



CITY OF ESCONDIDO

201 North Broadway
Escondido, CA 92025

Oversight Board to the Successor Agency of the Escondido Redevelopment Agency

**Thursday
October 4, 2012**

10:00 AM

Mitchell Room

- 1. [Approval of Minutes: August 14, 2012](#)**
- 2. [Approval of Resolution No. 2012-02 authorizing an Agreement with Lance, Soll & Lunghard, LLP for Audit Services](#)**
- 3. [Opportunity for Public Comment on Due Diligence Review of the Low and Moderate Income Housing Fund](#)**

4. Oral Communications

“Under State law, all items under Oral Communications can have no action and will be referred to the staff for administrative action or scheduled on a subsequent agenda.”

This is the opportunity for members of the public to address the subcommittee on any item of business within the jurisdiction of the subcommittee.

5. Adjournment



OB Agenda Item No.: 1
Date: October 4, 2012

APPROVAL

OF

MINUTES

CITY OF ESCONDIDO

MINUTES OF THE REGULAR MEETING OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY OF THE ESCONDIDO REDEVELOPMENT AGENCY

August 14, 2012

The regular meeting of the Oversight Board of the Successor Agency of the Escondido Redevelopment Agency was called to order at 10:00 a.m., by Chairman Phillips in the Mitchell Room at City Hall, 201 North Broadway, Escondido, California.

Board Members Present: Boardmember Baker, Chairman Phillips, Vice-chairman Rojas, Boardmember Yerxa, Boardmember McNamara, Boardmember Masson, and Boardmember Manusov.

Commissioners absent: None.

Staff present: Jeffrey Epp, City Attorney; Christina Holmes, Finance; Jodi Coco-Cleveland, City Accountant; and Ty Paulson, Minutes Clerk.

John Masson introduced himself to the Board.

MINUTES (April 11, 2012):

Moved by Boardmember Masson, seconded by Boardmember Baker, to approve the minutes of the April 11, 2012 meeting. Motion carried. Ayes: McNamara, Phillips, Rojas, Baker, and Manusov. Noes: None. Abstained: Masson and Yerxa. (5-2)

April 16, 2012

Moved by Boardmember Masson, seconded by Boardmember Baker, to approve the minutes of the April 16, 2012 meeting. Motion carried. Ayes: McNamara, Phillips, Rojas, Baker, and Manusov. Noes: None. Abstained: Masson and Yerxa. (5-2)

May 1, 2012

Moved by Boardmember Masson, seconded by Boardmember Baker, to approve the minutes of the May 1, 2012 meeting. Motion carried. Ayes: McNamara, Phillips, Rojas, Baker, and Manusov. Noes: None. Abstained: Masson and Yerxa. (5-2)

2. Update on Dissolution of Redevelopment Agency

Ms. Holmes provided the update on AB1484 and the requirements for compliance and the deadline date as well as the previous actions of the Oversight Board.

Boardmember Baker questioned whether the 20% that went back into housing was principal and interest. Ms. Holmes replied in the affirmative.

Boardmember Rojas explained that the City's contingent was that its loan qualified to be reinstated because it was instituted within the first two years of the existence of the redevelopment agency. He stated that the new legislation would allow for a ruling from the Department of Finance. He noted that if the ruling wasn't favorable then staff would come back to this board and discuss compliance with AB1484, which would allow a reinstatement of the loan at a lesser amount.

Discussion ensued regarding a clarification of the repayment schedule for 2013/2014.

Boardmember Baker questioned whether the Department of Finance made the determination of whether repayment was enforceable. Mr. Epp replied in the affirmative.

Discussion ensued regarding a clarification of the \$12.5 million requested distribution from the County.

Boardmember Rojas noted that one of the main issues was that the State moved the dissolution date from February 1st to July 1st, noting that the County then demanded \$10 million back, which was paid back.

Boardmember Baker asked if the dissolution date was determined by the State. Mr. Epp replied in the affirmative.

3. Adoption of Resolution OB 2012-01 Approving a Recognized Obligation Payment Schedule for January 2013 Through June 2013

Ms. Coco-Cleveland and Boardmember Rojas provided the 3rd ROPS Summary and noted that the recommendation was to approve the following Recognized Obligation Payment Schedule for January 2013 through June 2013: 1) 2007 A/B Lease Revenue Board DS payments - \$915,973; 2) Payments - \$2,800; 3) Bond Expense - \$2,000,000; 4) Bond Debt Obligation Reserve - \$600,000; 5) Loan Repayment to the City - \$250,000; and 6) an Administrative Allowance - \$4,327,021.

Boardmember Rojas and Boardmember Manusov discussed the tax sharing arrangements with the County.

Boardmember Manusov questioned whether the loan repayment termination date of 2035 was a stable date as far as the loan repayment. Boardmember Rojas noted this was subject to discussion. He also stated that the end of the loan period was chosen to provide flexibility for repayment, however, repayment could occur ahead of schedule.

Boardmember Manusov noted that the School District was that once the enforcement obligation of the successor agency was completed then there was no obligation to honor pas-through agreements. If the City's loan repayment was approved and became an enforceable obligation, having a loan repayment which goes beyond 1819 would secure the pass-through payment funding for the School District. She stated that the School District supported the 2035 date, noting they would be concerned for an accelerated repayment. She also expressed concern that there were so many elements and ways for the State to take back funds.

Boardmember Rojas provided a clarification of the Traffic Improvement Fund to Boardmember Manusov.

Boardmember Manusov questioned whether the County had reformatted the ROPs. Boardmember Rojas noted that the State changed the format.

Boardmember Manusov and Boardmember Rojas discussed the relationship between AB1484 and how property was returned to the successor agency.

Discussion ensued regarding a clarification of the long-range real property management plan. Additional discussions ensued regarding a clarification of the dates for the tax sharing payments.

ACTION:

Moved by Boardmember Rojas, seconded by Boardmember Masson, to approve the adoption of Resolution OB 2012-01, approving the Recognized Obligation Payment Schedule for January 2013 through June 2013. Motion carried unanimously.

ORAL COMMUNICATIONS:

ADJOURNMENT:

Chairman Phillips adjourned the meeting at 10:56 am.

Clay Phillips, Chairman

Ty Paulson, Minutes Clerk

RESOLUTION NO. OB 2012-02

A RESOLUTION OF THE REDEVELOPMENT
OVERSIGHT BOARD APPROVING AN
AGREEMENT WITH LANCE, SOLL &
LUNGHARD, LLP TO CONDUCT THE DUE
DILIGENCE REVIEW OF THE AGENCY'S
FUNDS AS REQUIRED BY HEALTH AND
SAFETY CODE SECTION 34179.5 (a)

WHEREAS, pursuant to authorizing Resolution No. 2012-16, the City Council of the City of Escondido elected to serve as the successor agency and successor housing agency to the Escondido Redevelopment Agency; and

WHEREAS, pursuant to Health and Safety Code Section 34179, Successor Agencies are required to conduct a due diligence review of the Successor Agency's Funds; and

WHEREAS, the Oversight Board is to approve the agreement with Lance, Soll & Lunghard LLP for review services

NOW, THEREFORE, THE OVERSIGHT BOARD OF THE CITY OF ESCONDIDO, CALIFORNIA, RESOLVES AS FOLLOWS:

1. That the above recitations are true.
2. That the Oversight Board to the Escondido Redevelopment Successor Agency, hereby approves the agreement with Lance, Soll & Lunghard LLP that is attached hereto as Exhibit "A" and incorporated by this reference.

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

August 28, 2012

Mr. Gil Rojas
City of Escondido
201 North Broadway
Escondido, CA 92025

Dear Mr. Rojas:

Lance, Soll & Lunghard, LLP (LSL) is pleased to provide this quote to perform your AB 1484 Due Diligence Review for the City of Escondido. As a leader in the field of governmental accounting and auditing, we appreciate this opportunity given us to present our professional qualifications. Because of our extensive government experience (including Redevelopment Agencies) and since LSL currently provides auditing services to your city, we are certain that Lance, Soll & Lunghard, LLP is the most qualified accounting firm to provide this service.

In performing this Due Diligence Review, LSL will:

- Conduct a due diligence review to determine the unobligated balances available for transfer to taxing entities as stated in AB 1484 Sec.17 34179.5(a).
- This review will be summarized in an Agreed Upon Procedures Report which will summarize the procedures performed and the results thereof.

Per Section 18 34179.6, "By October 1, 2012, each successor agency shall provide to the oversight board, the county auditor-controller, the Controller, and the Department of Finance the results of the review conducted pursuant to Section 34179.5 for the Low and Moderate Income Housing Fund and specifically the amount of cash and cash equivalents determined to be available for allocation to taxing entities. By December 15, 2012, each successor agency shall provide to the oversight board, the county auditor-controller, the Controller, and the department the results of the review conducted pursuant to Section 34179.5 for all of the other fund and account balances and specifically the amount of cash and cash equivalents determined to be available for allocation to taxing entities." Since the required procedures for the Due Diligence Review were just approved on August 27, 2012, the time frame in order to accomplish these procedures in a timely manner is at best challenging. LSL will make every effort to abide by the deadlines, however, due to the late approval of these procedures, we cannot and do not guarantee that we will complete the review by the required filing dates. It will be the City's responsibility to provide the attached requested documentation in its entirety at the timelines stated. Any pending items will further the delay in the issuance of our report.



City of Escondido
August 28, 2012

Towards this end, we would like to propose a **not to exceed contract of \$20,000** to perform your due diligence review. Please sign below to acknowledge your understanding of these time constraints and acceptance of this agreement and return to my attention. Should you or any other representative of the City of Escondido have additional questions regarding this agreement, please do not hesitate to contact Rich Kikuchi, Partner at (714) 672-0022.

Very truly yours,

Lance, Soll & Lughard, LLP

Gil Rojas, City of Escondido

Date



**OVERSIGHT BOARD TO THE
SUCCESSOR AGENCY OF THE
ESCONDIDO REDEVELOPMENT AGENCY**

Agenda Item No.: 3
Date: October 4, 2012

TO: Members of the Oversight Board
FROM: Joan Ryan, Finance Manager
SUBJECT: Due Diligence Review of the Low and Moderate Income Housing fund

RECOMMENDATION:

Review and take public comment regarding Agreed Upon Procedure Report provided by LSL Certified Public Accountants.

FISCAL ANALYSIS:

This report makes a finding that all cash assets available in Housing are being held to liquidate a CalHFA loan. The report also notes that \$750,003 in Housing loans and \$568,510 in land purchased has been disallowed by the State Department of Finance. This disallowance is being appealed by the Successor Agency.

BACKGROUND:

In the recently enacted State legislation Assembly Bill 1484 (Chapter 26 Section 17) amending Health and Safety Code 34179.5 an "Agreed Upon Procedures" review of the Low and Moderate Housing Fund must be completed by a certified public accountant on or before October 1, 2012 and submitted to the San Diego Auditor Controllers office for comments. This report has also been made available to the public on the City's website and the City Clerk's office. The Escondido Oversight Board will receive and consider all public comments at this meeting. Thereafter, on October 15, 2012, the Board must approve and transmit a Due Diligence Report to the State Department of Finance, which is due the same day. The Escondido Oversight board is scheduled to meet on October 15. The State Department of Finance will complete their review of the report no later than November 9, 2012.

Respectfully submitted,


Joan Ryan,
Finance Manager



**Successor Agency
of the Redevelopment Activities of the
Former Community Development Commission
of the City of Escondido**

**Due Diligence Review
of the Low and Moderate Income Housing Fund
Pursuant to Sections 34179.5(c)(1) through 34179.5(c)(3)
and Sections 34179.5(c)(5) through 34179.5(c)(6)
of Assembly Bill No. 1484 of 2012**

Lance Soll & Lunghard, LLP

203 North Brea Blvd
Suite 203
Brea, CA 92821

41185 Golden Gate Circle
Suite 103
Murrieta, CA 92562

Successor Agency
of the Redevelopment Activities of the
Former Community Development Commission
of the City of Escondido

Due Diligence Review
of the Low and Moderate Income Housing Fund
Pursuant to Sections 34179.5(c)(1) through 34179.5(c)(3)
and Sections 34179.5(c)(5) through 34179.5(c)(6)
of Assembly Bill No. 1484 of 2012



CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES

To the Successor Agency of the
Redevelopment Activities of the Former
Community Development Commission of the City of Escondido
City of Escondido, California

We have performed the procedures enumerated in Attachment A for the Low and Moderate Housing Fund, which were agreed to by the California State Controller's Office and the State of California Department of Finance (State Agencies) solely to assist you in ensuring that the dissolved redevelopment agency is complying with Assembly Bill 1484, Chapter 26, Section 17's amendment to health and safety code 34179.5. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Management of the successor agency is responsible for providing all the information obtained in performing these procedures. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

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

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

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

This report is intended solely for the information and use of the Successor Agency Oversight Board, the Successor Agency and the applicable State Agencies, and is not intended to be, and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Lance, Soll & Lunghard, LLP

Brea, California
September 17, 2012

List of Procedures for Due Diligence Review of the Low and Moderate Housing Fund

1. Obtain from the Successor Agency a listing of all assets that were transferred from the former redevelopment agency to the Successor Agency on February 1, 2012. Agree the amounts on this listing to account balances established in the accounting records of the Successor Agency. Identify in the Agreed-Upon Procedures (AUP) report the amount of the assets transferred to the Successor Agency as of that date.
2. If the State Controller's Office has completed its review of transfers required under both sections 34167.5 and 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the AUP report. If this has not yet occurred, perform the following procedures:
 - a. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the former redevelopment agency to the city, county, or city and county that formed the redevelopment agency for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
 - b. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Successor Agency to the city, county, or city and county that formed the redevelopment agency for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
 - c. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.
3. If the State Controller's Office has completed its review of transfers required under both Sections 34167.5 and 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the AUP report. If this has not yet occurred, perform the following procedures:
 - a. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) [from the former redevelopment agency to any other public agency or to private parties for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
 - b. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Successor Agency to any other public agency or private parties for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
 - c. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

List of Procedures for Due Diligence Review for the Low and Moderate Housing Fund (Continued)

4. Perform the following procedures:
 - a. Obtain from the Successor Agency a summary of the financial transactions of the Redevelopment Agency and the Successor Agency in the format set forth in the attached schedule for the fiscal periods indicated in the schedule. For purposes of this summary, the financial transactions should be presented using the modified accrual basis of accounting. End of year balances for capital assets (in total) and long-term liabilities (in total) should be presented at the bottom of this summary schedule for information purposes.
 - b. Ascertain that for each period presented, the total of revenues, expenditures, and transfers accounts fully for the changes in equity from the previous fiscal period.
 - c. Compare amounts in the schedule relevant to the fiscal year ended June 30, 2010 to the state controller's report filed for the Redevelopment Agency for that period.
 - d. Compare amounts in the schedule for the other fiscal periods presented to account balances in the accounting records or other supporting schedules. Describe in the report the type of support provided for each fiscal period.
5. Obtain from the Successor Agency a listing of all assets of the Low and Moderate Income Housing Fund as of June 30, 2012 for the report that is due October 1, 2012 and a listing of all assets of all other funds of the Successor Agency as of June 30, 2012 (excluding the previously reported assets of the Low and Moderate Income Housing Fund) for the report that is due December 15, 2012. When this procedure is applied to the Low and Moderate Income Housing Fund, the schedule attached as an exhibit will include only those assets of the Low and Moderate Income Housing Fund that were held by the Successor Agency as of June 30, 2012 and will exclude all assets held by the entity that assumed the housing function previously performed by the former redevelopment agency. Agree the assets so listed to recorded balances reflected in the accounting records of the Successor Agency. The listing should be attached as an exhibit to the appropriate AUP report.
6. Obtain from the Successor Agency a listing of asset balances held on June 30, 2012 that are restricted for the following purposes:
 - a. Unspent bond proceeds:
 - i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures, amounts set aside for debt service payments, etc.).
 - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
 - iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.
 - b. Grant proceeds and program income that are restricted by third parties:
 - i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).
 - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).

SCHEDULE A (Continued)

List of Procedures for Due Diligence Review for the Low and Moderate Housing Fund (Continued)

- iii. Obtain from the Successor Agency a copy of the grant agreement that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.
 - c. Other assets considered to be legally restricted:
 - i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).
 - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
 - iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by Successor the Agency as restricted.
 - d. Attach the above mentioned Successor Agency prepared schedule(s) as an exhibit to the AUP report. For each restriction identified on these schedules, indicate in the report the period of time for which the restrictions are in effect. If the restrictions are in effect until the related assets are expended for their intended purpose, this should be indicated in the report.
7. Perform the following:
- a. Obtain from the Successor Agency a listing of assets as of June 30, 2012 that are **not** liquid or otherwise available for distribution (such as capital assets, land held for resale, long-term receivables, etc.) and ascertain if the values are listed at either purchase cost (based on book value reflected in the accounting records of the Successor Agency) or market value as recently estimated by the Successor Agency.
 - b. If the assets listed at 7(A) are listed at purchase cost, trace the amounts to a previously audited financial statement (or to the accounting records of the Successor Agency) and note any differences.
 - c. For any differences noted in 7(B), inspect evidence of disposal of the asset and ascertain that the proceeds were deposited into the Successor Agency trust fund. If the differences are due to additions (this generally is not expected to occur), inspect the supporting documentation and note the circumstances.
 - d. If the assets listed at 7(A) are listed at recently estimated market value, inspect the evidence (if any) supporting the value and note the methodology used. If no evidence is available to support the value and/or methodology, note the lack of evidence.
8. Perform the following:
- a. If the Successor Agency believes that asset balances need to be retained to satisfy enforceable obligations, obtain from the Successor Agency an itemized schedule of asset balances (resources) as of June 30, 2012 that are dedicated or restricted for the funding of enforceable obligations and perform the following procedures. The schedule should identify the amount dedicated or restricted, the nature of the dedication or restriction, the specific enforceable obligation to which the dedication or restriction relates, and the language in the legal document that is associated with the enforceable obligation that specifies the dedication of existing asset balances toward payment of that obligation.
 - i. Compare all information on the schedule to the legal documents that form the basis for the dedication or restriction of the resource balance in question.

SCHEDULE A (Continued)

List of Procedures for Due Diligence Review for the Low and Moderate Housing Fund (Continued)

- ii. Compare all current balances to the amounts reported in the accounting records of the Successor Agency or to an alternative computation.
 - iii. Compare the specified enforceable obligations to those that were included in the final Recognized Obligation Payment Schedule approved by the California Department of Finance.
 - iv. Attach as an exhibit to the report the listing obtained from the Successor Agency. Identify in the report any listed balances for which the Successor Agency was unable to provide appropriate restricting language in the legal document associated with the enforceable obligation.
- b. If the Successor Agency believes that future revenues together with balances dedicated or restricted to an enforceable obligation are insufficient to fund future obligation payments and thus retention of current balances is required, obtain from the Successor Agency a schedule of approved enforceable obligations that includes a projection of the annual spending requirements to satisfy each obligation and a projection of the annual revenues available to fund those requirements and perform the following procedures:
- i. Compare the enforceable obligations to those that were approved by the California Department of Finance. Procedures to accomplish this may include reviewing the letter from the California Department of Finance approving the Recognized Enforceable Obligation Payment Schedules for the six month period from January 1, 2012 through June 30, 2012 and for the six month period July 1, 2012 through December 31, 2012.
 - ii. Compare the forecasted annual spending requirements to the legal document supporting each enforceable obligation.
 - a. Obtain from the Successor Agency its assumptions relating to the forecasted annual spending requirements and disclose in the report major assumptions associated with the projections.
 - iii. For the forecasted annual revenues:
 - a. Obtain from the Successor Agency its assumptions for the forecasted annual revenues and disclose in the report major assumptions associated with the projections.
- c. If the Successor Agency believes that projected property tax revenues and other general purpose revenues to be received by the Successor Agency are insufficient to pay bond debt service payments (considering both the timing and amount of the related cash flows), obtain from the Successor Agency a schedule demonstrating this insufficiency and apply the following procedures to the information reflected in that schedule.
- i. Compare the timing and amounts of bond debt service payments to the related bond debt service schedules in the bond agreement.
 - ii. Obtain the assumptions for the forecasted property tax revenues and disclose major assumptions associated with the projections.
 - iii. Obtain the assumptions for the forecasted other general purpose revenues and disclose major assumptions associated with the projections.
- d. If procedures A, B, or C were performed, calculate the amount of current unrestricted balances necessary for retention in order to meet the enforceable obligations by performing the following procedures.

List of Procedures for Due Diligence Review for the Low and Moderate Housing Fund (Continued)

- i. Combine the amount of identified current dedicated or restricted balances and the amount of forecasted annual revenues to arrive at the amount of total resources available to fund enforceable obligations.
 - ii. Reduce the amount of total resources available by the amount forecasted for the annual spending requirements. A negative result indicates the amount of current unrestricted balances that needs to be retained.
 - iii. Include the calculation in the AUP report.
9. If the Successor Agency believes that cash balances as of June 30, 2012 need to be retained to satisfy obligations on the Recognized Obligation Payment Schedule (ROPS) for the period of July 1, 2012 through June 30, 2013, obtain a copy of the final ROPS for the period of July 1, 2012 through December 31, 2012 and a copy of the final ROPS for the period January 1, 2013 through June 30, 2013. For each obligation listed on the ROPS, the Successor Agency should add columns identifying (1) any dollar amounts of existing cash that are needed to satisfy that obligation and (2) the Successor Agency's explanation as to why the Successor Agency believes that such balances are needed to satisfy the obligation. Include this schedule as an attachment to the AUP report.
10. Include (or present) a schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Entities. Amounts included in the calculation should agree to the results of the procedures performed in each section above. The schedule should also include a deduction to recognize amounts already paid to the County Auditor-Controller on July 12, 2012 as directed by the California Department of Finance. The amount of this deduction presented should be agreed to evidence of payment. The attached example summary schedule may be considered for this purpose. Separate schedules should be completed for the Low and Moderate Income Housing Fund and for all other funds combined (excluding the Low and Moderate Income Housing Fund).
11. Obtain a representation letter from Successor Agency management acknowledging their responsibility for the data provided to the practitioner and the data presented in the report or in any attachments to the report. Included in the representations should be an acknowledgment that management is not aware of any transfers (as defined by Section 34179.5) from either the former redevelopment agency or the Successor Agency to other parties for the period from January 1, 2011 through June 30, 2012 that have not been properly identified in the AUP report and its related exhibits. Management's refusal to sign the representation letter should be noted in the AUP report as required by attestation standards.

**Procedure 1
List of Assets Transferred from the Former Redevelopment Agency to the Successor Agency
Low and Moderate Housing Fund
As of February 1, 2012**

ATTACHMENT B1

NO ASSETS WERE TRANSFERRED TO THE SUCCESSOR AGENCY.

Procedure 2

**Listing of Transfers (excluding payments for goods and services) to the City
Low and Moderate Housing Fund
For the Period from January 1, 2011 through June 30, 2012**

<u>Describe Purpose of Transfer</u>	<u>Enforceable Obligation (EO)/ Other Legal Requirement (LR)</u>	<u>Amount</u>	<u>Legal Documentation Obtained? (Y/N)</u>	
<u>From former Redevelopment Agency to City for January 1, 2011 through January 31, 2012:</u>				
No transfers to the City for this period or they were diminimus.				
<u>From Successor Agency to City for February 1, 2012 through June 30, 2012</u>				
Cash and Investments	N/A	\$ 3,702,248	N	a
Interest Receivable	LR	4,544,093	Y	
Accrued Interest (2/1/12 - 6/30/12)	LR	198,600	Y	
Due from No City Hsg Fund - Per 34176 (e) (3)	LR	1,574,475	Y	
Loan Receivable - Per 34176 (e) (3)	LR	37,593,810	Y	
∞ Loans Receivable (Disallowed per Dept. of Finance) - Per 34176 (e) (3)	N/A	750,003	N	b, c
Advances - Per 34176 (e) (6)	LR	3,399,292	Y	
Land held for Resale - Per 34176 (e) (1)	LR	2,031,967	Y	
Land held for Resale (Disallowed by Dept. of Finance) - Per 34176 (e) (1)	N/A	568,510	N	b, c
	Sub-total:	<u>54,362,998</u>		
Total Transfers to City for 1/1/2011 through 6/30/2012:		<u>\$ 54,362,998</u>		

Footnotes:

- a) Not an approved enforceable obligation or legal requirement
- b) Disallowed on the Housing Asset Transfer Review by the Dept. of Finance
- c) Meet and confer process initiated by the Housing Successor for this item.

Procedure 3

ATTACHMENT B3

Listing of Transfers (excluding payments for goods and services) to other public agencies or private parties

Low and Moderate Housing Fund

For the Period from January 1, 2011 through June 30, 2012

From former Redevelopment Agency to other public agencies or private parties for January 1, 2011 through January 31, 2012:

No transfers to the other public agencies or private parties for this period or they were diminimus.

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

No transfers to the other public agencies or private parties for this period or they were diminimus.

Procedure 4
Summary of the financial transactions of Redevelopment Agency and Successor Agency
Low and Moderate Housing Fund
Per schedule attached to List of Procedures for Due Diligence Review

ATTACHMENT B4

NOT APPLICABLE TO THE LOW AND MODERATE HOUSING FUND DUE DILIGENCE REVIEW.

Procedure 5

Listing of All Assets (excluding all assets held by the entity that assumed the housing function)

Low and Moderate Housing Fund

As of June 30, 2012

ATTACHMENT B5

AS OF JUNE 30, 2012 THERE ARE NO ASSETS HELD BY THE SUCCESSOR AGENCY.

**Procedure 6
Listing of Assets that are restricted
Low and Moderate Housing Fund
As of June 30, 2012**

ATTACHMENT B6

AT JUNE 30, 2012 THERE WERE NO LEGAL RESTRICTIONS ON LOW/MOD CASH AND CASH EQUIVALENTS.

Procedure 7
 Listing of Assets That Are Not Liquid or Otherwise Available for Distribution
 Low and Moderate Housing Fund
 As of June 30, 2012

ATTACHMENT B7

Item #	Description	Reference	Amount	Value Method	Variance Noted? (Y/N)
1	Land Held for Resale a) 542 W 3rd Avenue	281-1205	\$ 568,510	Cost	N a, c
2	Long-term receivable a) Due from Mobilehome Owners - Loans b) 1st Time Homebuyer - Set Aside - Loans	281-1103 281-1121	750,003	Cost	N b, c
TOTAL RESTRICTIONS OF NON-CASH ITEMS			\$ 1,318,513		

Footnotes:

- a) Disallowed by Dept. of Finance - Per 34176 (e) (1)
- b) Disallowed by Dept. of Finance - Per 34176 (e) (3)
- c) Meet and confer process initiated by the Housing Successor for this item.

Procedure 8a

Listing of Assets (resources) that are dedicated or restricted for the funding of enforceable obligations
 Low and Moderate Housing Fund
 As of June 30, 2012

Item #	Project Name	Reference	Approved Obligation Amount	Amount Paid in Period Ending June 30, 2012	Amount Restricted for Obligation from June 30, 2012 Balance	Legal Documentation obtained? (Y/N)
1	CalHFA Loans	ROPS line # 16	\$ 6,930,000 <u>\$ 6,930,000</u>	\$ - <u>\$ -</u>	\$ 6,930,000 <u>\$ 6,930,000</u>	Y

Procedure 8b

Listing of Assets (resources) that need to be retained due to insufficient funding for the funding of enforceable obligations

Low and Moderate Housing Fund

As of June 30, 2012

ATTACHMENT B8b

NONE NOTED.

Procedure 8c

Listing of Assets (resources) that need to be retained due to projected insufficient property tax revenues for bond debt payments

Low and Moderate Housing Fund

As of June 30, 2012

ATTACHMENT B8c

NONE NOTED.

Procedure 9

**Listing of Assets (resources) that need to be retained due to projected insufficient property tax revenues for future ROPS
Low and Moderate Housing Fund
As of June 30, 2012**

ATTACHMENT B9

NO ASSETS TO RETAIN FOR FUTURE ROPS.

Procedure 10
Summary of Low-Mod Balances Available for Allocation to Affected Taxing Entities

ATTACHMENT B10

Total amount of assets held by the successor agency as of June 30, 2012 (procedure 5)	\$	-
Add the amount of any assets transferred to the city or other parties for which an enforceable obligation with a third party requiring such transfer and obligating the use of the transferred assets did not exist (procedures 2 and 3)		
	To City	5,020,761
	To other parties	-
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments (procedure 6)		-
Less assets that are not cash or cash equivalents (e.g., physical assets) - (procedure 7)		(1,318,513)
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)		(6,930,000)
Less balances needed to satisfy ROPS for the 2012-13 fiscal year (procedure 9)		-
Less the amount of payments made on July 12, 2012 to the County Auditor-Controller as directed by the California Department of Finance		-
Amount to be remitted to county for disbursement to taxing entities	\$	<u>(3,227,752)</u> a

a) Amount to be remitted to County for disbursement to taxing entities is zero. Projects to be funded with Low/Mod reserves exceed reserves available.