



# Successor Agency Oversight Board Special Meeting

(Dissolution of the City of Shasta Lake Redevelopment Agency)

## AGENDA

Shasta Lake City Council Chambers  
(located in Shasta Lake Law Enforcement Center)  
4488 Red Bluff Street  
Shasta Lake, CA 96019

Monday, October 1, 2012 at 2:00 P.M.

Agenda packets are available for public review at City Hall, 1650 Stanton Drive, Shasta Lake, CA during normal business hours of 7:00 a.m. to 4:00 p.m. weekdays, excluding holidays.

In Compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please call (530) 275-7407. Notification 48 hours prior to the meeting is requested to enable the City to make reasonable arrangements to ensure accessibility to this meeting (28 CFR 35.102-35.104 ADA Title II).

Public comments may also be submitted in writing to the City Clerk in advance of the meeting at 1650 Stanton Drive, Shasta Lake

### 1.0 CALL TO ORDER 2:00 PM

Call to order (please place cell phones and pagers on silent)

While it is not required, we request that members of the public fill out a speaker request form on the table at the back of the room and hand it to the Secretary.

Statement for the record of Board members present

### 2.0 COMMUNICATIONS

#### Public Comment Session:

2.1 The Oversight Board will receive the Due Diligence Review (DDR) of the former Low & Moderate Housing Fund, performed by D.H. Scott & Co. Public comment will be taken and made a part of the record. This item is for review only at this time and the enclosed staff report, Resolution, and Report titled Low and Moderate Income Housing Funds, Agreed-Upon Procedures, September 26, 2012 will placed on the agenda for action at the next regular meeting of the Oversight Board.

### 3.0 REPORTS AND INFORMATIONAL ITEMS

3.1 Staff Comments/Reports

3.2 Board Comments/Reports

### 4.0 ADJOURNMENT

This meeting is open to the public.



Report

Reviewed and Approved

*Carol Martin*

City Manager

2.1

**AGENDA ITEM**  
**Oversight Board for the Successor Agency  
to the Former Shasta Lake Redevelopment Agency**

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**TO:** Oversight Board -Successor Agency to the Former Shasta Lake Redevelopment Agency

**FROM:** Carol Martin, Executive Officer

**DATE:** October 1, 2012

**SUBJECT:** Consideration of a Resolution of the Oversight Board of the Successor Agency to the Former Shasta Lake Redevelopment Agency receiving from the Successor Agency the Due Diligence Review of the Low and Moderate Income Housing Fund and directing staff to perform related tasks

**FILE:**

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**SUMMARY:**

On August 7, 2012, the Successor Agency to the Shasta Lake Redevelopment Agency ("Successor Agency") reviewed, approved, and transmitted to the Oversight Board the third Recognized Obligation Payment Schedule for the period January 1, 2013 to June 30, 2013 ("ROPS III"), which was subsequently approved by the Oversight Board on August 13, 2012 and thereafter submitted to the Department of Finance ("DOF").

The Dissolution Act, Parts 1.8 and 1.85 of the California Health and Safety Code, as modified by the Supreme Court's opinion in California Redevelopment Association, et al. v. Ana Matosantos, et al., Case No. S194861 and as amended by Assembly Bill 1484 chaptered and effective June 27, 2012, in particular Section 34719.5, require the Successor Agency to retain a licensed accountant for the purposes of determining the unobligated fund balances available for transfer to the taxing agencies, including the City's General Fund. Two due diligence reviews are required, one related to housing assets and obligations and the other related to non-housing assets and obligations. This first due diligence review (attached) pertains to the Low and Moderate Income Housing Fund ("LMIHF"). By action on September 18, 2012, the Successor Agency authorized staff to transmit this report to the Oversight Board, which must convene a public comment session and subsequently hold an approval vote by October 15, 2012. A non-housing review will be similarly conducted and is due by December 15, 2012.

**DISCUSSION:**

Under Section 34179.5, the due diligence review requires the independent accountant to reconcile assets, balances and liabilities with previous reports made to the State. Further, this review includes valuation of cash and cash equivalents (such as LAIF deposits), and obligations. "At a minimum, the [due diligence] review required by this section shall include the following: ... '[a]n itemized statement of the values of any assets that are not cash or cash equivalents. This may include physical assets, land, records, and equipment.' ..."

The review and report occurs as to housing assets between August and November 2012, and as to non-housing assets between November 2012 and April 2013. The review process entails several steps in order to be completed as required, and the penalty for failure to pay or transfer will result in the DOF causing the equivalent amount(s) to be deducted from sales and use taxes and/or property taxes due to the City, as the sponsoring community.

Key dates include the following for both reviews:

<b>DUE DILIGENCE REVIEW SCHEDULE AND DEADLINES</b>		
	<b>Housing Review</b>	<b>Non-housing Review</b>
Due Diligence Review Due from Successor Agency to Oversight Board	October 1, 2012 <sup>1</sup>	December 15, 2012
Oversight Board Deadline to Conduct Hearing, Review, Approve and Submit Due Diligence Review	October 15, 2012	January 15, 2013
DOF Deadline to Issue "Finding of Completion"	November 9, 2012	April 1, 2013
Successor Agency Deadline to Request Meet and Confer with DOF about Reviews	Five (5) Days of DOF Action, no Later than November 16, 2012	Five (5) Days of DOF Action, no Later than April 6, 2013
Successor Agency Deadline to Make Transfers to County Auditor-Controller based on DOF Findings	November 28, 2012	April 10, 2013

**Licensed Accountant**

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<sup>1</sup> Because the Due Diligence Review for the LMIHF was not completed until September 27, meeting the October 1 submittal deadline was not possible. However, there are no implications of missing the October 1 due date; the DOF has been informed by the Successor Agency and several other successor agencies around the state that the delay in getting the procedures prepared will cause some to be delivered later than the statutory deadlines. Regardless, Successor Agency staff does anticipate providing to the DOF and CAC an Oversight Board-approved LMIHF Due Diligence Review no later than the October 15, 2012 due date.

On July 17, 2012, the Shasta County Auditor-Controller (“CAC”) approved the Successor Agency’s selection of D.H. Scott and Company, an accounting firm with experience and expertise in local government accounting, to conduct the required due diligence reviews to determine the unobligated balances available for transfer to taxing entities relating to housing and non-housing assets and obligations in order to ascertain unobligated cash or cash equivalent balances that would be available for transfer to local taxing entities. D.H. Scott and Company delayed commencing work on the due diligence review until the review standards were developed and issued by the DOF as below described.

In July and August of this year, members of the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants (“CalCPA”), along with the State Controller’s Office (“SCO”) and the DOF, developed the review standards/agreed upon procedures. On August 30, 2012, the DOF posted the standards/procedures and D.H. Scott and Company began work on the housing due diligence review.

### Findings

Attached to this report and the Resolution is the housing Due Diligence Review report transmitted by the Successor Agency to the Oversight Board. D.H. Scott and Company reviewed cash and non-cash balances, expenditures, revenues and transfers prior to and following dissolution on February 1, 2012. In general, the activities noted in the report reflect transactions associated with the former Agency in the course of implementation of its affordable housing responsibilities, the subsequent transfer of all housing assets to the Successor Agency on February 1, and finally the transfer of some assets to the Housing Authority as the housing successor.

The primary findings are noted below:

1. Total Low and Moderate Income Housing Funds transferred on February 1, 2012 from the Shasta Lake Redevelopment Agency to the Successor Agency: \$3,016,195.
2. Total Low and Moderate Income Housing Funds transferred between January 1, 2011 and January 30, 2012 to any other public agency: \$320,000 to the HOME program which was obligated on October 20, 2009 and transferred January 2012.
3. Total amount of Low and Moderate Income Housing assets held by the successor agency as of June 30, 2012: \$3,346,370.
4. Exclusion of enforceable obligation of \$1,926,550 for the funds held by the Successor Agency for payment to Northern Valley Catholic Social Services for the Meade Street housing development project.
5. Balance of Low and Moderate Income Housing Fund assets remaining with Successor Agency available for disbursement to taxing agencies: \$1,419,820.

### Next Steps

As required by the Dissolution Act, the Oversight Board must meet not less than two times regarding the report: (1) at one meeting to receive the report and convene a public comment session (today’s agenda item), and (2) at a second meeting (scheduled for October 8, 2012) to

consider the public comments and the results/opinions of the CAC to the report and review, approve and authorize transmittal of the report again to the CAC, SCO and DOF by October 15, 2012 for review by the DOF.

### **FISCAL IMPACTS:**

The costs associated with preparation of both this and the nonhousing due diligence review are included on the Recognized Obligation Payment Schedule for the January-June 2013 period. The DOF is currently reviewing this Recognized Obligation Payment Schedule and has not yet made a determination on any items.

#### **Cash Flow Implications on Successor Agency**

Upon distribution of the \$1,419,820 to the taxing agencies, all affected taxing agencies will see a one-time boost in property taxes, the Successor Agency will permanently lose these funds and will have reduced the amount of money in reserve for cash flow shortfalls that may arise as part of the dissolution process. Typically, most successor agencies experience an imbalance in the amount of expenditures for each 6-month ROPS period compared to the relatively consistent level of revenues for the corresponding period. This is largely due to the fact that most former redevelopment agencies that had issued bonds saw a higher level of payments in one-half of the fiscal year (for principal and interest on these bonds) compared to a lower level of payments in the other half (when interest-only is due).

Because the Dissolution Act essentially ends the 12-month fiscal year and treats each 6-month period independent of each other, a successor agency cannot carry cash between periods like all redevelopment agencies did when they operated on a 12-month fiscal year. Under the Dissolution Act, a successor agency cannot receive more than the amount of payments due for a period, regardless whether that amount is needed for a subsequent period's shortfall. In such instances, any redevelopment property tax trust funds ("RPTTF") that remain after payment of that period's obligations are shared with the taxing agencies rather than retained for future cash flow. Thus, cash flow issues can be a concern for many successor agencies.

On top of this structural issue, there remains uncertainty over the amount of RPTTF monies that will be allocated for each period, as there were no distributions for ROPS I (in May 2012), and the ROPS II payments were not reflective of a typical distribution due to several layers of reconciliation involved in their computation. While the Housing DDR did not anticipate a cash flow reserve for addressing potential cash shortfalls between ROPS periods, Successor Agency staff will be closely monitoring cash flow over the next few months and request that D.H. Scott and Company review cash needs once again when conducting the second (and final) nonhousing Due Diligence Review.

### **ATTACHMENTS:**

SAOB Resolution for consideration  
Due Diligence Review for the Low and Moderate Income Housing Fund

RESOLUTION NO. \_\_\_\_\_

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**A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE SHASTA LAKE REDEVELOPMENT AGENCY RECEIVING FROM THE SUCCESSOR AGENCY THE DUE DILIGENCE REVIEW OF THE LOW AND MODERATE INCOME HOUSING FUND AND DIRECTING STAFF TO PERFORM RELATED TASKS**

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**WHEREAS**, the Shasta Lake Redevelopment Agency (“Redevelopment Agency”) was established as a redevelopment agency that was previously organized and existing under the California Community Redevelopment Law, Health and Safety Code Section 33000, et seq. (“CRL”), and previously authorized to transact business and exercise powers of a redevelopment agency pursuant to action of the City Council of the City of Shasta Lake (“City”); and

**WHEREAS**, Assembly Bill x1 26 chaptered and effective on June 27, 2011 added Parts 1.8 and 1.85 to Division 24 of the California Health & Safety Code, which caused the dissolution of all redevelopment agencies and winding down of the affairs of former agencies, including as such laws were amended by Assembly Bill 1484 chaptered and effective on June 27, 2012 (together, the “Dissolution Act”); and

**WHEREAS**, as of February 1, 2012 the Redevelopment Agency was dissolved pursuant to the Dissolution Act and as a separate legal entity the City serves as the Successor Agency to the Shasta Lake Redevelopment Agency (“Successor Agency”); and

**WHEREAS**, the Successor Agency administers the enforceable obligations of the former Agency and otherwise unwinds the Agency’s affairs, all subject to the review and approval by a seven-member oversight board (“Oversight Board”); and

**WHEREAS**, pursuant to Section 34179 the Successor Agency’s Oversight Board has been formed and the initial meeting has occurred on April 9, 2012 and

**WHEREAS**, Section 34179 provides that the Oversight Board has fiduciary responsibilities to holders of enforceable obligations and the taxing entities that benefit from distributions of property tax and other revenues pursuant to Section 34188 of Part 1.85 of the Dissolution Act; and

**WHEREAS**, on August 13, 2012 by Resolution No SAOB 12-09, the Oversight Board approved ROPS III in the form attached to the resolution approving such ROPS III; and

**WHEREAS**, Section 34179.5 requires the Successor Agency to employ a licensed accountant approved by the Shasta County Auditor-Controller to perform a due

diligence review and report on the amount of funds transferred from the former Redevelopment Agency; and

**WHEREAS**, on July 17, 2012, the Shasta County Auditor-Controller provided written approval to Successor Agency staff of their selection of D.H. Scott and Company as the licensed accountant to perform the due diligence review for the Successor Agency; and

**WHEREAS**, on August 30, 2012, the Department of Finance posted on its official website the agreed-upon procedures to conduct the due diligence reviews; and

**WHEREAS**, in accordance with the provisions of the agreed-upon procedures and provisions of Section 34179.5, D.H. Scott and Company has completed the housing due diligence review and report a copy of which is attached hereto and incorporated by this reference; and

**WHEREAS**, pursuant to Section 34179(h) as amended by Assembly Bill 1484 effective June 27, 2012, written notice and information about all actions taken by the Oversight Board shall be provided to the DOF by electronic means and in a manner of DOF's choosing. Generally, an oversight board's action shall become effective five (5) business days after notice in the manner specified by the DOF unless the DOF requests a review provided however the subject report will be considered and acted on pursuant to the process and timing of Sections 34179.5 and 34179.6.

**NOW, THEREFORE, BE IT RESOLVED**, by the Oversight Board of the Successor Agency to the Shasta Lake Redevelopment Agency, as follows:

**SECTION 1.** The above recitals are true and correct and are adopted as the findings of the Oversight Board.

**SECTION 2.** Pursuant to the Dissolution Act, the Oversight Board (a) receives the Housing Due Diligence Review Report as submitted herewith as Exhibit A, (b) convenes a public comment session on such report, directs Successor Agency staff to make such report available to the public for review and comment for not less than five (5) business days hereafter, (c) directs Successor Agency staff to receive from the County Auditor-Controller (CAC) the results/opinions offered from the CAC's review of such report, (d) directs transmittal thereof back to this Oversight Board for consideration with the public's comments, if any, (e) directs Successor Agency staff that after such reviews and prior to October 15, 2012 that the report be presented again to this Oversight Board for final review and action taking into consideration the public comments and CAC's results/opinions, if any, all pursuant to Sections 34179.5 and 34179.6 of the Dissolution Act.

**SECTION 3.** The City Finance Director of the Successor Agency or an authorized designee is directed to post this Resolution on the Successor Agency website pursuant to the Dissolution Act.

**SECTION 4.** Pursuant to Section 34179(h) as amended by Assembly Bill 1484 effective June 27, 2012, written notice and information about all actions taken by the Oversight Board shall be provided to the DOF by electronic means and in a manner of DOF's choosing. Generally, an oversight board's action shall become effective five (5) business days after notice in the manner specified by the DOF unless the DOF requests a review provided however the subject report will be considered and acted on pursuant to the process and timing of Sections 34179.5 and 34179.6.

**SECTION 5.** This Resolution shall take effect from and after the date of its passage and adoption.

**PASSED, APPROVED and ADOPTED** at a regular meeting of the Oversight Board of the Successor Agency to the Shasta Lake Redevelopment Agency held on this 8th day of October 2012, by the following vote:

**AYES:**

**NOES:**

**ABSENT:**

**ABSTAIN:**

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LARRY FARR, Chairperson  
Oversight Board of the Successor  
Agency to the Shasta Lake  
Redevelopment Agency

**ATTEST:**

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TONI M. COATES, Secretary of the Oversight Board

EXHIBIT "A"

DUE DILIGENCE REVIEW OF THE  
LOW AND MODERATE INCOME HOUSING FUND

SHASTA LAKE REDEVELOPMENT AGENCY

[ATTACHED]

CITY OF SHASTA LAKE  
AS SUCCESSOR AGENCY TO  
SHASTA LAKE REDEVELOPMENT AGENCY

LOW & MODERATE INCOME HOUSING FUNDS

AGREED-UPON PROCEDURES  
SEPTEMBER 26, 2012

David H. Scott, CPA  
a professional corporation  
Keith F. Hunting, CPA  
Vivian R. Piche', CPA  
Paul J. Catanese, CPA, M.B.A.  
a professional corporation  
Larry Dahl, CPA

INDEPENDENT ACCOUNTANTS' REPORT ON  
APPLYING AGREED-UPON PROCEDURES

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Gerald R. Tadina, CPA

Oversight Board of the Successor Agency  
City of Shasta Lake  
City of Shasta Lake, California 96001

We have performed the minimum required agreed-upon procedures enumerated in Attachment A, which were agreed to by the California State Controller's Office and the Department of Finance related to the Low and Moderate Income Housing Fund of the City of Shasta Lake as Successor Agency to the Shasta Lake Redevelopment Agency. Management of the Successor Agency is responsible for the accounting records pertaining to statutory compliance pursuant to Health and Safety Code Section 34179.5(c)(1) through Section 34179.5(c)(6). 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 minimum required 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 as to the appropriateness of the results summarized in Attachment A. 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 Shasta County Auditor-Controller, the successor agency, and 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.

*D. H. Scott & Company LLP*

Redding, California  
September 26, 2012

ATTACHMENT A  
CITY OF SHASTA LAKE AS SUCCESSORY AGENCY TO  
SHASTA LAKE REDEVELOPMENT AGENCY  
AGREED-UPON PROCEDURES REPORT  
LOW & MODERATE INCOME HOUSING FUND

**Citation:**

*34179.5(c)(1) The dollar value of assets transferred from the former redevelopment agency to the successor agency on or about February 1, 2012.*

**Suggested Procedure(s):**

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.

**Procedure Performed:**

We obtained a list of assets transferred from the former Redevelopment Agency to the City of Shasta Lake as Successor Agency on February 1, 2012 and agreed the amounts to balances from the underlying accounting records of the Successor Agency. The total assets transferred were \$3,016,195.

**Citation:**

*34179.5(c)(2) The dollar value of assets and cash and cash equivalents transferred after January 1, 2011, through June 30, 2012, by the redevelopment agency or the successor agency to the city, county, or city and county that formed the redevelopment agency and the purpose of each transfer. The review shall provide documentation of any enforceable obligation that required the transfer.*

**Suggested Procedure(s):**

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.

**Procedure Performed:**

See Exhibit B for the Department of Finance's review of Housing Asset Transfer Form.

**Citation:**

*34179.5(c)(3) The dollar value of any cash or cash equivalents transferred after January 1, 2011, through June 30, 2012, by the redevelopment agency or the successor agency to any other public agency or private party and the purpose of each transfer. The review shall provide documentation of any enforceable obligation that required the transfer.*

**Suggested Procedure(s):**

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.

**Procedure Performed:**

We obtained a listing by the Successor Agency of transfers made between January 1, 2011 through January 31, 2012 (Exhibit C). The listing shows that the transfer was to the HOME Program which was obligated on October 20, 2009 and transferred January, 2012. These amounts were included and approved on the EOPS and ROPS. We reviewed the documentation that supports the enforceable obligation.

**Citation:**

*34179.5(c)(4) The review shall provide expenditure and revenue accounting information and identify transfers and funding sources for the 2010-11 and 2011-12 fiscal years that reconciles balances, assets, and liabilities of the successor agency on June 30, 2012 to those reported to the Controller for the 2009-10 fiscal year.*

**Suggested Procedure(s):**

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.

**Procedure Performed:**

This procedure will be addressed in the report for the Successor Agency as a whole due December 15, 2012, there is no requirement to report for Low & Moderate Income Housing Funds.

**Citation:**

*34179.5(c)(5) A separate accounting for the balance for the Low and Moderate Income Housing Fund for all other funds and accounts combined shall be made as follows:*

*(A) A statement of the total value of each fund as of June 30, 2012.*

**Suggested Procedure(s):**

5. Obtain from the Successor Agency a listing of all assets of the Low and Moderate Income Housing Fund as of June 30, 2012 for the report that is due October 1, 2012 and a listing of all assets of all other funds of the Successor Agency as of June 30, 2012 (excluding the previously reported assets of the Low and Moderate Income Housing Fund) for the report that is due December 15, 2012. When this procedure is applied to the Low and Moderate Income Housing Fund, the schedule attached as an exhibit will include only those assets of the Low and Moderate Income Housing Fund that were held by the Successor Agency as of June 30, 2012 and will exclude all assets held by the entity that assumed the housing function previously performed by the former redevelopment agency. Agree the assets so listed to recorded balances reflected in the accounting records of the Successor Agency. The listings should be attached as an exhibit to the appropriate AUP report.

**Procedure Performed:**

We agreed the assets of the Low & Moderate Income Housing Fund as of June 30, 2012 as listed in Exhibit D to the accounting records of the City of Shasta Lake as Successor Agency as of June 30, 2012.

**Citation:**

*34179.5(c)(5)(B) An itemized statement listing any amounts that are legally restricted as to purpose and cannot be provided to taxing entities. This could include the proceeds of any bonds, grant funds, or funds provided by other governmental entities that place conditions on their use.*

**Suggested Procedure(s):**

6. Obtain from the Successor Agency a listing of asset balances held on June 30, 2012 that are restricted for the following purposes:
  - A. Unspent bond proceeds:
    - i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures, amounts set aside for debt service payments, etc.)

- ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
  - iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.
- B. Grant proceeds and program income that are restricted by third parties:
- i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).
  - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
  - iii. Obtain from the Successor Agency a copy of the grant agreement that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.
- C. Other assets considered to be legally restricted:
- i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).
  - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
  - iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by Successor the Agency as restricted.
- D. Attach the above mentioned Successor Agency prepared schedule(s) as an exhibit to the AUP report. For each restriction identified on these schedules, indicate in the report the period of time for which the restrictions are in effect. If the restrictions are in effect until the related assets are expended for their intended purpose, this should be indicated in the report.

**Procedure Performed:**

We obtained the Successor Agency's computation of restricted balances (see Exhibit D) and traced the balance to their unspent budgetary accounting information, agreements and resolutions that legally set forth the restriction.

The amount of \$2,000,000 was originally obligated on August 5, 2008 for Low & Moderate Redevelopment funds and was contracted with Northern Valley Catholic Social Services on May 17, 2011 to provide funding for Meade Street Senior Housing. The restrictions are in effect until the related assets are expended for their intended purposes.

**Citation:**

*34179.5(c)(5)(C) An itemized statement of the values of any assets that are not cash or cash equivalents. This may include physical assets, land, records, and equipment. For the purpose of this accounting, physical assets may be valued at purchase cost or at any recently estimated market value. The statement shall list separately housing-related assets.*

**Suggested Procedure(s):**

7. Perform the following procedures:
  - A. Obtain from the Successor Agency a listing of assets as of June 30, 2012 that are not liquid or otherwise available for distribution (such as capital assets, land held for resale, long-term receivables, etc.) and ascertain if the values are listed at either purchase cost (based on book value 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.

**Procedure Performed:**

The Low & Moderate Income Housing Fund of the Successor Agency does not have any assets that are not cash or cash equivalents, therefore, this procedure does not apply.

**Citation:**

*34179.5(c)(5)(D) An itemized listing of any current balances that are legally or contractually dedicated or restricted for the funding of an enforceable obligation that identifies the nature of the dedication or restriction and the specific enforceable obligation. In addition, the successor agency shall provide a listing of all approved enforceable obligations that includes a projection of annual spending requirements to satisfy each obligation and a projection of annual revenues available to fund those requirements. If a review finds that future revenues together with dedicated or restricted balances are insufficient to fund future obligations and thus retention of current balances is required, it shall identify the amount of current balances necessary for retention. The review shall also detail the projected property tax revenues and other general purpose revenues to be received by the successor agency, together with both the amount and timing of the bond debt service payments of the successor agency, for the period in which the oversight board anticipates the successor agency will have insufficient property tax revenue to pay the specified obligations.*

**Suggested Procedure(s):**

8. Perform the following procedures:

- A. If the Successor Agency believes that asset balances need to be retained to satisfy enforceable obligations, obtain from the Successor Agency an itemized schedule of asset balances (resources) as of June 30, 2012 that are dedicated or restricted for the funding of enforceable obligations and perform the following procedures. The schedule should identify the amount dedicated or restricted, the nature of the dedication or restriction, the specific enforceable obligation to which the dedication or restriction relates, and the language in the legal document that is associated with the enforceable obligation that specifies the dedication of existing asset balances toward payment of that obligation.
  - i. Compare all information on the schedule to the legal documents that form the basis for the dedication or restriction of the resource balance in question.
  - ii. Compare all current balances to the amounts reported in the accounting records of the Successor Agency or to an alternative computation.
  - iii. Compare the specified enforceable obligations to those that were included in the final Recognized Obligation Payment Schedule approved by the California Department of Finance.
  - iv. Attach as an exhibit to the report the listing obtained from the Successor Agency. Identify in the report any listed balances for which the Successor Agency was unable to provide appropriate restricting language in the legal document associated with the enforceable obligation.

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

- i. Combine the amount of identified current dedicated or restricted balances and the amount of forecasted annual revenues to arrive at the amount of total resources available to fund enforceable obligations.
- ii. Reduce the amount of total resources available by the amount forecasted for the annual spending requirements. A negative result indicates the amount of current unrestricted balances that needs to be retained.
- iii. Include the calculation in the AUP report.

**Procedure Performed:**

We compared all information to legal documents that forms the restriction and to the accounting records of the Successor Agency. The amount agrees with the final Recognized Obligation Payment Schedule approved by the California Department of Finance.

See Exhibits D and E for assets required to satisfy the enforceable obligation legally restricted.

Exhibit D calculates the amount of current balances required to meet the enforceable obligations.

**Citation:**

*34179.5(c)(5)(E) An itemized list and analysis of any amounts of current balances that are needed to satisfy obligations that will be placed on the Recognized Obligation Payment Schedules for the current fiscal year.*

**Suggested Procedure(s):**

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.

**Procedure Performed:**

There are no cash balances of Low & Moderate Income Housing Funds required to satisfy ROPS for the period July 1, 2012 through June 30, 2013.

**Citation:**

*34179.5(c)(6) The review shall total the net balances available after deducting the total amounts described in subparagraphs (B) to (E), inclusive, of paragraph (5). The review shall add any amounts that were transferred as identified in paragraphs (2) and (3) of subdivision (c) if an enforceable obligation to make that transfer did not exist. The resulting sum shall be available for allocation to affected taxing entities pursuant to Section 34179.6. It shall be a rebuttable presumption that cash and cash equivalent balances available to the successor agency are available and sufficient to disburse the amount determined in this paragraph to taxing entities. If the review finds that there are insufficient cash balances to transfer or that cash or cash equivalents are specifically obligated to the purposes described in subparagraphs (B), (D), and (E) of paragraph (5) in such amounts that there is insufficient cash to provide the full amount determined pursuant to this paragraph, that amount shall be demonstrated in an additional itemized schedule.*

**Suggested Procedure(s):**

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).

**Procedure Performed:**

See Exhibit F attached.

**Suggested Procedure(s):**

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 Performed:**

We obtained a representation letter dated September 26, 2012 as suggested.



DEPARTMENT OF  
**FINANCE**

EDMUND G. BROWN JR. ■ GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

August 17, 2012

Mr. John Duckett, Finance Director  
City of Shasta Lake  
1650 Stanton Drive  
Shasta Lake, CA 96019

Dear Mr. Duckett:

Subject: Housing Assets Transfer Form

Pursuant to Health and Safety Code (HSC) section 34176 (a) (2), the City of Shasta Lake Housing Authority (Authority) submitted a Housing Assets Transfer Form (Form) to the California Department of Finance (Finance) on July 20, 2012 for the period February 1, 2012 through July 20, 2012.

HSC section 34176 (e) defines a housing asset. Assets transferred deemed not to be a housing asset shall be returned to the successor agency. Finance has completed its review of your Form, which may have included obtaining clarification for various items. Based on a sample of line items reviewed and application of the law, Finance is objecting to Exhibit C, Item 1.

Exhibit C, Item 1, a \$2 million a housing asset encumbrance does not qualify as a housing asset because the The Predevelopment Loan Agreement provided to support the encumbrance, which was signed October 26, 2009, does not match the amounts and dates shown on Exhibit C. Item 1 shows a total amount of \$2 million not the \$200,000 and does not have a start or completion date. Therefore, the \$2 million item is not an encumbrance reportable on Exhibit C of the Form and shall be returned to the successor agency.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed on your Form. If you disagree with our determination with respect to any items on the Form, you may request a Meet and Confer within five business days of receiving this letter.

Please direct inquiries to Kylie Le, Supervisor or Derk Symons, Lead Analyst at (916) 445-1546.

Sincerely,

STEVE SZALAY  
Program Budget Manager

cc: Ms. Connie Regnell, Auditor/Controller, Shasta County  
Ms. Sherri Jenkins, Managing Accountant, Shasta County  
State Controller's Office

Exhibit C

**Procedure 3**

City of Shasta Lake as Successor Agency  
Low and Moderate Income Housing Fund

Transfer to HOME Program                   \$     320,000 \*

\*Obligated October 20, 2009 &  
transferred January 2012.

\*Included on EOPS and ROPS

Exhibit D

Procedure 5 and 6

City of Shasta Lake as Successor Agency  
Low and Moderate Income Housing Fund

Asset	Amount
101 Cash	\$ 37,394.07
112 Interest Receivable	336.95
152 Investment Pool	2,929,300.77
181 LAIF	<u>379,337.83</u>
Total LMIHF Assets	\$ 3,346,369.62
Assets legally restricted for Meade Street Senior Housing	<u>\$ (1,926,550.00) *</u>
Ending assets	<u><u>\$ 1,419,819.62</u></u>

* Originally obligated	\$ 2,000,000.00
Less expended to date	<u>-73,450.00</u>
	<u><u>\$ 1,926,550.00</u></u>

Exhibit E

**Procedure 8**

City of Shasta Lake as Successor Agency  
Low and Moderate Income Housing fund

List of Enforceable Obligations                      Amount

**Legally Restricted**

1 Meade Street Housing Project                      \$    1,926,550

Exhibit F

Procedure 10

City of Shasta Lake as Successor Agency  
Low and Moderate Income Housing Fund

SUMMARY OF BALANCES AVAILABLE FOR ALLOCATION TO AFFECTED TAXING ENTITIES

Total amount of assets held by the successor agency as of June 30, 2012 (procedure 5)	\$	3,346,370
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)		-
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)		-
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)		(1,926,550)
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>1,419,820</u>

*Note that separate computations are required for the Low and Moderate Income Housing Fund held by the Successor Agency and for all other funds held by the Successor Agency.*

NOTES: For each line shown above, an exhibit should be attached showing the composition of the summarized amount.

If the review finds that there are insufficient funds available to provide the full amount due, the cause of the insufficiency should be demonstrated in a separate schedule.