



ITEM NO. 2

STAFF REPORT

OVERSIGHT BOARD

DATE: October 11, 2012
TO: OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY FOR THE CITY OF COLTON
FROM: ROD FOSTER, CITY MANAGER
PREPARED BY: BONNIE JOHNSON, MANAGEMENT SERVICES DIRECTOR
SUBJECT: ADOPTION OF OVERSIGHT BOARD RESOLUTION APPROVING THE DUE DILIGENCE REVIEW OF THE LOW AND MODERATE INCOME HOUSING FUND PURSUANT TO HEALTH AND SAFETY CODE SECTIONS 34179.5(c)(1) THROUGH 34179.5(c)(3) AND SECTIONS 34179.5(c)(5) THROUGH 34179.5(c)(6)

RECOMMENDED ACTION

It is recommended that the Oversight Board adopt Resolution No. OB-11-12, approving the Due Diligence Review of the Low and Moderate Income Housing Fund, pursuant to Health and Safety Code section 34179.6(b).

GOAL STATEMENT

This action supports the Oversight Board's goal to be in full compliance with State laws, rules and procedures.

BACKGROUND

AB 1X 26 (the "Dissolution Act") dissolved the Redevelopment Agency for the City of Colton ("Agency") as of February 1, 2012. The City of Colton ("RDA Successor Agency") is the successor agency to the Agency. On June 27, 2012, as part of the Fiscal Year 2012-2013 State Budget package, the Legislature passed and the Governor signed AB 1484, the primary purpose of which is to make technical and substantive amendments to the Dissolution Act based on experience to-date at the State and local level in implementing that act. As a budget "trailer bill", AB 1484 took immediate effect upon signature of the Governor.

AB 1484 requires each successor agency to employ a licensed accountant, approved by the County of San Bernardino Auditor Controller ("CAC"), to conduct a due diligence review (the "Review") regarding the Low and Moderate Income Housing Funds ("LMIHF") to determine the unobligated balances available for transfer to taxing entities pursuant to Health and Safety Code sections 34179.5(c)(1) through 34179.5(c)(3) and sections 34179.5(c)(5) through 34179.5(c)(6).

ISSUE/ANALYSIS

Pursuant to Health and Safety Code section 34179.6(a), the RDA Successor Agency is required to conduct a due diligence review of the LMIHF which covers both pre-dissolution and post-dissolution periods (between January 1, 2011 and June 30, 2012) to determine any unobligated balances available for transfer to the taxing entities during Fiscal Year 2012-2013. The Review as it relates to the LMIHF must be completed by October 1, 2012, and submit the results of the Review to the State Department of Finance ("DOF"), the California State Controller's Office ("SCO") and the CAC by October 15, 2012.

The Successor Agency retained the services of Lance Soll & Lunghard, LLP, ("LSL") a CAC approved licensed, certified public accountants, to conduct the Review of the LMIHF to determine the unobligated balances available for transfer to taxing entities. A list of procedures for conducting the review are listed on Schedule A, contained within the attached Review prepared by LSL. The Review required, at minimum, the following:

- (1) The dollar value of assets transferred from the former redevelopment agency to the successor agency on or about February 1, 2012;
- (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 that formed the redevelopment agency and the purpose of each transfer. The Review shall provide documentation of any enforceable obligation that required the transfer.
- (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.
- (4) The Review includes expenditures and revenue accounting information and identifies any 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 SCO for the 2009-10 fiscal year.

As required by Health and Safety Code section 34179(b), the Oversight Board to the RDA Successor Agency ("Oversight Board") convened a public comment session on October 4, 2012, which took place at least five (5) business days before the Oversight Board is to hold its meeting to consider approval of the Review of the LMIHF. By October 15, 2012, the Oversight Board shall review, approve, and transmit to the DOF, SCO and the CAC, the determination of the amount of cash and cash equivalents that are available for disbursement to taxing entities as determined by the Review.

Pursuant to Health and Safety Code section 34179.6(c), the Oversight Board may adjust any amount provided in the Review of the LMIHF to reflect additional information and analysis. The Oversight Board may request from the RDA Successor Agency any materials it deems

necessary to assist in its review and approval of the determination. The Oversight Board can also authorize the Successor Agency to retain the restricted funds, the non-cash assets, and the cash balances that are contractually committed or needed for items to be placed on the Recognized Obligation Payment Schedule during the fiscal year.

Upon receipt of the Review, DOF may adjust the amounts determined to be available for allocation to the taxing entities based on its analysis and information provided by the Successor Agency and others. The DOF is to complete its review no later than November 9, 2012 for the LMIHF. The DOF is required to provide the Successor Agency and the Oversight Board with an explanation of the basis for overturning or modifying any findings or determinations of the Oversight Board.

FISCAL IMPACT

Should DOF make any modifications or determinations that there exists unobligated balances available for transfer to taxing entities upon review of the LMIHF Review, the Successor Agency can request a meet and confer with the DOF within five (5) business days of receipt of the DOF's determination. The request to meet and confer must include an explanation and documentation for the basis for the dispute. The DOF is required to meet and confer with the Successor Agency and make a decision within thirty (30) days.

If there exists unobligated balances available, Successor Agencies are required to transmit the funds to the taxing entities within five (5) business days (and no later than November 16, 2012) upon receipt of the notification by the DOF. Successor Agencies are required to make diligent efforts to recover money determined to be transferred without an enforceable obligation. If Successor Agencies fail to transmit the funds determined to be available for allocation to the taxing entities, there are a variety of remedies set forth in the statute including:

1. The DOF can order the Board of Equalization to offset the sales and use tax, or the CAC can offset the property tax revenues of the local agency;
2. The DOF and CAC can demand the return of funds improperly spent or transferred to a private party and can recover those funds plus a 10% penalty and interest through any lawful means;
3. As an alternative to the above, the DOF can order the CAC to offset the amounts owed against future distributions from the RPTTF to the Successor Agency pursuant to Health and Safety Code section 34183.

If the DOF determines that the full payment of the amounts determined to be available for allocation to the taxing entities is not feasible or would jeopardize a Successor Agency's ability to pay enforceable obligations, the DOF can agree to an installment payment plan.

ALTERNATIVE

The Oversight Board may wish to consider the following alternative:

1. Provide alternative direction to staff.

ATTACHMENT

1. Oversight Board Resolution No. OB-11-12
2. Exhibit "A" attached to Resolution No. OB-11-12, Due Diligence Review of the Low and Moderate Income Housing Fund

RESOLUTION NO. OB-11-12

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY FOR THE CITY OF COLTON APPROVING THE DUE DILIGENCE REVIEW OF THE LOW AND MODERATE INCOME HOUSING FUND, PURSUANT TO HEALTH AND SAFETY CODE SECTIONS 34179.5(c)(1) THROUGH 34179.5(c)(3) AND SECTIONS 34179.5(c)(5) THROUGH 34179.5(c)(6)

WHEREAS, pursuant to Health and Safety Code section 34173(d), the City of Colton ("RDA Successor Agency") is the successor agency to the dissolved Redevelopment Agency for the City of Colton ("Agency"), confirmed by Resolution No. R-01-12 adopted on January 11, 2012; and

WHEREAS, On June 27, 2012, as part of the Fiscal Year 2012-2013 State Budget package, the State of California Legislature passed, and the Governor signed, AB 1484 making substantial amendments to AB 1X 26 (the "Dissolution Act"), taking effect immediately; and

WHEREAS, Health and Safety Code section 34179.6(a), requires the RDA Successor Agency to prepare a "due diligence review" ("Review") of the Low and Moderate Income Housing Funds ("LMIHF"), to determine the unobligated balances available for transfer to taxing entities, for the period from January 1, 2011, through June 30, 2012, no later than October 1, 2012; and

WHEREAS, Successor Agency staff prepared the Review covering the time period from January 1, 2011 through June 30, 2012; and

WHEREAS, Pursuant to Health and Safety Code section 34179(b), the Oversight Board to the RDA Successor Agency, established pursuant to Health and Safety Code section 34179 ("Oversight Board"), convened a public comment session on October 4, 2012, which is at least five business days before the Oversight Board is to hold its meeting to consider approval of the Review of the LMIHF; and

WHEREAS, Pursuant to Health and Safety Code section 34179(c) requires the Oversight Board to review, approve, and transmit to the State of California Department of Finance ("DOF"), the State of California Auditor-Controller, ("Controller") and the County of San Bernardino Auditor-Controller ("CAC") the determination of the amount of cash and cash equivalents that are available for disbursement to taxing entities based upon the Review by October 15, 2012; and

WHEREAS, Health and Safety Code section 34179.6(d) allows DOF to review and make adjustments to any amount within the determinations no later than November 9, 2012;

NOW, THEREFORE, THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY FOR THE CITY OF COLTON, DOES HEREBY RESOLVE AND FIND AS FOLLOWS:

1 **Section 1. Recitals.** The Recitals set forth above are true and correct and are
2 incorporated into this Resolution by this reference.

3 **Section 2. CEQA Compliance.** The approval of the Review through this
4 Resolution does not commit the Oversight Board to any action that may have a significant
5 effect on the environment. As a result, such action does not constitute a project subject to the
6 requirements of the California Environmental Quality Act. The City Clerk of the City of
7 Colton, acting on behalf of the Oversight Board, is authorized and directed to file a Notice of
Exemption with the appropriate official of the County of San Bernardino, California, within
five (5) days following the date of adoption of this Resolution.

8 **Section 3. Approval of the Review.** The Oversight Board hereby approves and
9 adopts the Review, in substantially the form attached to this Resolution as Exhibit A, pursuant
10 to Health and Safety Code section 34179.5(c)(1) through 34179.5(c)(3) and sections
34179.5(c)(5) through 34179.5(c)(6).

11 **Section 4. Transmittal of the Review.** The Oversight Board hereby directs the
12 Successor Agency to submit copies of the Review approved by the Oversight Board to the
13 State of California Department of Finance, the State of California Auditor-Controller, and the
County of San Bernardino Auditor-Controller prior to October 15, 2012 in accordance with
Health and Safety Code section 34179.6 and other applicable law.

14 **Section 5. Severability.** If any provision of this Resolution or the application of
15 any such provision to any person or circumstance is held invalid, such invalidity shall not
16 affect other provisions or applications of this Resolution that can be given effect without the
17 invalid provision or application, and to this end the provisions of this Resolution are
severable. The Oversight Board declares that the Oversight Board would have adopted this
Resolution irrespective of the invalidity of any particular portion of this Resolution.

18 **Section 6. Certification.** The City Clerk of the City of Colton, acting on behalf
19 of the Oversight Board as its Secretary, shall certify to the adoption of this Resolution.

20 **Section 7. Effective Date.** Pursuant to Health and Safety Code section 34179(h),
21 all actions taken by the Oversight Board may be reviewed by the State of California
22 Department of Finance, and, therefore, this Resolution shall not be effective for five (5)
23 business days after the date of its adoption, pending a request for review by the State of
California Department of Finance. This Resolution shall become effective immediately upon
its adoption.

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1 **PASSED, APPROVED AND ADOPTED** this 11th day of October, 2012
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4 By: _____
5 Frank Gonzales, Chairperson
6 Oversight Board of the Successor Agency to
7 the Redevelopment Agency for the City of
8 Colton

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10 *Attest:*

11 _____
12 Eileen C. Gomez, City Clerk, CMC
13 Secretary
14 Oversight Board of the Successor Agency
15 to the Redevelopment Agency for the City
16 of Colton
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EXHIBIT A

**DUE DILIGENCE REVIEW OF THE LOW AND MODERATE INCOME HOUSING
FUND**

Covering the period from January 31, 2011 through June 30, 2012

[Attached behind this page]



**Successor Agency of the Former
Redevelopment Agency of the City Colton**

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

Lance Soli & Lunghard, LLP

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Successor Agency of the Former
Redevelopment Agency of the City of Colton

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

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

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Successor Agency of the
Former Redevelopment Agency for the City of Colton
City of Colton, California

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

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

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

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

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



Brea, California
September 21, 2012

SCHEDULE A

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

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

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

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

SCHEDULE A (Continued)

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

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

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

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

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

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

Procedure 1

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

ATTACHMENT B1

Asset	Balance at 2/1/2012
Cash in Banks	
Cash in Banks - Mgmt Co.	\$ 1,101,126
Cash with Trustee	145,356
Taxes Receivable	1,291,388
Accounts Receivable - Rent	12,967
Notes Receivable	3,139
Land Held for Resale	94,868
Allowance for Decline in Value	796,942
Advances to Other Funds	(260,023)
	11,402,511
Total Assets transferred:	\$ 14,588,274

Procedure 2

ATTACHMENT B2

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

Describe Purpose of Transfer	Enforceable Obligation (EO)/ Other Legal Requirement (LR)	Amount	Legal Documentation Obtained? (Y/N)
<u>From former Redevelopment Agency to City for January 1, 2011 through January 31, 2012:</u>			
Colton Crossing - Laurel Street overcrossing transfer from Ranch/Mill and Mt. Vernon project areas. This project is vital to improving traffic operations throughout the City.	LR	\$ 1,650,000	Y
Repayment of loan for purchase of Fly Mitigation Land in West Valley project area.	LR	1,554,033	Y
Repayment of loan balance for Rancho/Mill project area property development.	LR	199,827	Y
	Sub-total:	<u>3,403,860</u>	
<u>From Successor Agency to City for February 1, 2012 through June 30, 2012</u>			
None to report		-	
	Sub-total:	<u>-</u>	
Total Transfers to City for 1/1/2011 through 6/30/2012:		<u>\$ 3,403,860</u>	

Procedure 3

ATTACHMENT B3

Listing of Transfers (excluding payments for goods and services) to other public agencies or private parties
Low and Moderate Housing Fund
For the Period from January 1, 2011 through June 30, 2012

Describe Purpose of Transfer	Enforceable Obligation (EO)/ Other Legal Requirement (LR)	Amount	Legal Documentation Obtained? (Y/N)
<u>From former Redevelopment Agency to other public agencies or private parties for January 1, 2011 through January 31, 2012:</u>			
Payment to San Bernardino County for statutory pass-throughs for FY 2009/10 from Rancho/Mill, Mt. Vernon, Cooley and West Valley project areas.	LR	\$ 105,496	Y
Journal entry for prior period adjustment for property tax overpayments made by County were deducted from 11/24/09 apportionment to Rancho/Mill, Downtown 2 and West Valley project areas.	LR	17,183	Y
Payment to Colton Joint Unified School District for statutory pass-throughs for FY 2010/11 from Rancho/Mill, Mt. Vernon, Cooley and Santa Ana project areas.	LR	700,370	Y
Payment to San Bernardino Valley College for statutory pass-throughs for FY 2010/11 from Rancho/Mill, Mt. Vernon, Cooley and West Valley project areas.	EO	29,110	Y
Payment to San Bernardino Valley Municipal Water District for statutory pass-throughs for FY 2010/11 from Rancho/Mill and Cooley project areas.	EO	58,083	Y
Payment to San Bernardino County for statutory pass-throughs for FY 2010/11 from Rancho/Mill, Mt. Vernon and Cooley project areas.	EO	56,425	Y
Payment to Riverside Corona Resource Conservation District for statutory pass-through for FY 2010/11 from Cooley project area.	EO	367	Y
Payment to Inland Empire West Resource Conservation District for statutory pass-through for FY 2010/11 from West Valley project area.	EO	30	Y
Payment to West Valley Water District for statutory pass-throughs for FY 2010/11 from West Valley project area.	EO	2,167	Y
Payment to San Bernardino County Superintendent of Schools for statutory pass-throughs for FY 2010/11 from Rancho/Mill, Mt. Vernon, Cooley and West Valley project areas.	EO	4,365	Y
	Sub-total:	973,596	

Procedure 3

ATTACHMENT B3

**Listing of Transfers (excluding payments for goods and services) to other public agencies or private parties
Low and Moderate Housing Fund**

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

Describe Purpose of Transfer	Enforceable Obligation (EO)/ Other Legal Requirement (LR)	Amount	Legal Documentation Obtained? (Y/N)
<u>From Successor Agency to other public agencies or private parties for February 1, 2012 through June 30, 2012</u>			
Statutory pass-through payment to San Bernardino County, San Bernardino County Superintendent of Schools, San Bernardino Valley College, Colton Joint Unified School District, Rialto Unified School District, Riverside Corona Resource Conservation District, Inland Empire West Resource Conservation District, San Bernardino Valley Municipal Water District, and West Valley Water District for FY 2011/12.	EO	1,004,166	Y
Affordable Housing- Senior Housing and Parking Lot - 34176 (e) (1)	N/A	623,483	Y
Low-Mod Housing Vacant Lots - 34176 (e) (1)	N/A	346,130	Y
Low-Mod Housing (29 Lots in 259-Mobile Home Park) - 34176 (e) (1)	N/A	536,919	Y
Advances related to the SERAF payment - 34176 (e0) (6)	EO	1,903,927	Y
Sub-total:		4,414,625	
Total Transfers to other public agencies or private parties for 1/1/2011 through 6/30/2012:		\$ 5,388,221	

A) Capital assets transfer was approved by the Department of Finance on the housing transfer form.

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

Procedure 5

Listing of All Assets (excluding all assets held by the entity that assumed the housing function)
Low and Moderate Housing Fund
As of June 30, 2012

ATTACHMENT B5

Asset	Amount
Cash	
855-1000-000	Cash in Banks (4,282,897)
856-1000-000	Cash in Banks (6,150,293)
864-1000-000	Cash in Banks 5,865,723
865-1000-000	Cash in Banks 11,214
870-1000-000	Cash in Banks (1,948,818)
870-1020-000	Cash in Banks-Management Co 163,768
874-1000-000	Cash in Banks 7,157,785
898-1000-000	Cash in Banks 326,268
	TOTAL CASH:
	\$ 1,142,750
Cash with fiscal agent	
874-1090-002	Cash with Trustee-1998 TABS 404,034
874-1090-004	Cash with Trustee-2004 TABS 650,325
855-1090-001	Cash with Trustee-00-1 32,009
	TOTAL CASH WITH FISCAL AGENT:
	1,086,368
Interest receivable	
864-1270-000	Accrued Interest Receivable 25
874-1270-000	Accrued Interest Receivable 2,577
898-1270-000	Accrued Interest Receivable 283
855-1270-000	Accrued Interest Receivable 41
865-1270-000	Accrued Interest Receivable 10
	TOTAL INTEREST RECEIVABLE:
	2,936
Other Assets	
874-1240-000	Taxes receivable 12,393
855-1240-000	Taxes receivable 554
898-1270-000	Notes Receivable 51,864
855-1270-000	Notes Receivable 41,655
870-1210-000	Accounts Receivable - Rent 7,169
857-1700-000	Land 1,506,532
874-1310-872	Advances to other Funds-Rancho Milll DS 75,000
874-1310-885	Advances to other Funds-Mt Vernon DS 442,977
874-1310-891	Advances to other Funds-RDA I DS 50,000
874-1310-893	Advances to other Funds-RDA II Ds 450,000
874-1310-895	Advances to other Funds-Cooley Ranch DS 442,975
874-1310-897	Advances to other Funds-SAR DS 442,975
	TOTAL OTHER ASSETS:
	3,524,094
	TOTAL ASSETS AT 6/30/2012:
	\$ 5,756,148

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

Item #	Description	Documentation Referenced	Amount	Purpose	Legal Documentation Obtained? (Y/N)
1	Cash with fiscal Agent				
	a) RD No. 00-1 Reserve account	855-1090-001	\$ 32,009	Held in trust by fiduciary per bond restrictions	Y
	b) 1998 A TABS -Reserve account	874-1090-002	296,844	Held in trust by fiduciary per bond restrictions	Y
	c) 1999 B TABS -Reserve account	874-1090-002	107,191	Held in trust by fiduciary per bond restrictions	Y
	d) 1998 TABS-Revenue account	874-1090-002	-	Held in trust by fiduciary per bond restrictions	Y
	e) 2004 TABS-Special Fund	874-1090-004	8,000	Held in trust by fiduciary per bond restrictions	Y
	f) 2004 TABS-Reserve Account	874-1090-004	642,324	Held in trust by fiduciary per bond restrictions	Y
	g) Rancho Med Operations	870-1020-000	163,768	Held in trust for property management/operations; income from rents of Housing Authority owned lots	Y
	TOTAL:		\$ 1,250,136		

ATTACHMENT B7

As of June 30, 2012

14

TOTAL RESTRICTIONS OF NON-CASH ITEMS

Procedure 8a
Listing of Assets (resources) that are dedicated or restricted for the funding of enforceable obligations
Low and Moderate Housing Fund
As of June 30, 2012

Item #	Project Name	Reference	Approved Obligation Amount	Amount Paid In Period Ending June 30, 2012	Amount Restricted for Obligation from June 30, 2012 Balance	Legal Documentation Obtained? (Y/N)
1	RAD 00-1	Pg 1 ROPS 1 #4	\$	\$	\$	Y
2	Rancho Med HOA Fees	Pg 1 ROPS 1 #10		16,058	260,642	Y
3	Rancho Med Property Management Fees	Pg 1 ROPS 1 #11	45,000	25,375	19,625	Y
4	Rancho Med Insurance Premium	Pg 1 ROPS 1 #12	30,000	17,500	12,500	Y
5	RAD 00-1 - Assessment Calculation Fees	Pg 1 ROPS 1 #16	800	-	800	Y
6	RAD 00-1 Administration Fees	Pg 1 ROPS 1 #19	2,327	1,721	606	Y
7	Rancho Med Legal Service	Pg 1 ROPS 1 #25	3,200	3,200	-	Y
			5,000	3,032	1,968	
			<u>\$ 363,027</u>	<u>\$ 66,886</u>	<u>\$ 296,141</u>	

NO ASSETS NEED TO RETAINED DUE TO INSUFFICIENT FUNDING FOR THE FUNDING OF ENFORCEABLE OBLIGATIONS WITH LOW AND MOD HOUSING FUND

NO ASSETS NEED TO BE RETAINED DUE TO PROJECTED INSUFFICIENT PROPERTY TAX REVENUES FOR BOND DEBT PAYMENTS

Procedure 9

ATTACHMENT B9

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

Item #	Project Name	Reference	Approved Obligation Amount	Estimated Future Revenues	Revenue Source	Amount Needed to be Retained from June 30, 2012 Balance	Identified on the ROPS 2 or 3?
1	1998 Tax Allocation Bond Series A&B	Pg 1 ROPS 1 #1	\$ 4,503,915	\$ 4,183,235	RPTTF	\$ 320,680	ROPS 2 #1
2	2004 TABS	Pg 1 ROPS 1 #3	8,173,174	7,799,710	RPTTF	373,464	ROPS 2 #2
3	TABS Continuing Disclosure	Pg 1 ROPS 1 #15	1,500	-	RPTTF	1,500	ROPS 2 #10
4	TABS Administration Fees	Pg 1 ROPS 1 #18	9,000	-	RPTTF	9,000	ROPS 2 #12
5	TABS Continuing Disclosure	Pg 1 ROPS 1 #15	2,000	-	RPTTF	2,000	ROPS 3 #9
6	RDA 00-1 Administration Fees	Pg 1 ROPS 1 #16	1,280	-	RPTTF	1,280	ROPS 3 #11
7	TABS Administration Fees	Pg 1 ROPS 1 #18	4,000	-	RPTTF	4,000	ROPS 3 #7
			<u>\$ 12,694,869</u>	<u>\$11,982,945</u>		<u>\$ 711,924</u>	

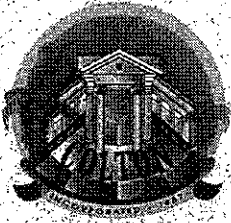
Procedure 10

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

ATTACHMENT B10

Total amount of assets held by the successor agency as of June 30, 2012 (procedure 5)	\$	5,756,148
Add the amount of any assets transferred to the city or other parties for which an enforceable obligation with a third party requiring such transfer and obligating the use of the transferred assets did not exist (procedures 2 and 3)		
	To City	-
	To other parties	-
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments (procedure 6)		(1,250,136)
Less assets that are not cash or cash equivalents (e.g., physical assets) - (procedure 7)		(3,503,978)
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)		(296,141)
Less balances needed to satisfy ROPS for the 2012-13 fiscal year (procedure 9)		(711,924)
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	\$	(6,031) (A)

(A) Amount to be remitted to County for disbursement to taxing entities is zero.



September 21, 2012

Lance, Soll & Lunghard, LLP
 Certified Public Accountants
 203 North Brea Boulevard, Suite 203
 Brea, CA 92821-4056

We are providing this letter in connection with your performance of the Due Diligence Review of the Low and Moderate Housing Fund in accordance with Assembly Bill 1484 for the Successor Agency of the former Redevelopment Agency of the City of Colton. We confirm that we are responsible for the complete and fair presentation of the previously mentioned review in conformity with the listed procedures of the Assembly Bill 1484 Due Diligence Review as published by the State Department of Finance on August 27, 2012. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, and preventing and detecting fraud.

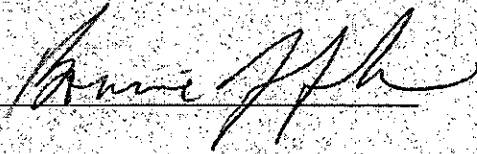
We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your review:

1. We have made available to you:
 - a. In accordance with 34179.5(c)(1), the dollar value of all assets transferred from the former redevelopment agency to the successor agency on or about February 1, 2012.
 - b. In accordance with 34179.5(c)(2), the dollar value of all 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. We have also provided the documentation of any enforceable obligation that required the transfer.
 - c. In accordance with 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. We have also provided documentation of any enforceable obligation that required the transfer.
 - d. In accordance with 34179.5(c)(4), the expenditure and revenue accounting information and have identified 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.
 - e. In accordance with 34179.5(c)(5), 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.

- f. In accordance with 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.
 - g. In accordance with 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.
 - h. In accordance with 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, we have provided 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.
 - i. In accordance with 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.
2. There are no material transactions that have not been properly recorded in the accounting records underlying this Due Diligence Review.
3. Management is not aware of any transfers (as defined by Section 34179.5) from either the former Redevelopment Agency or the Successor Agency to the City, other agencies or private parties for the period January 1, 2011 through June 30, 2012 that have not been identified in this report and related exhibits.
4. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
5. We have no knowledge of any fraud or suspected fraud affecting this Due Diligence Review involving:
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on this Due Diligence Review.
6. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
7. When applicable, we have taken timely and appropriate steps to remedy fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that you have reported to us.
8. We have identified to you any previous audits, attestation engagements, performance audits, state controller reports or other studies related to the objectives of this Due Diligence Review and whether related recommendations have been implemented.
9. The Successor Agency of the former Redevelopment Agency of the City of Colton has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or fund equity.

10. We are responsible for compliance with the laws, regulations, provisions of contracts and grant agreements applicable to us, and all provisions related to the dissolution of the Redevelopment Agency in accordance with ABx1-26 and AB 1484.
11. There are no known violations of:
 - a. Laws and regulations,
 - b. Provisions of contracts and grant agreements,
 - c. Provisions related to the dissolution of the Redevelopment Agency in ABx1-26 and AB 1484 whose effects should be considered for disclosure in this Due Diligence Review.
12. All bank accounts and investments associated with this review have been properly reflected in the general ledger accounting records.
13. No events, including instances of noncompliance, have occurred subsequent to the performance of this Due Diligence Review and through the date of this letter that would require adjustment to or disclosure in the aforementioned Due Diligence Review.

Signed: _____



Signed: _____

Title: _____

Management Services Director

Title: _____

CERTIFICATION

STATE OF CALIFORNIA)
COUNTY OF SAN BERNARDINO) ss.
CITY OF COLTON)

I, EILEEN C. GOMEZ, City Clerk of the City of Colton, acting as the Secretary of the Oversight Board of the Successor Agency to the Redevelopment Agency for the City of Colton, do hereby certify that the foregoing Resolution No. OB-11-12 was duly and regularly adopted by the Oversight Board of the Successor Agency to the Redevelopment Agency for the City of Colton at a regular meeting thereof on the 11th day of October, 2012 and that the same was passed and adopted by the following vote, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

Eileen C. Gomez, City Clerk, CMC
Secretary
Oversight Board of the Successor Agency
to the Redevelopment Agency for the City
of Colton