



Successor Agency Oversight Board Meeting

(Dissolution of the City of Shasta Lake Redevelopment Agency)

NOTICE AND AGENDA

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

Monday, January 14, 2013 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).

The City of Shasta Lake is the Successor Agency to the Shasta Lake Redevelopment Agency

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 Period:

- 2.1 This time is set aside for citizens to address the Board on matters listed on the Consent Agenda as well as other items not included on the Regular Agenda. If your comments concern an item noted on the regular agenda, please address the Board after that item is open for public comment. Each speaker is allocated three (3) minutes to speak. Speakers may not cede their time. Comments should be limited to matters within the jurisdiction of the Board. While it is not required, persons wishing to address the Board should fill out a Speaker Request Form prior to the beginning of the meeting and submit it to the City Clerk. Forms are available from the City Clerk, 1650 Stanton Drive, Shasta Lake, on the City's website, or at the back of the meeting hall. If you have documents to present to members of the Board to review, please provide a minimum of seven copies.

3.0 REGULAR AGENDA (Business Session)

- 3.1 Approval of the minutes of the regular meeting on December 10, 2012.
- 3.2 Discussion and consideration of a Resolution reviewing, approving and transmitting the independent accountant's report of the non-housing fund Due Diligence Review conducted pursuant to section 34179.5.

4.0 REPORTS AND INFORMATIONAL ITEMS

- 4.1 Staff Comments/Reports
- 4.2 Board Comments/Reports

5.0 ADJOURNMENT

This meeting is open to the public.



**SUCCESSOR AGENCY OVERSIGHT BOARD
FOR FORMER CITY OF SHASTA LAKE
REDEVELOPMENT AGENCY
MEETING MINUTES**

**MINUTES OF THE SUCCESSOR AGENCY OVERSIGHT BOARD MEETING
HELD MONDAY, DECEMBER 10, 2012, AT 2:00 PM AT THE CITY COUNCIL CHAMBERS
4488 RED BLUFF ST, SHASTA LAKE, CALIFORNIA**

1.0 CALL TO ORDER – 2:00 P.M.

Chairman Farr called the meeting to order at 2:00 pm.
Board Members present: Farr, Lawson, Lugo, Hillman, Morgan, Rodrigue
Board Members absent: Lawson

2.0 COMMUNICATIONS:

PUBLIC COMMENT: None

3.0 REGULAR AGENDA:

3.1 Approval of the minutes of the October 8, 2012 Meeting.

Motion/Vote

By motion made/seconded (Lugo/Lawson), and carried, the minutes were approved.

3.2 Discussion and possible action on Resolution approving a correction on title for Assessor's Parcel Numbers 005-250-063 and 005-250-064.

Motion/Vote

By motion made/seconded (Lawson/Rodrigue), and carried, Resolution SAOB 12-10 was approved.

3.3 Public Comment Period for the Due Diligence Review of the former Redevelopment Agency's non-housing funds.

Public Comment:

Gracious Palmer asked for clarification regarding where the funds that were remitted to the County would be distributed and whether or not the City would receive some of the funds.

4.0 BOARD/STAFF REPORTS AND COMMENTS:

Assistant City Manager John Duckett – report on the results of the meeting with Dept. of Finance and their determination that they are going to disallow the Meade Street Housing funds to be retained by the City.

With no further business to come before the Board, Chairman Farr adjourned the meeting at 2.15 pm.

8.0 ADJOURNMENT

TONI M. COATES, CMC, Secretary



Report

Reviewed and Approved

3.2

Executive Officer

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

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

FROM: John N. Duckett, Jr., Executive Officer

DATE: January 14, 2013

SUBJECT: Consideration of a Resolution of the Oversight Board of the Successor Agency to the Former Shasta Lake Redevelopment Agency Reviewing, Approving, and Transmitting the Due Diligence Review of the Non-Housing Fund

FILE:

SUMMARY:

On September 18, 2012, the Successor Agency to the Shasta Lake Redevelopment Agency ("Successor Agency") authorized the City Manager to transmit to the Oversight Board the Due Diligence Review of the Non-Housing Funds ("Non-Housing DDR"). On December 10, 2012, the Oversight Board received from the Successor Agency the Non-Housing DDR and opened the meeting for public comment. On January 14, 2013, the Oversight Board may act on a resolution completing its review, approval and transmittal of the report to various agencies. After subsequent review by the Department of Finance ("DOF"), the Non-Housing DDR report would form the basis for the Shasta County Auditor-Controller's ("CAC") apportionments of former redevelopment non-housing fund to affected taxing agencies.

DISCUSSION:

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 by an independent auditor, one related to housing assets and obligations, which was approved by the Oversight Board on October 15, 2012, and the other related to non-housing assets and obligations. As required by law, D.H. Scott and

Company prepared both reports in accordance with applicable sections of the Dissolution Act, as well as agreed-upon procedures established by members of the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants, along with the State Controller's Office ("SCO") and the DOF. This second accountant's report (attached) pertains to the non-housing monies and obligations. The Oversight Board has until January 15, 2013 to complete a public comment session, review public comments and consider the results/opinions, if any, offered by the CAC, and then review, approve, and transmit the final report to the CAC, SCO, and DOF.

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, 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:

DUE DILIGENCE REVIEW SCHEDULE AND DEADLINES		
	Housing Review	Non-housing Review
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

Findings

Attached to this report and the Resolution is the Non-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. The primary findings are noted below:

1. Value of assets transferred on February 1, 2012 from the Shasta Lake Redevelopment Agency to the Successor Agency: \$2,382,265.
2. Deduct assets legally restricted for debt covenants, grant restrictions, or other government restrictions: \$611,034.
3. Deduct assets that are not cash or cash equivalents: \$931,356.
4. Deduct assets that are legally restricted for the funding of an enforceable obligation: \$702,647.
5. Net balances of non-housing assets available for disbursement to taxing agencies: \$137,228.

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 (December 9, 2012), and (2) at a second meeting (today's meeting) 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 January 15, 2013 for review by the DOF.

FISCAL IMPACTS:

The costs associated with preparation of both this and the housing due diligence review are being paid for out of the administrative allowance.

Cash Flow Implications on Successor Agency

Upon distribution of the \$137,228 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.

Successor Agency staff has been closely monitoring cash flow over the last few months and requested that D.H. Scott and Company review cash needs while conducting the second (and final) Non-Housing Due Diligence Review. At this time, staff does not anticipate a cash flow issue, nor anticipates a need for reserves. Staff will continue to closely monitor cash flow for any future potential problems.

ATTACHMENTS:

SAOB Resolution for consideration
Due Diligence Review for the Non-Housing Fund

RESOLUTION NO. SAOB 13-

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE SHASTA LAKE REDEVELOPMENT AGENCY REVIEWING, APPROVING AND TRANSMITTING THE INDEPENDENT ACCOUNTANT'S REPORT OF THE NON-HOUSING FUND DUE DILIGENCE REVIEW CONDUCTED PURSUANT TO SECTION 34179.5

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, by Resolution the Oversight Board approved the first, second and third ROPS in the form attached to the resolution approving each ROPS; and

WHEREAS, no further action is required by the Oversight Board as to the first, second and third ROPS in connection with its actions on the non-housing due diligence review report; 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 non-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 completes its review and approves the Non-Housing Due Diligence Review as submitted herewith as Exhibit A, and directs Successor Agency staff to transmit to the DOF and Shasta County Auditor-Controller the Non-Housing Due Diligence Review for their consideration pursuant to Section 34179.6(b) 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 14th day of January 2013, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

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

ATTEST:

TONI M. COATES, Secretary of the Oversight Board

EXHIBIT "A"

DUE DILIGENCE REVIEW OF THE
NON-HOUSING FUND

SHASTA LAKE REDEVELOPMENT AGENCY

[PREVIOUSLY PROVIDED]

CITY OF SHASTA LAKE
AS SUCCESSOR AGENCY TO
SHASTA LAKE REDEVELOPMENT AGENCY
ALL OTHER FUNDS

AGREED-UPON PROCEDURES
NOVEMBER 30, 2012

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

INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES

Gerald R. Tadina, CPA

Oversight Board of the Successor Agency
City of Shasta Lake
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 All Other Funds 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

Shasta Lake, California
November 30, 2012

ATTACHMENT A
CITY OF SHASTA LAKE AS SUCCESSORY AGENCY TO
SHASTA LAKE REDEVELOPMENT AGENCY
ALL OTHER FUNDS
AGREED-UPON PROCEDURES REPORT

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 of all other funds transferred were \$2,827,535, excluding assets transferred from housing funds.

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:

No transfers were made.

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:

No transfers were made.

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:

- A. We obtained a summary (Exhibit B) of the financial transactions of the Redevelopment Agency and the Successor Agency in the format as set forth in the Agreed Upon Procedures. The financial transactions have been presented using the modified accrual basis of accounting and include the year end balances for capital assets and long-term liabilities.

- B. For each period presented, the total of revenues, expenditures, and transfers accounts fully for the changes in equity from the previous fiscal period.
- C. Amounts in the schedule relevant to the fiscal year ended June 30, 2010 agree to the State Controller's report filed for the Redevelopment Agency for that period and the audited financial statement for the year ended June 30, 2010.
- D. Amounts in the schedule for June 30, 2011 agree to the audited financial statement for the year ended June 30, 2011. Amounts in the schedule for January 31, 2012 agree to the general ledger of the Redevelopment Agency for the seven months ended January 31, 2012. Amounts in the schedule for June 30, 2012 agree to the general ledger of the Successor Agency for the five months ended June 30, 2012.

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 obtained a listing of all other assets excluding Low & Moderate Income Housing funds. See Exhibit C.

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 a listing of assets restricted as of June 30, 2012. See Exhibit D.

- A. There were no unspent bond proceeds.
- B. There were no grant proceeds or program income.
- C. Other assets considered to be legally restricted:
- i. We obtained the Successor Agency's assets that are considered to be legally restricted at June 30, 2012. See Exhibit D.
 - ii. We traced the individual components to the related account balances in the accounting records.
 - iii. We obtained a copy of the legal document that sets forth the restriction and determined the following:

Cash with Fiscal Agent - Cash is held for required bond reserves. Restriction is in effect until the bonds are paid off. That will be June 1, 2027.

Scott Valley Special Escrow - Cash held in special escrow for required construction retention of the law enforcement center. This money is being held until the contractor completes the work.

Prepaid expense - Prepaid insurance is restricted until expended for its intended purpose.

- D. See Exhibit D.

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:

- A. We obtained a listing of assets as of June 30, 2012 that are not liquid or otherwise available for distribution.

Land held for resale - Commercial Center Property - \$931,356 Valued at cost.

- B. We traced the cost amount to the accounting records of the Successor Agency.
- C. No differences were noted.
- D. N/A.

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:

- A. We obtained an itemized schedule of asset balances needed to be retained to satisfy enforceable obligations. See Exhibit E.
 - i. We compared the information on Exhibit E to the legal documents that form the basis for the dedication of the resource balance in question.
 - ii. We compared all current balances to the amounts reported in the accounting records of the Successor Agency.
 - iii. We compared the specified enforceable obligations to those included in the final Recognized Obligation Payment Schedule approved by the Department of Finance.
 - iv. See Exhibit E.
- B. The Successor Agency believes that future revenues together with balances dedicated or restricted to an enforceable obligation are sufficient to fund future obligation payments.
- C. The Successor Agency believes that projected property tax revenues and other general purpose revenues to be received by the Successor Agency are sufficient to pay bond debt service payments.
- D. For procedure A, we calculated the amount of current unrestricted balances necessary for retention in order to meet the enforceable obligations. See Exhibit E

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:

The Successor Agency included the cash balances as of June 30, 2012 needed to satisfy ROPS for the period of July 1, 2012 to December 31, 2012 in Procedure 8.

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 November 30, 2012 as suggested.

EXHIBIT B

City of Shasta Lake
Former Redevelopment Agency - All Funds
Financial Transactions
Procedure 4

	Redevelopment Agency 12 Months Ended June 30, 2010	Redevelopment Agency 12 Months Ended June 30, 2011	Redevelopment Agency 7 Months Ended January 31, 2012	Successor Agency 5 Months Ended June 30, 2012
ASSETS (Modified Accrual Basis)				
Cash	\$ 5,078,309	\$ 6,097,672	\$ 4,273,177	\$ 4,185,908
Receivables:				
Intergovernmental	187,897	33,359		
Interest	525	452	28,176	338
Taxes	154,122	98,526		
Notes	457,075	446,217	606,217	
Land held for resale	1,466,283	1,576,283	1,576,282	931,356
Prepaid expenses	16,251	9,404	3,702	3,702
Restricted assets:				
Cash	3,091,036	488,592	607,320	607,332
Total Assets	\$ 10,451,498	\$ 8,750,505	\$ 7,094,874	\$ 5,728,636
LIABILITIES (Modified Accrual Basis)				
Accounts payable	\$ 33,725	\$ 207,403	\$ 118,749	\$ 287,851
Accrued liabilities	28,472	19,653	6,243	-
Deferred revenue	-	-	-	649,595
Total Liabilities	62,197	227,056	124,992	937,446
EQUITY	10,389,301	8,523,449	6,969,882	4,791,189
Total Liabilities and Equity	\$ 10,451,498	\$ 8,750,505	\$ 7,094,874	\$ 5,728,635
Total Revenues	\$ 3,075,143	\$ 4,035,030	\$ 1,463,839	\$ 15,043
Total Expenditures	4,062,891	5,900,882	3,017,406	948,835
Total Transfers:				
Extraordinary gain	-	-	-	5,724,981
Change in Equity	(987,748)	(1,865,852)	(1,553,567)	4,791,189
Equity - Beginning of Year	11,377,049	10,389,301	8,523,449	-
Equity - End of Year	\$ 10,389,301	\$ 8,523,449	\$ 6,969,882	\$ 4,791,189
Other Information (show year end balances for all three years presented):				
Capital assets - End of Year	\$ -	\$ -	\$ -	\$ -
Long-term debt - End of Year	\$ 5,455,000	\$ 5,240,000	\$ 5,240,000	\$ 5,015,000

EXHIBIT C

City of Shasta Lake
Shasta Lake Successor Agency
Procedure 5

**Listing of Assets Excluding Low &
Moderate Income Housing Funds**
June 30, 2012

Fund		
101	Cash	\$ 90,096
104	Special escrow	118,750
112	Interest receivable	-
117	Cash with fiscal agent	488,582
152	Due from investment pool	749,779
158	Land held for resale	931,356
168	Prepaid expense	3,702
181	LAIF	-
Total		\$ 2,382,265

EXHIBIT D

City of Shasta Lake
Shasta Lake Successor Agency
Procedure 6

Listing of Restricted Assets

June 30, 2012

		Purpose
Cash with fiscal agent	\$ 488,582	Bond Reserve
Scott Valley special escrow	118,750	Law Enforcement Center Special Escrow
Prepaid expense	3,702	Prepaid Insurance
Total	\$ 611,034	

EXHIBIT E

City of Shasta Lake
 Shasta Lake Successor Agency
 Procedure 8

Itemized Schedule of Asset Balances

Cash available

June 30, 2012

Cash available	\$ 90,096
Cash available from due from investment pool	749,779
Total cash available	\$ 839,875

The following sets forth the enforceable obligations to be paid from available cash:

<u>List of Enforceable Obligations</u>	<u>Accounts Payable</u>	<u>Less Cash in Balance Balance</u>	<u>Obligations Obligations</u>	<u>Total</u>
Legally Restricted				
1 Consultant Services	\$ 14,043	\$ -	\$ -	\$ 14,043
2 Knauf Payment for July 2012	155,058	-	-	155,058
3 2006 Tax Allocation Bonds	-	-	125,771	125,771
4 Continuing Disclosure	-	-	1,300	1,300
5 Law Enforcement Center	-	(118,749)	365,125	246,376
6 Meade Street Senior Housing	-	-	2,700	2,700
7 Contract for Legal Services	-	-	5,000	5,000
8 Contract for Economic Development	-	-	37,500	37,500
9 Contract for Business Development	-	-	5,500	5,500
10 Successor Agency Administrative	-	-	24,873	24,873
11 Successor Agency Liability Insurance	-	-	6,402	6,402
12 Successor Agency Support	-	-	25,000	25,000
13 Housing Monitoring Services	-	-	46,290	46,290
14 MOU for City Staff	-	-	6,834	6,834
Total	\$ 169,101	\$ (118,749)	\$ 652,295	\$ 702,647

EXHIBIT F

City of Shasta Lake
Former Redevelopment Agency
Procedure 10

**SUMMARY OF BALANCES AVAILABLE FOR ALLOCATION TO AFFECTED TAXING ENTITIES-
ALL OTHER FUNDS**

Total amount of assets held by the successor agency as of June 30, 2012 - (procedure 5)	\$	2,382,265
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)		(611,034)
Less assets that are not cash or cash equivalents (e.g., physical assets) - (procedure 7)		(931,356)
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)		(702,647)
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>137,228</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.