for that period. Compare the amounts for the other fiscal periods presented to the account balances in the accounting records or other supporting schedules.

Finding:

A reconciliation of the financial transactions of the Redevelopment Agency and the Successor Agency for the fiscal periods ended June 30, 2010, June 30, 2011, January 31, 2012 and June 30, 2012 is presented in Schedule 2.

5. **Procedure:**

Obtain from the Successor Agency a listing of all assets of All Other Funds as of June 30, 2012. Agree the assets on the listing to the accounting records of the Successor Agency.

Finding:

As of June 30, 2012, the Successor Agency's total assets related to All Other Funds of the former redevelopment agency amounted to \$18,971,455 as shown in Schedule 3.

SUCCESSOR AGENCY TO THE AVALON COMMUNITY IMPROVEMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS
RELATED TO ALL OTHER FUNDS

6. **Procedure:**

Obtain from the Successor Agency a listing of asset balances related to the former redevelopment agency's Low and Moderate Income Housing Fund on June 30, 2012 that were restricted for the following purposes:

- unspent bond proceeds,
- grant proceeds and program income restricted by third parties, and
- other assets with legal restrictions.

6A. **Procedure - Unspent Bond Proceeds:**

Obtain the Successor Agency's computation of the restricted balances and trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation. Obtain the legal document that sets forth the restriction pertaining to these balances.

Finding:

As of June 30, 2012, the Successor Agency had \$4,300,889 in unspent bond proceeds as detailed in Schedule 4. Excerpts from the Official Statement of the 2003 Tax Allocation Bonds, Series A setting forth the restrictions pertaining to the unspent bond proceeds are attached as Exhibit 1.

6B. **Procedure - Grant Proceeds and Program Income Restricted by Third Parties:**

Obtain the Successor Agency's computation of the restricted balances and trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation. Obtain a copy of the grant agreement that sets forth the restriction pertaining to these balances.

Finding:

This procedure is not applicable as the Successor Agency did not hold any grant proceeds or program income as of June 30, 2012.

6C. **Procedure - Other Assets Considered to be Legally Restricted:**

Obtain the Successor Agency's computation of the restricted balances and trace individual components of this computation to related account balances in the accounting records or other supporting documentation. We obtained the legal document that sets forth the restriction pertaining to these balances.

SUCCESSOR AGENCY TO THE AVALON COMMUNITY IMPROVEMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS
RELATED TO ALL OTHER FUNDS

6C. **Finding:**

The Successor Agency has \$110,000 in cash as of June 30, 2012 that was originally donated to the City of Avalon in January 2000. These funds were donated for the development of a skate park and a performing arts/community center building. Although these funds have been held in a fund associated with the former redevelopment agency, the funds are not tax increment and were never donated to the former redevelopment agency. See Exhibit 2 for the City Attorney's opinion on this matter.

7. **Procedure:**

Obtain from the Successor Agency a listing of assets of All Other Funds of the former redevelopment agency as of June 30, 2012 that are not liquid or otherwise available for distribution and ascertain if the values are listed at either purchase cost or market value as recently estimated by the Successor Agency. For assets listed at purchased cost, trace the amount to a previously audited financial statement or other accounting records of the Successor Agency and note any differences. For any differences noted, inspect evidence of asset disposal subsequent to January 31, 2012 and ascertain that the proceeds were deposited into the Successor Agency's trust fund. For assets listed at recently estimated market value, inspect evidence supporting the value and note the methodology used.

Finding:

As of June 30, 2012, the Successor Agency held \$10,576,677 in non-liquid assets of the former redevelopment agency as detailed in Schedule 5.

8A. **Procedure:**

If the Successor Agency identified that existing asset balances were needed to be retained to satisfy enforceable obligations, obtain an itemized schedule of asset balances (resources) as of June 30, 2012 that were dedicated or restricted for the funding of enforceable obligations. Compare the information on the schedule to the legal documents that formed the basis for the dedication or restriction of the resource balance in question. Compare all current balances which needed to be retained to satisfy enforceable obligations to the amounts reported in the accounting records of the Successor Agency or to an alternative computation. Compare the specified enforceable obligations to those that were included in the final Recognized Obligation Payment Schedule (ROPS) approved by the California Department of Finance. If applicable, identify any listed balances for which the Successor Agency was unable to provide appropriate restricting language in the legal document associated with the enforceable obligation.

SUCCESSOR AGENCY TO THE AVALON COMMUNITY IMPROVEMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS
RELATED TO ALL OTHER FUNDS

8A. **Finding:**

As of June 30, 2012, the Successor Agency's asset balances to be retained in order to satisfy enforceable obligations are \$451,891 as detailed in Schedule 6. These enforceable obligations were reported on the approved ROPS 1. Included in the total is a \$250,000 SERAF loan repayment request. California Health and Safety Code Section 34176(e)(6)(B) prohibits such repayments until fiscal year 2013-2014 and describes the maximum repayment amount authorized in any given year.

8B. **Procedure:**

If the Successor Agency identified 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 include a projection of the annual spending requirements to satisfy each obligation and a projection of the annual revenues available to fund those requirements. Compare the enforceable obligations to those that were approved by the California Department of Finance 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. Compare the forecasted annual spending requirements to the legal document supporting the enforceable obligation and obtain the Successor Agency's assumptions relating to the forecasted annual spending requirements. Obtain the Successor Agency's assumptions for the forecasted annual revenues. Disclose the major assumptions for the forecasted annual spending requirements and the forecasted annual revenues in this AUP report.

Finding:

This procedure is not applicable as the Successor Agency did not identify any existing asset balances needed to be retained to fund future obligation payments.

8C. **Procedure:**

If the Successor Agency identified 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 a schedule demonstrating this insufficiency. Compare the timing and amounts of bond debt service payments to the related bond debt service schedules in the bond agreement. Obtain the assumptions for the forecasted property tax revenues and other general purpose revenues and disclose them in this AUP report.

Finding:

This procedure is not applicable as the Successor Agency did not identify any existing asset balances needed to be retained to fund bond debt service payments.

SUCCESSOR AGENCY TO THE AVALON COMMUNITY IMPROVEMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS
RELATED TO ALL OTHER FUNDS

8D. **Procedure:**

If Procedures 8A, 8B and 8C were performed, calculate the amount of unrestricted balances necessary for retention in order to meet enforceable obligations. Combine the amount identified as currently restricted balances and the forecasted annual revenues to arrive at the amount of total resources available to fund enforceable obligations. Reduce the total resources available by the amount of forecasted annual spending requirements. Include the calculation in this AUP report.

Finding:

The unrestricted balances necessary for retention to meet enforceable obligations are detailed in Schedule 6. The Successor Agency does not expect any revenues to pay for these enforceable obligations.

9. **Procedure:**

If the Successor Agency identified 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 identify (a) any dollar amount of existing cash that was needed to satisfy the obligation, and (b) the Successor Agency's explanation as to why the Successor Agency believes that such balances were needed to satisfy the obligation. Include this schedule as an attachment to this AUP report.

Finding:

The Successor Agency has identified \$1,938,880 in cash balances to be retained to satisfy obligations on the ROPS for the period July 1, 2012 through June 30, 2013 as shown in Schedule 7.

10. **Procedure:**

Present a schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Agencies. Amounts included in the calculation should agree to the results of the procedures performed above. Agree any deductions for amounts already paid to the County Auditor-Controller on July 12, 2012 as directed by the California Department of Finance to evidence of payment.

SUCCESSOR AGENCY TO THE AVALON COMMUNITY IMPROVEMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS
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10. **Finding:**

The schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Agencies is shown in Schedule 8. The computation indicates that the Successor Agency has \$605,720 available for allocation to affected taxing agencies.

11. **Procedure:**

Obtain a representation letter from management of the Successor Agency acknowledging their responsibility for the data provided and the data presented in the report or in any schedules or exhibits to the report. Included in the representations is 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 this AUP report and its related schedules or exhibits. Management's refusal to sign the representation letter should be noted in the AUP report as required by attestation standards.

Finding:

No exceptions were noted as a result of this Procedure.

SUCCESSOR AGENCY TO THE AVALON COMMUNITY IMPROVEMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

LISTING OF ASSETS TRANSFERRED TO SUCCESSOR AGENCY

As of February 1, 2012

	Total as of <u>February 1, 2012</u>
ASSETS	
Cash and investments	\$ 3,082,586
Cash and investments with fiscal agent	6,065,452
Due from the City of Avalon	<u>209,609</u>
 SUBTOTAL ASSETS (MODIFIED ACCRUAL)	 9,357,647
 Depreciable capital assets	 15,477,593
Accumulated depreciation	<u>(4,682,459)</u>
 TOTAL ASSETS	 <u><u>\$ 20,152,781</u></u>

SUCCESSOR AGENCY TO THE AVALON COMMUNITY IMPROVEMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

RECONCILIATION OF FINANCIAL TRANSACTIONS FOR THE PERIODS ENDED
 JUNE 30, 2010, JUNE 30, 2011, JANUARY 31, 2012 AND JUNE 30, 2012

	(a) Redevelopment Agency 12 Months Ended 6/30/2010	(b) Redevelopment Agency 12 Months Ended 6/30/2011	(c) Redevelopment Agency 7 Months Ended 1/31/2012	(c) Successor Agency 5 Months Ended 6/30/2012
Assets (modified accrual basis)				
Cash and investments	\$ 6,461,987	\$ 6,435,179	\$ 5,284,186	\$ 5,885,520
Cash with fiscal agent	10,352,367	10,390,542	10,413,970	8,645,421
Accounts receivable	1,300	-	-	-
Taxes receivable	245,450	260,540	-	-
Interest receivable	23,756	16,433	-	10,288
Loans receivable	-	-	-	-
Deposits	95,000	-	-	-
Due from City of Avalon	231,887	209,609	209,609	-
Advance to other funds - SERAF	1,000,000	1,000,000	1,000,000	-
Note receivable	-	215,000	215,000	-
Total Assets	\$ 18,411,747	\$ 18,527,303	\$ 17,122,765	\$ 14,541,229
Liabilities (modified accrual basis)				
Accounts payable and accrued liabilities	\$ 2,216,664	\$ 728,441	\$ 1,113,072	\$ 1,472,678
Accrued liabilities	-	-	-	-
Due to City of Avalon	95,000	641,594	763,814	324,465
Advances from other funds - SERAF	1,000,000	1,000,000	1,000,000	1,000,000
Deferred revenue	1,000,000	1,215,000	1,215,000	-
Total Liabilities	4,311,664	3,585,035	4,091,886	2,797,143
Equity	14,100,083	14,942,268	13,030,879	11,744,086
Total Liabilities and Equity	\$ 18,411,747	\$ 18,527,303	\$ 17,122,765	\$ 14,541,229
Total Revenues	\$ 5,373,117	\$ 5,771,551	\$ 1,545,826	\$ 1,652,223
Total Expenditures	(9,773,468)	(7,377,786)	(3,457,215)	(2,939,016)
Transfers From Other Funds	2,753,829	2,756,691	1,535,523	-
Transfers To Other Funds	(2,753,829)	(2,756,691)	(1,535,523)	-
Advances from County of Los Angeles	408,076	337,309	-	-
Prior period adjustment	-	2,111,111	-	-
Transfer property (to)/from City	-	-	-	-
Transfer to Housing Authority	-	-	-	-
Net change in equity	(3,992,275)	842,185	(1,911,389)	(1,286,793)
Beginning Equity	18,092,358	14,100,083	14,942,268	13,030,879
Ending Equity	\$ 14,100,083	\$ 14,942,268	\$ 13,030,879	\$ 11,744,086
Other Information (show year end balances for all three years presented):				
Capital assets as of end of year	\$ 19,852,403	\$ 15,481,161	\$ 15,142,040	\$ 10,576,677
Interest payable as of end of year	\$ 479,941	\$ 471,438	\$ 586,940	\$ 462,157
Long-term debt as of end of year	\$ 33,262,142	\$ 32,809,451	\$ 31,999,451	\$ 31,999,451

(a) Agreed amounts to State Controller's Report and audited financial statements.

(b) Agreed amounts to audited financial statements.

(c) Agreed amounts to accounting records.

SUCCESSOR AGENCY TO THE AVALON COMMUNITY IMPROVEMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

LISTING OF ASSETS OF THE SUCCESSOR AGENCY

As of June 30, 2012

	Total as of <u>June 30, 2012</u>
ASSETS	
Cash and investments	\$ 4,091,885
Cash and investments with fiscal agent	4,295,497
Interest receivable	<u>7,396</u>
SUBTOTAL ASSETS (MODIFIED ACCRUAL)	8,394,778
Depreciable capital assets	15,477,593
Accumulated depreciation	<u>(4,900,916)</u>
TOTAL ASSETS	<u><u>\$ 18,971,455</u></u>

SUCCESSOR AGENCY TO THE AVALON COMMUNITY IMPROVEMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

UNSPENT BOND PROCEEDS

June 30, 2012

	Date	Amounts
Par Amount of 2003 Tax Allocation Bonds, Series A		\$ 27,350,000
Less: Original Issue Discount		(127,407)
Funds held by trustee for the 1991 Bonds		104,283
Total Available Funds		<u>27,326,876</u>
Less: Underwriter's Discount		(76,089)
Less: Cost of Issuance		(770,319)
Less: Transfer to Refunding Escrow Bank		(15,826,785)
Net Project Funds		<u>10,653,683</u>
Project costs drawdowns, net of interest earnings	12/17/2003 - 06/30/12	<u>(6,358,186)</u>
Subtotal		4,295,497
Accrued interest receivable	Qtr ended June 30, 2012	5,392
Total unspent bond proceeds for 2003 Series A Bonds		<u><u>\$ 4,300,889</u></u>

SUCCESSOR AGENCY TO THE AVALON COMMUNITY IMPROVEMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

LISTING OF NONLIQUID ASSETS

As of June 30, 2012

		Basis for Determining Value	Balance at June 30, 2012
		<u> </u>	<u> </u>
	ASSETS		
Capital assets		Net Book Value (A)	<u>\$ 10,576,677</u>

NOTE:

(A) Net Book Value equals actual costs less accumulated depreciation.

SUCCESSOR AGENCY TO THE AVALON COMMUNITY IMPROVEMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

LISTING OF CASH BALANCES FOR RETENTION TO MEET ENFORCEABLE OBLIGATIONS
 IN FISCAL YEAR 2011-2012 (ROPS 1)

June 30, 2012

Vendor/Payee	Purpose of Transactions	Amount	Enforceable Obligation/Other Legal Requirement Supporting Retention
Best, Best & Krieger	General Counsel legal services	\$ 7,669	Reported on ROPS 1, Line 15
Rincon Consultants	Consulting services for General Plan update, housing element update, LCP amendment CEQA	8,333	Reported on ROPS 1, Line 20
City of Avalon Housing Authority	SERAF loan repayment	250,000 (1)	Reported on ROPS 1, Line 21
City of Avalon	Administrative costs	185,889 (2)	Reported on ROPS 1, Lines 9, 11, and 29
		<u>\$ 451,891</u>	

(1) This partial SERAF loan repayment was listed on the approved ROPS 1. However, California Health and Safety Code Section 34176(e)(6)(B) prohibits such repayments until fiscal year 2013-2014 and describes the maximum repayment amount authorized in any given year.

(2) On the ROPS 1 reconciliation (included in ROPS 3), these administrative costs were treated as if they had been paid as of June 30, 2012. However, at June 30, 2012, they were reported as an accrued liability.

These enforceable obligations were reported on ROPS 1 and have been incurred but not paid as of June 30, 2012. Payments of these obligations are scheduled after June 30, 2012. These enforceable obligations were not listed on the approved ROPS for the periods July 1, 2012 to December 31, 2012 (ROPS 2) and January 1, 2013 to June 30, 2013 (ROPS 3). Therefore Successor Agency believes that existing asset balances need to be retained to satisfy these enforceable obligations.

SUCCESSOR AGENCY TO THE AVALON COMMUNITY IMPROVEMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

LISTING OF CASH BALANCES FOR RETENTION TO MEET
 ENFORCEABLE OBLIGATIONS IN FISCAL YEAR 2012-2013

Payee	Purpose of Transactions	Amount	Enforceable Obligation/ Other Legal Requirement Supporting Retention
US Bank National Association	Debt service 2003 Tax Allocation Bonds, Series A	\$ 1,212,461	Reported on approved ROPS 2, Line 1
US Bank National Association	Debt service 2003 Tax Allocation Bonds, Series B	330,323	Reported on approved ROPS 2, Line 2
Charlie Wagner	Project management services for public facility project	15,000	Reported on approved ROPS 2, Line 8
Best, Best & Krieger	General Counsel legal services	43,350	Reported on approved ROPS 2, Line 11
Rincon Consultants	Consulting services for General Plan update, housing element update, LCP amendment CEQA	87,746	Reported on approved ROPS 2, Line 13
City of Avalon and various vendors	Administrative cost allowance	250,000	Reported on approved ROPS 2, Lines 3, 9, 12, 15, and 19 capped at maximum allowance.
		<u>\$ 1,938,880</u>	

SUCCESSOR AGENCY TO THE AVALON COMMUNITY IMPROVEMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

SUMMARY OF BALANCE AVAILABLE FOR ALLOCATION TO AFFECTED TAXING AGENCIES

As of June 30, 2012

Total amount of assets held by the Successor Agency as of June 30, 2012 - (Procedure 5)	\$ 18,971,455
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments - (Procedure 6)	(4,410,889)
Less assets that are not cash or cash equivalents (e.g., physical assets) - (Procedure 7)	(10,576,677)
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)	(451,891)
Less balances needed to satisfy ROPS for the 2012-13 fiscal year - (Procedure 9)	(1,938,880)
Less the amount of payments made on July 12, 2012 to the County Auditor-Controller as directed by the California Department of Finance	(987,398)
Add the amount of any assets transferred to the City 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)	<u> -</u>
Amount to be remitted to County for disbursement to affected taxing agencies	<u><u> \$ 605,720</u></u>

EXHIBIT 1

**BOND DOCUMENT EXCERPTS
2003 TAX ALLOCATION BONDS, SERIES A**

NEW ISSUE - BOOK-ENTRY ONLY

RATINGS

Standard & Poor's: AAA

Moody's: Aaa

(See "CONCLUDING INFORMATION – Ratings on the Bonds" herein)

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Series A Bonds is excluded from gross income for federal income tax purposes, such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. However, Bond Counsel expresses no opinion whether interest on the Series B Bonds is excluded from gross income for federal income tax purposes, and it is not intended by the Agency that said interest be exempt from federal income taxation. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income tax. See "LEGAL MATTERS – Tax Matters" herein.

LOS ANGELES COUNTY

STATE OF CALIFORNIA

**AVALON COMMUNITY IMPROVEMENT AGENCY
AVALON COMMUNITY IMPROVEMENT PROJECT**

\$27,350,000 2003 TAX ALLOCATION BONDS, SERIES A

\$7,430,000 2003 TAXABLE HOUSING TAX ALLOCATION BONDS, SERIES B

Dated: Date of Delivery

Due: September 1, as Shown
on the Inside Front Cover Page.

The cover page contains certain information for quick reference only. It is not a summary of the issue. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See "BONDHOLDERS' RISKS" herein for a discussion of special risk factors that should be considered in evaluating the investment quality of the Bonds.

Interest on the Bonds is payable on March 1, 2004, and semiannually thereafter on September 1 and March 1 of each year until maturity or earlier redemption (see "THE BONDS - General Provisions" and "THE BONDS – Redemption" herein).

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by MBIA Insurance Corporation simultaneously with the delivery of the Bonds. See "SOURCES OF PAYMENT FOR THE BONDS – Municipal Bond Insurance" herein.



The Series A Bonds are payable solely from Tax Revenues of the Avalon Community Improvement Agency (the "Agency") as described herein and certain other funds held under the Series A Indenture, as defined herein. The Series B Bonds are payable solely from Housing Tax Revenues of the Agency as described herein and certain other funds held under the Series B Indenture, as defined herein (see "SOURCES OF PAYMENT FOR THE BONDS," "BONDHOLDERS' RISKS" and "DEBT STRUCTURE" herein). The Bonds are being issued for sale to the Avalon Public Financing Authority, which is concurrently selling the Bonds to the Underwriter. It is anticipated that the Bonds will be available for delivery in New York, New York, on or about December 17, 2003 for deposit with The Depository Trust Company (see "APPENDIX H – BOOK-ENTRY ONLY SYSTEM" herein).

The Bonds are being offered when, as and if issued, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will be passed on for the Agency by Pamela Albers, as Agency Counsel and by Best Best & Krieger LLP, Riverside, California, as Disclosure Counsel.

The date of the Official Statement is December 3, 2003.

UBS Financial Services Inc.

OFFICIAL STATEMENT

AVALON COMMUNITY IMPROVEMENT AGENCY AVALON COMMUNITY IMPROVEMENT PROJECT \$27,350,000 2003 TAX ALLOCATION BONDS, SERIES A \$7,430,000 2003 TAXABLE HOUSING TAX ALLOCATION BONDS, SERIES B

This Official Statement which includes the cover page and appendices (the "Official Statement") is provided to furnish certain information concerning the sale of the Avalon Community Improvement Agency's Avalon Community Improvement Project 2003 Tax Allocation Bonds, Series A (the "Series A Bonds") and 2003 Taxable Housing Tax Allocation Bonds, Series B (the "Series B Bonds and together with the Series A Bonds, the Bonds"), in the aggregate principal amount of \$27,350,000 and \$7,430,000 respectively.

INTRODUCTION

This Introduction contains only a brief description of this issue and does not purport to be complete. The Introduction is subject in all respects to more complete information in the entire Official Statement and the offering of the Bonds to potential investors is made only by means of the entire Official Statement and the documents summarized herein. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision (see "BONDHOLDERS' RISKS" herein).

The Agency

The Avalon Community Improvement Agency (the "Agency") is a public body, corporate and politic, existing under and by virtue of the Community Redevelopment Law of the State, constituting Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State (the "Redevelopment Law"). The Agency was activated by the City Council of the City of Avalon in 1984. The City Council, at the same time, declared itself to be the members of the Agency and appointed the City Manager to be the Agency's Executive Director (see "THE AGENCY" herein).

The City of Avalon

The City of Avalon (the "City") was incorporated as a general law city in 1914 and operates under the Council/City Manager form of government. The City encompasses two and two-thirds square miles and is located on Santa Catalina Island, 22 miles southwest from Los Angeles Harbor. The City is a resort community with a permanent population of 3,300 residents (see "APPENDIX C - CITY OF AVALON INFORMATION STATEMENT" herein).

Security and Sources of Repayment

The Bonds. The Series A Bonds are issued and secured under an Indenture of Trust (the "Series A Indenture"), dated as of December 1, 2003, by and between the Agency and U.S. Bank National Association, as trustee (the "Trustee"). The Series B Bonds are issued and secured under an Indenture of Trust, also dated as of December 1, 2003, by and between the Agency and the Trustee (the "Series B Indenture" and together with the Series A Indenture, the "Indentures"), (see "APPENDIX A - SUMMARY OF THE INDENTURES" herein).

The Bonds are payable solely from a portion of the tax increment revenues allocated to the Agency pursuant to Section 33670 of the Redevelopment Law ("Tax Increment Revenues"), as described below, and further, from amounts on deposit in the reserve accounts created under the Indentures. The Trustee will exercise such rights and remedies as may be necessary to enforce the payments when due by the Agency and otherwise to protect the interests of the Bondholders in the event of default by the Agency.

The Series A Bonds. The Agency has pledged Tax Revenues, as defined herein, to the repayment of the Series A Bonds. Tax Revenues consist of Tax Increment Revenues of the Agency's Community Improvement Project Area excluding (i) amounts required to be deposited into the Agency's Low and Moderate Income Housing Fund, (ii) amounts payable by the State to the Agency pursuant to section 16110 et. seq. of the Government Code, and (iii) amounts required to be paid pursuant to the Tax Sharing Agreement, as defined herein or pursuant to Section 33607.5 or 33607.7 of the Redevelopment Law, except and to the extent that any amount so payable are payable on a basis subordinate to the Bonds.

The Series B Bonds. The Agency has pledged Housing Tax Revenues, as defined herein, to the repayment of the Series B Bonds. Housing Tax Revenues consist of that portion of Tax Increment Revenues of the Agency's Community Improvement Project Area required to be deposited into the Agency's Low and Moderate Income Housing Fund (see "THE AGENCY - Low and Moderate Income Housing," "DEBT STRUCTURE - Outstanding Indebtedness of the Redevelopment Project," "FINANCIAL INFORMATION - Tax Increment Revenues" and "Tax Sharing Statutes" and "BONDHOLDERS' RISKS" herein).

The Project Area. The Community Improvement Project Area (the "Redevelopment Project") was created on May 15, 1984 and encompasses approximately one square mile. See "THE REDEVELOPMENT PROJECT" herein.

The Bonds are limited obligations of the Agency. The Bonds do not constitute a debt or liability of the City of Avalon, the State of California, or of any political subdivision thereof, other than the Agency. The Agency shall only be obligated to pay the principal of the Bonds, or the interest thereon, from the funds described herein, and neither the faith and credit nor the taxing power of the City of Avalon, the State of California or any of its political subdivisions is pledged to the payment of the principal of or the interest on the Bonds. The Agency has no taxing power.

Purpose

The Series A Bonds are being issued to refinance certain outstanding obligations of the Agency, to finance additional redevelopment activities of the Agency, to fund a reserve fund for the Series A Bonds and to pay the expenses of the Agency in connection with the issuance of the Series A Bonds. The Series B Bonds are being issued to refinance certain outstanding obligations of the Agency, to finance additional low- and moderate-income housing activities of the Agency, to fund a reserve fund for the Series B Bonds and to pay the expenses of the Agency in connection with the issuance of the Series B Bonds (see "FINANCING PLAN - Estimated Sources and Use of Funds" herein).

The Bonds

Redemption. The Series A Bonds maturing September 1, 2029 and September 1, 2034 (the "Series A Term Bonds") are subject to mandatory redemption, without premium, prior to their maturity date, in part by lot on September 1, in each year commencing September 1, 2024 with respect to the Series A Term Bonds maturing September 1, 2029 and commencing September 1, 2030 with respect to the Series A Term Bonds maturing September 1, 2034 from mandatory Sinking Account payments under the Series A Indenture. The Series B Bonds are subject to mandatory redemption, without premium, prior to their maturity date, in part by lot on September 1, in each year commencing September 1, 2004 with respect to the Series B Bonds maturing September 1, 2013, commencing September 1, 2014 with respect to the

FINANCING PLAN

Estimated Sources and Use of Funds

Under the provisions of the Indentures, the Trustee will receive the proceeds from the sale of the Bonds and other funds and will apply them as shown below.

Sources of Funds

	<u>Series A</u>	<u>Series B</u>
Par Amount of Bonds	\$27,350,000.00	\$7,430,000.00
Original Issue Discount	(127,407.25)	0.00
Funds held by trustee for the 1991 Bonds	104,282.54	0.00
Funds held by trustee for the 1998 Bonds	0.14	0.00
 Total Available Funds	 \$27,326,875.43	 \$7,430,000.00

Use of Funds

Transfer to Escrow Bank	\$15,826,785.01	\$3,502,843.16
Deposit to Redevelopment Fund	10,653,682.65	0.00
Deposit to Housing Fund	0.00	3,631,138.70
Underwriter's Discount	76,089.02	36,018.14
Costs of Issuance Fund ⁽¹⁾	770,318.75	260,000.00
 Total Use of Funds	 \$27,326,875.43	 \$7,430,000.00

⁽¹⁾ Expenses include fees of Bond Counsel, the Financial Advisor, the Disclosure Counsel, Trustee, Placement Agent fees, costs of printing the Official Statement, bond insurance and surety premium, and other costs of issuance of the Bonds.

Transfers to Escrow Bank. Pursuant to an indenture of trust dated as of June 1, 1991 (the "1991 Indenture"), the Agency issued its Community Improvement Project Area Tax Allocation Bonds, Series 1991 A (the "1991 Bonds") in the aggregate principal amount of \$11,500,000 of which \$1,050,000 is currently outstanding. In addition, pursuant to an indenture of trust dated as of March 1, 1998 (the "1998 Indenture"), the Avalon Public Financing Authority (the "Authority") issued its Variable Rate Demand Tax Allocation Bonds, Series 1998 (the "1998 Bonds") in the aggregate principal amount of \$21,225,000 of which \$18,230,000 is currently outstanding. The Authority loaned the proceeds of the 1998 Bonds to the Agency pursuant to a loan agreement dated as of March 1, 1998 (the "1998 Loan Agreement"). Collectively, the 1991 Indenture and the 1998 Indenture are referred to as the "Prior Indentures" and the 1991 Bonds and the 1998 Bonds are referred to as the "Prior Bonds." Pursuant to the Prior Indentures and the 1998 Loan Agreement, the Agency pledged certain "tax revenues" (as defined in the Prior Indentures and consisting generally of tax increment revenues of the Redevelopment Project excluding amounts required to be paid pursuant to a tax sharing agreement but including that portion of the tax increment revenues required to be deposited in the Agency's Low and Moderate Income Housing Fund) to the repayment of the Prior Bonds. On the Delivery Date, a portion of the proceeds of the Bonds, together with certain other funds, will be deposited in trust with U.S. Bank National Association, as escrow holder (the "Escrow Bank") pursuant to the Indentures and two separate escrow deposit and trust agreements relating to each series of the Prior Bonds, each dated as of December 1, 2003, between the Agency and the Escrow Bank (the "Escrow Agreements").

The deposits will be in an amount sufficient to pay principal and interest on the Prior Bonds through and including their respective redemption dates and to pay the redemption price with respect to the separate series of the Prior Bonds remaining outstanding on their respective redemption dates. The lien of the Prior Bonds created by the Prior Indentures and the 1998 Loan Agreement, including, without limitation, the pledge of the tax revenues to repay the Prior Bonds and the 1998 Loan Agreement, will be discharged, terminated and of no further force and effect upon the deposits with the Escrow Bank of the amounts required pursuant to the Escrow Agreements (see "CONCLUDING INFORMATION - Verifications of Mathematical Computations" herein).

Use of Proceeds Deposited to the Redevelopment Fund. The Agency expects to use the proceeds of the Series A Bonds deposited in the Redevelopment Fund to complete seismic upgrades at the hospital, structural repairs to the Mole Ferry Terminal, road and drainage projects, improved fire flow projects and flood control projects. The Agency reserves the right to fund redevelopment activities consisting of public improvements or grants other than those described.

Use of Proceeds Deposited to the Housing Fund. The Agency expects to use the proceeds of the Series B Bonds deposited in the Housing Fund to acquire property for future development with low- and moderate-income housing, to make loans to developers of low- and moderate-income housing projects and to fund a first-time homebuyer loan program. The Agency reserves the right to fund housing activities other than those described.

SOURCES OF PAYMENT FOR THE BONDS

Pledge of Tax Revenues and Housing Tax Revenues

The Tax Revenues and the Housing Tax Revenues are pledged to the payment of principal of and interest on the Series A Bonds and Series B Bonds, respectively, until the Series A Bonds and any Parity Debt or the Series B Bonds and any Parity Debt, as applicable, have been paid, or until moneys have been set-aside irrevocably for that purpose. The Trustee will covenant to exercise such rights and remedies as may be necessary to enforce the payment of the Tax Revenues and Housing Tax Revenues when due under the respective Indentures and otherwise to protect the interests of the Bondholders in the event of default by the Agency.

The Bonds are limited obligations of the Agency. The Bonds do not constitute a debt or liability of the City of Avalon, the State of California or of any political subdivision thereof, other than the Agency. The Agency shall only be obligated to pay the principal of the Bonds, or the interest thereon, from the funds described herein, and neither the faith and credit nor the taxing power of the City of Avalon, the State of California or any of its political subdivisions is pledged to the payment of the principal of or the interest on the Bonds. The Agency has no taxing power.

The Agency has irrevocably granted a pledge of, lien on, and security interest in the Tax Revenues for the repayment of the Series A Bonds and any Parity Debt. Tax Revenues consist of tax increment revenues allocated to the Agency with respect to the Redevelopment Project pursuant to Section 33670 of the Redevelopment Law ("Tax Increment Revenues"), excluding (i) amounts required to be deposited into the Agency's Low and Moderate Income Housing Fund, (ii) amounts payable by the State to the Agency pursuant to section 16110 et. seq. of the Government code, and (iii) amounts required to be paid pursuant to the Tax Sharing Agreement, as defined herein, and pursuant to Section 33607.5 or 33607.7 of the Redevelopment Law, except and to the extent that any amount so payable are payable on a basis subordinate to the Bonds. The Agency has irrevocably granted a pledge of, lien on, and security interest in the Housing Tax Revenues for the repayment of the Series B Bonds and any Parity Debt. Housing Tax Revenues consist of that portion of Tax Increment Revenues required to be deposited into the Agency's Low and Moderate Income Housing Fund (see "DEBT STRUCTURE - Outstanding Indebtedness of the Redevelopment Project," "THE AGENCY - Low and Moderate Income Housing," "FINANCIAL INFORMATION - Tax Increment Revenues" and "Tax Sharing Statutes," and "BONDHOLDERS' RISKS" herein).

Reserve Account

Separate Reserve Accounts for the Series A Bonds and the Series B Bonds have been established under each Series A Indenture and Series B Indenture to be held by the Trustee to further secure the timely payment of principal and interest on the respective Series A Bonds and Series B Bonds. The amount required to be maintained in the Reserve Accounts for the Series A Bonds and Series B Bonds is an aggregate amount equal to Maximum Annual Debt Service on the Series A Bonds or the Series B Bonds, as applicable (the "Reserve Requirement"). The Indentures provide that in lieu of a cash deposit, the Agency may satisfy all or a portion of a Reserve Requirement by means of a Qualified Reserve Account Credit Instrument (see "APPENDIX A - SUMMARY OF THE INDENTURES" herein).

Concurrent with the issuance of the Bonds, MBIA Insurance Corporation (the "Insurer") will issue its surety bonds (each, a "Reserve Account Surety Bond"), which provide that upon notice from the Trustee to the Insurer to the effect that insufficient amounts are on deposit in the Special Fund to pay the principal of (at maturity or pursuant to mandatory redemption requirements) and interest on the Bonds, the Insurer will promptly deposit with the Trustee an amount sufficient to pay the principal of and interest on the Series A Bonds or Series B Bonds, as applicable, or the available amount of the applicable Reserve Account Surety Bond, whichever is less. Upon the later of: (i) three (3) days after receipt by the Insurer of a Demand for Payment in the form attached to the Reserve Account Surety Bond, duly executed by the

Trustee; or (ii) the payment date of the Bonds as specified in the Demand for Payment presented by the Trustee to the Insurer, the Insurer will make a deposit of funds in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment to the Trustee, of amounts which are then due to the Trustee (as specified in the Demand for Payment) subject to the Surety Bond Coverage.

The available amount of the Reserve Account Surety Bonds is the initial face amount of \$1,726,921.26 with respect to the Series A Bonds and \$522,995.00 with respect to the Series B Bonds, less the amount of any previous deposits by the Insurer with the Trustee which have not been reimbursed by the Agency. The Agency and the Insurer will enter into a Financial Guaranty Agreement dated as of the Closing Date (the "Agreement"). Pursuant to the Agreement, the Agency is required to reimburse the Insurer, within one year of any deposit, the amount of such deposit made by the Insurer with the Trustee under each Reserve Account Surety Bond. Such reimbursement shall be made only after all required deposits to the applicable Special Fund to pay debt service on the applicable series of Bonds and all Parity Bonds have been made.

Municipal Bond Insurance

The MBIA Insurance Corporation Insurance Policy

The following information has been furnished by MBIA Insurance Corporation ("MBIA") for use in this Official Statement. Reference is made to "APPENDIX G" for a specimen of MBIA's policy.

MBIA's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Issuer to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by MBIA's policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

MBIA's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bonds. MBIA's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA's policy also does not insure against nonpayment of principal of or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Paying Agent or any owner of a Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Bonds or presentment of such other proof of ownership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for

EXHIBIT 2

**CITY ATTORNEY LETTER
DATED JANUARY 25, 2013**



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January 25, 2013

VIA E-MAIL ONLY

Robert J. Callanan
White Nelson Diehl Evans LLP
Certified Public Accountants and Consultants
2875 Michelle Drive, Suite 300
Irvine, CA 92606

Re: Fund 8 – RDA Fund – 91 Issue

Dear Mr. Callanan:

As you know, Best Best & Krieger, LLP serves as City Attorney to the City of Avalon and as General Counsel to the Successor Agency to the Avalon Community Improvement Agency. It is our understanding that a question has been raised regarding approximately \$110,000 held in Account Fund 8 – RDA Fund – 91 Issue. Relying upon factual representations provided by City staff, it is our understanding that in June, 2000, Paxson Offield, through the Offield Family Trust, made a charitable donation to the City of Avalon of \$110,000. These funds were donated for the development of a skate park and a performing arts/community center building. Although these funds have been held in an Account Fund associated with the former redevelopment agency, the funds are not tax increment and were never donated to the redevelopment agency. Attached please find internal City correspondence and a letter from the Trust clarifying the intent and purpose of these funds.

Based upon the information provided by staff, these funds should not be included within the funds swept to the taxing entities as part of the Due Diligence Review process.

Sincerely,

Elizabeth Wagner Hull
of BEST BEST & KRIEGER LLP

Enclosures
EH:jau
65059.00400\7798292.2

City of Avalon

Date: July 14, 2000
To: City Council
From: City Manager
Subject: Friday Update

Acting City Manager

The City Attorney and I will be off the Island today. Pete Woolson will be Acting City Manager until I return on Saturday.



Civic Center Plans

Larry Wolff and Bob Borthwick and his partners are in town today working on the landscaping and circulation at Las Casitas. Anni Marshall will be working with them today. Packy Offield donated \$110,000 to fund this work and to cover park construction costs if necessary.

School Meeting

School Superintendent Carl Cohn and other Long Beach Unified School District officials will be in town on August 4th to hear our concerns about new buildings. LBUSD Board Member Ed Eveland, who represents Avalon, will attend.

Wrigley Terrace Lots

The Santa Catalina Island Company is working on the fire flow to the vacant lots on Wrigley Terrace Road below the Inn on Mt. Ada. These lots may be subject to an assessment to pay for maintenance of fire flow equipment. We need to complete fire flow work before we repave in full.

Storm Drain Odors

United Water will be adding masking scents to the storm drains to treat the odors in several locations to see if it helps. We are also experimenting with a flushing system that will connect to the fire hydrants. Hopefully, a combination of efforts will reduce odor problems substantially.

Chief Leaves For Vacation

Fire Chief Jack Goslin left for his long extended vacation. The Chief expects to return to duty in November when Assistant Fire Chief Terry Beadle is on vacation. The big question is, will he ever -----?

OFFIELD FAMILY FOUNDATION

Office of the President
P.O. Box 1522
Avalon, CA 90704

June 27, 2000

Mr. Rob Clark, City Manager
City of Avalon
Post Office Box 707
Avalon, CA 90704

Dear Rob:

The enclosed amount of \$110,000 is to cover the cost of planning and architectural rendering for the skateboard park and performing arts building. Any remaining amount should be applied to the first phase of construction for the skateboard park.

Hope you and Judy are having a great summer.

From Susan and me, we remain,

Sincerely yours,

Paxson H. Offield

Enclosure