

**OVERSIGHT BOARD
OF THE
SUCCESSOR AGENCY**

RESOLUTION NO.OB 2012-05

**RESOLUTION OF THE OVERSIGHT BOARD OF THE
SUCCESSOR AGENCY TO THE REDEVELOPMENT
AGENCY OF THE CITY OF ATWATER APPROVING AND
TRANSMITTING THE HOUSING PORTION OF THE DUE
DILIGENCE REVIEW REQUIRED BY SECTIONS 34179.5
AND 34179.6 OF THE DISSOLUTION ACT**

WHEREAS, the Oversight Board of the Successor Agency to the Atwater Redevelopment Agency ("Oversight Board") has been established to direct the Successor Agency to the Atwater Redevelopment Agency ("Successor Agency") to take certain actions to wind down the affairs of the Redevelopment Agency pursuant to Assembly Bill x1 26 as amended by Assembly Bill 1484 ("AB x1 26" and "AB 1484", or the "Dissolution Act") and codified in the California Health & Safety Code ("H&SC"); and

WHEREAS, H&SC Section 34179.5 requires the Successor Agency to employ a licensed accountant approved by the Merced County Auditor-Controller to perform a due diligence review and report on the amount of funds transferred from the former Redevelopment Agency; and

WHEREAS, Successor Agency staff selected Price Paige & Company as the licensed accountant to perform the housing portion of the due diligence review for the Successor Agency; and

WHEREAS, on August 27, 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 H&SC Section 34179.5, Price Paige & Company has completed the housing portion of the due diligence review and report, a copy of which is attached hereto and incorporated by this reference; and

WHEREAS, the Successor Agency submitted the draft results of the housing portion of the due diligence review to the Oversight Board, County Auditor-Controller, State Controller's Office and Department of Finance on October 18, 2012 as required by H&SC Section 34179.6; and

WHEREAS, pursuant to H&SC Section 34179.6(b), upon receipt of the housing portion of the due diligence review, and at least five business days before the Oversight Board considers its approval, the Oversight Board must hold a public comment session at which time the public has an opportunity to hear and be heard on the results of the housing portion of the due diligence review, and at which time the Oversight Board considers the opinions, if any, offered by the County Auditor-Controller on the results of the housing portion of the due diligence review; and

WHEREAS, on October 23, 2012, the Oversight Board held the public comment session on the Housing DDR pursuant to H&SC Section 34179.6(b); and

WHEREAS, pursuant to H&SC Section 34179.6(c), the Oversight Board must review, approve and transmit to DOF and the county auditor-controller, the determination of the amount of cash and cash equivalents in the Low and Moderate Income Housing Fund available for disbursement to taxing entities as determined according to the method provided in H&SC Section 34179.5; and

WHEREAS, H&SC Section 34179.6(c) provides that the Oversight Board may adjust any amount provided in the Housing DDR to reflect additional information and analysis; and

WHEREAS, H&SC Section 34179.6(c) empowers the Oversight Board to authorize the Successor Agency to retain assets or funds identified in subparagraphs (B) to (E), inclusive, of paragraph (5) of subdivision (c) of H&SC Section 34179.5; if the Oversight Board makes this authorization, the Oversight Board must identify to DOF the amount of funds authorized for retention, the source of those funds, and the purposes for which those funds are being retained; the determination and authorization to retain funds and assets shall be subject to the review and approval of DOF pursuant to H&SC Section 34179.6(d); and

WHEREAS, pursuant to H&SC Section 34179.6(c), the Oversight Board desires to approve the Housing DDR and to authorize the Successor Agency to retain the assets and funds, if any, identified pursuant to subparagraphs (B) to (E), inclusive, of paragraph (5) of subdivision(c) of H&SC Section 34179.5, as documented in the Housing DDR; and

WHEREAS, pursuant to H&SC Section 34179(h), 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 H&SC Sections 34179.5 and 34179.6.

NOW, THEREFORE, the Oversight Board of the Successor Agency to the Atwater Redevelopment Agency does hereby resolve as follows:

Section 1. The foregoing recitals are true and correct and made a part of this Resolution.

Section 2. This Resolution is adopted pursuant to H&SC Section 34179.6(c).

Section 3. [The Oversight Board hereby approves the Housing DDR as presented on file with the Secretary.] OR [The Oversight Board hereby approves the Housing DDR subject to the following adjustments: _____]

Section 4. For the purposes of providing for the transfer of housing functions and assets pursuant to H&SC Sections 34176 and 34181(c), the Oversight Board hereby authorizes the Successor Agency to retain the assets and funds, if any, identified in subparagraphs (B) to (E), inclusive, of paragraph (5) of subdivision(c) of H&SC Section 34179.5, as documented in the Housing DDR, which provides the amount of funds authorized for retention, the source of those funds, and the purposes for which those funds are being retained.

Section 5. The staff of the Successor Agency is hereby directed to transmit to DOF and the County Auditor-Controller written notice and information regarding the actions taken by this Resolution and specifically the determination of the amount of cash and cash equivalents in the LMIHF that are available for disbursement to taxing entities as determined according to the method provided in H&SC Section 34179.5.

Section 6. Pursuant to H&SC 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 H&SC Sections 34179.5 and 34179.6.

Section 7. The Oversight Board Secretary shall certify to the adoption of this Resolution.

Section 8. Declares that if any provision, sentence, clause, section or part of this Resolution is found to be unconstitutional, illegal or invalid, such finding shall affect only such provision, sentence, clause, section or part, and shall not affect or impair any of the remaining parts.

The foregoing resolution is hereby adopted this 1st day of November, 2012.

AYES:

NOES:

ABSENT:

APPROVED:


CAROL JOAN FAUL, CHAIR

ATTEST:



SCOTT McBRIDE,
BOARD SECRETARY

EXHIBIT A

HOUSING PORTION OF THE DUE DILIGENCE REVIEW

**AGREED-UPON PROCEDURES ENGAGEMENT
PURSUANT TO HEALTH AND SAFETY CODE
SECTION 34179.5 REVIEW FOR THE
LOW AND MODERATE INCOME HOUSING FUND
OF THE SUCCESSOR AGENCY**

**SUCCESSOR AGENCY OF THE
ATWATER REDEVELOPMENT AGENCY**

TABLE OF CONTENTS

	<u>Page</u>
Independent Accountant's Report on Applying Agreed-Upon Procedures	1
Attachment A – Agreed-Upon Procedures Engagement Pursuant to Health and Safety Code Section 34179.5 Review for the Low and Moderate Income Housing Fund of the Successor Agency	2
Attachment B – Listing of All Assets that were Transferred from the Former Redevelopment Agency on February 1, 2012	3
Attachment C – Listing of Transfers by the Former Redevelopment Agency or the Successor Agency to the City, County, or City and County that Formed the Redevelopment Agency	4
Attachment D – Listing of Transfers by the Former Redevelopment Agency or the Successor Agency to Any Other Public Agency or Private Parties.....	5
Attachment E – Listing of All Assets of the Low and Moderate Income Housing Fund of the Successor Agency as of June 30, 2012.....	6
Attachment F – Listing of Assets as of June 30, 2012 that are Not Liquid or Otherwise Available for Distribution	7
Attachment G – Schedule of Approved Enforceable Obligations / Calculation of the Amount of Current Unrestricted Balances Necessary for Retention in Order to Meet the Enforceable Obligations.....	8
Attachment H – Final ROPS for the Period of July 1, 2012 through June 30, 2013	9
Attachment I – Summary of Balances Available for Allocation to Affected Taxing Entities	10



Oversight Board of the
Successor Agency of the
Atwater Redevelopment Agency
Atwater, California

INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES

We have performed the minimum required agreed-upon procedures enumerated in Attachment A, which were agreed to by the California State Controller's Office, Department of Finance, and the Successor Agency of the Atwater Redevelopment Agency, solely to assist you in ensuring that the successor agency is complying with Health and Safety Code Section 34179.5. Management of the successor agency is responsible for the accounting records pertaining to statutory compliance 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). 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 an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Oversight Board of the Successor Agency of the Atwater Redevelopment Agency, management of the Successor Agency of the Atwater Redevelopment Agency, the County Auditor-Controller, the California State Controller's Office, and the Department of Finance, 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.

Price Paige & Company

Clovis, California
October 2, 2012

Attachment A

**Agreed-Upon Procedures Engagement
Pursuant to Health and Safety Code
Section 34179.5 Review for the
Low and Moderate Income Housing Fund
of the Successor Agency**

**Agreed-Upon Procedures Engagement
Pursuant to Health and Safety Code Section 34179.5 Review for the
Low and Moderate Income Housing Fund of the Successor Agency**

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.

Conclusion: We have agreed the amounts on the asset listing to account balances established in the accounting records of the successor agency. Refer to Attachment B for a listing of all assets at their recorded book value that were transferred from the former redevelopment agency to the successor agency as of February 1, 2012.

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:

Conclusion: The State Controller's Office has not completed its review of transfers required under both Sections 34167.5 and 34178.8 and has not issued its report regarding such review.

- 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.

Conclusion: According to the successor agency, there were no transfers (excluding payments for goods and services) from the former redevelopment agency to the City of Atwater that formed the redevelopment agency for the period from January 1, 2011 through January 31, 2012. We have reviewed accounting records of the successor agency to verify there were no such transfers.

- 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.

**Agreed-Upon Procedures Engagement
Pursuant to Health and Safety Code Section 34179.5 Review for the
Low and Moderate Income Housing Fund of the Successor Agency**

Conclusion: Refer to Attachment C for a listing of transfers (excluding payments for goods and services) from the successor agency to the city that formed the redevelopment agency for the period from February 1, 2012 through June 30, 2012.

- 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.

Conclusion: For each transfer, we have verified the legal document or other legal requirement that formed the basis for the enforceable obligation that required the transfer.

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:

Conclusion: The State Controller's Office has not completed its review of transfers required under both Sections 34167.5 and 34178.8 and has not issued its report regarding such review.

- 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.

Conclusion: Refer to Attachment D for a listing 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.

- 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.

Conclusion: Refer to Attachment D for a listing 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.

- 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.

Conclusion: For each transfer, we have verified the legal document or other legal requirement that formed the basis for the enforceable obligation that required the transfer.

**Agreed-Upon Procedures Engagement
Pursuant to Health and Safety Code Section 34179.5 Review for the
Low and Moderate Income Housing Fund of the Successor Agency**

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 ending 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.

Conclusion: These procedures required by Section 34179.5(c)(4) pertain to the successor agency as a whole, this procedure will be addressed in the report that is due on December 15, 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. 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 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.

Conclusion: We have agreed the assets listed to recorded balances reflected in the accounting records of the successor agency. Refer to Attachment E for a listing of all assets of the Low and Moderate Income Housing Fund as of June 30, 2012.

**Agreed-Upon Procedures Engagement
Pursuant to Health and Safety Code Section 34179.5 Review for the
Low and Moderate Income Housing Fund of the Successor Agency**

(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.

Conclusion: We verified that there were no unspent bond proceeds in the successor agency's account.

B. Grant proceeds and program income that are restricted by third parties:

- i. Obtain 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.

Conclusion: We verified that there were no grant proceeds or program income in the successor agency's account.

C. Other assets considered to be legally restricted:

- i. Obtain 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 the successor agency as restricted.

Conclusion: We verified that there were no other assets considered to be legally restricted in the successor agency's account.

**Agreed-Upon Procedures Engagement
Pursuant to Health and Safety Code Section 34179.5 Review for the
Low and Moderate Income Housing Fund of the Successor Agency**

- 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.

Conclusion: Since there are no restrictions to note, there is no exhibit included in the AUP report.

(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.

Conclusion: We have obtained a listing of assets as of June 30, 2012, that are not liquid or otherwise available for distribution and verified that the values are listed at purchase cost. Refer to Attachment F for a listing of assets as of June 30, 2012 that are not liquid or otherwise available for distribution.

- B. If the assets listed at 7A 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.

Conclusion: We have traced the assets which are listed at purchase cost to a previously audited financial statement and noted no differences.

- C. For any differences noted in 7B, 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.

Conclusion: No differences noted in our agreed upon procedures.

- D. If the assets listed at 7A 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.

Conclusion: Assets listed at 7A are shown at cost which have been traced to a previous audit report; therefore, this step is not applicable.

**Agreed-Upon Procedures Engagement
Pursuant to Health and Safety Code Section 34179.5 Review for the
Low and Moderate Income Housing Fund of the Successor Agency**

(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.

Conclusion: There were no assets dedicated or restricted for the funding of enforceable obligations.

- 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:

**Agreed-Upon Procedures Engagement
Pursuant to Health and Safety Code Section 34179.5 Review for the
Low and Moderate Income Housing Fund of the Successor Agency**

- 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 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.

Conclusion: We have compared the enforceable obligations listed in Attachment G to those enforceable obligations reported on Recognized 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, that were approved by the California Department of Finance on May 25, 2012. Differences are noted on Attachment G.

- 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.

Conclusion: Refer to Attachment G for assumptions relating to the forecasted annual spending requirements.

- 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.

Conclusion: Refer to Attachment G for assumptions relating to the forecasted annual revenues.

- 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.

Conclusion: We have compared the timing and amounts of bond debt service payments to the related bond debt service schedules in the bond agreement and noted no differences.

- ii. Obtain the assumptions for the forecasted property tax revenues and disclose major assumptions associated with the projections.

Conclusion: Refer to Attachment G for assumptions relating to the forecasted property tax revenues.

- iii. Obtain the assumptions for the forecasted other general purpose revenues and disclose major assumptions associated with the projections.

**Agreed-Upon Procedures Engagement
Pursuant to Health and Safety Code Section 34179.5 Review for the
Low and Moderate Income Housing Fund of the Successor Agency**

Conclusion: The successor agency is not seeking retention of other general purpose revenues; therefore, this procedure is not applicable.

- 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.

Conclusion: Refer to Attachment G for the calculation of the amount of current unrestricted balances necessary for retention in order to meet the enforceable obligations.

(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.

Conclusion: Refer to Attachment H for the dollar amount of existing cash that is needed to satisfy obligations and the successor agency's explanation as to why the successor agency believes that such balances are needed to satisfy the obligation.

**Agreed-Upon Procedures Engagement
Pursuant to Health and Safety Code Section 34179.5 Review for the
Low and Moderate Income Housing Fund of the Successor Agency**

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).

Conclusion: Refer to Attachment I for the Summary of Balances Available for Allocation to Affected Taxing Entities.

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.

Conclusion: We have obtained a representation letter from successor agency management acknowledging their responsibility for the data provided to us and the data presented in the report or in any attachments to the report.

Attachment B

**Listing of All Assets that were Transferred from the
Former Redevelopment Agency to the
Successor Agency on February 1, 2012**

**Listing of All Assets that were Transferred from the
Former Redevelopment Agency to the
Successor Agency on February 1, 2012**

ASSETS

Cash and Cash Equivalents	\$ <u>570,694</u>
Total Assets	\$ <u>570,694</u>

Attachment C

**Listing of Transfers by the Former
Redevelopment Agency or the
Successor Agency to the City, County, or City and
County that Formed the Redevelopment Agency**

**Listing of Transfers by the Former Redevelopment Agency or the
Successor Agency to the City, County, or City and
County that Formed the Redevelopment Agency**

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.

<u>Item #</u>	<u>Transferee</u>	<u>Amount Transferred</u>	<u>Purpose of Transfers</u>	<u>Description of Enforceable Obligation Requirements or Other Legal Requirements</u>
1	Housing Successor Agency of the Redevelopment Agency of the City of Atwater	\$ 3,855,930	Transfer of land held for resale (housing assets) from dissolved redevelopment agency to the Housing Successor Agency	Health and Safety Code Section 34176(a)

Amount of any assets transferred to the city for which an enforceable obligation with a third party requiring such transfer and obligating the use of the transferred assets did not exist:

<u>Item #</u>	<u>Transferee</u>	<u>Amount Transferred</u>
1	Housing Successor Agency of the Redevelopment Agency of the City of Atwater	\$ 3,855,930
	Total	\$ 3,855,930

Attachment D

**Listing of Transfers by the
Former Redevelopment Agency or
the Successor Agency to
Any Other Public Agency or Private Parties**

**Listing of Transfers by the Former Redevelopment Agency or the
Successor Agency to Any Other Public Agency or Private Parties**

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.

<u>Item #</u>	<u>Transferee</u>	<u>Amount Transferred</u>	<u>Purpose of Transfers</u>	<u>Description of Enforceable Obligation Requirements or Other Legal Requirements</u>
1	Bank of New York	\$ 62,272.50	2007 Series B interest	Bond Debt Service
2	Bank of New York	85,000.00	2007 Series B principle	Bond Debt Service
3	Bank of New York	62,272.50	2007 Series B interest	Bond Debt Service
4	Bank of New York	60,020.00	2007 Series B interest	Bond Debt Service
		<u>\$ 269,565.00</u>		

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.

<u>Item #</u>	<u>Transferee</u>	<u>Amount Transferred</u>	<u>Purpose of Transfers</u>	<u>Description of Enforceable Obligation Requirements or Other Legal Requirements</u>
1	Bank of New York	\$ 90,000.00	2007 Series B principle	Bond Debt Service
2	Bank of New York	60,020.00	2007 Series B interest	Bond Debt Service
		<u>\$ 150,020.00</u>		

Attachment E

**Listing of All Assets of the
Low and Moderate Income Housing Fund
of the Successor Agency
as of June 30, 2012**

**Listing of All Assets of the Low and Moderate
Income Housing Fund of the Successor Agency
as of June 30, 2012**

ASSETS

Cash and Cash Equivalents

\$ 422,256

Total Assets

\$ 422,256

Attachment F

**Listing of Assets as of June 30, 2012
that are Not Liquid or
Otherwise Available for Distribution**

**Listing of Assets as of June 30, 2012
that are Not Liquid or
Otherwise Available for Distribution**

		<u>Cost/Market Value</u>
<u>Land Held for Resale</u>		
980-990 CEDAR AVE	\$ 159,364	Cost
BELL DRIVE	981,566	Cost
BELL DRIVE	<u>2,715,000</u>	Cost
 Total	 <u>\$ 3,855,930</u>	

Attachment G

**Schedule of Approved Enforceable Obligations /
Calculation of the Amount of Current Unrestricted
Balances Necessary for Retention in Order to
Meet the Enforceable Obligations**

**Schedule of Approved Enforceable Obligations /
Calculation of the Amount of Current Unrestricted
Balances Necessary for Retention in Order to
Meet the Enforceable Obligations**

Schedule of Approved Enforceable Obligations

Enforceable Obligations	2012-13 Payment Amounts	CA Dept. of Finance Approved ROPS January 1, 2012 - December 31, 2012	Difference
1998 TAB Series A Bond	\$ 186,105	\$ 191,935	\$ (5,830)
2007 TAB Series A Bond	627,696	620,896	6,800
2007 TAB Series B Bond	207,586	207,655	(69)
Contract for bond administration	4,600	4,600	-
Contract for required annual audits	5,000	5,000	-
Contract for disclosure services	2,249	2,249	-
Contract for preparation of arbitrage calcs	1,300	1,300	-
Contract for landscaping lease	239	239	-
Administrative allowance	141,169	211,595	(70,426)
Total approved enforceable obligations	<u>\$ 1,175,944</u>	<u>\$ 1,245,469</u>	

Calculation of the Amount of Current Unrestricted Balances Necessary for Retention in Order to Meet the Enforceable Obligations

Approved Enforceable Obligations	Forecasted 2012-13 Spending Requirements	Forecasted 2012-13 Revenue Available	Assumptions Relating to the Forecasted Annual Spending Requirements	Assumptions for the Forecasted Annual Revenues
1998 TAB Series A Bond	\$ 186,105	\$ -	- debt payment schedule	
2007 TAB Series A Bond	627,696	-	- debt payment schedule	
2007 TAB Series B Bond	207,586	-	- debt payment schedule	
Contract for bond administration	4,600	-	- contracted expense	
Contract for required annual audits	5,000	-	- contracted expense	
Contract for disclosure services	2,249	-	- contracted expense	
Contract for preparation of arbitrage calcs	1,300	-	- contracted expense	
Contract for landscaping lease	239	-	- contracted expense	
Administrative allowance	141,169	-	- no assumption	
Total approved enforceable obligations	<u>1,175,944</u>			
Forecasted 2012-13 Property Tax Available		<u>883,500</u>		historical revenue
Current unrestricted balance necessary for retention in order to meet enforceable obligations		<u>\$ (292,444)</u>		

Attachment H

**Final ROPS for the Period of
July 1, 2012 through June 30, 2013**

**Final ROPS for the Period of
July 1, 2012 through June 30, 2013**

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 Period from July 1, 2012 through June 30, 2013

Project Name/Debt Obligation	Payee	Description	Total Debt or Obligation Due During January 2013 through June 2013	Amounts of Existing Cash that are Needed to Satisfy the Obligation	Explanation of Need
1998 TAB Series A Bond	Bank of New York	Bonds Issued to fund non-housing projects	\$ 186,105	\$ -	
2007 TAB Series A Bond	Bank of New York	Bonds Issued to fund non-housing projects	627,696	292,444	Revenue shortfall
2007 TAB Series B Bond	Bank of New York	Bonds issued to fund housing projects	207,586	-	
Contract for bond administration	Bank of New York	Professional Services	4,600	-	
Contract for required annual audits	Price, Paige & Company	Professional Services	5,000	-	
Contract for disclosure services	AM Pecho & Associates	Professional Services	2,249	-	
Contract for preparation of arbitrage calcs	Vavrinek, Trine & Day Co.	Professional Services	1,300	-	
Contract for landscaping lease	Union Pacific Railroad	Lease	239	-	
			<u>\$ 1,034,775</u>	<u>\$ 292,444</u>	
Total balances needed to satisfy ROPS for the 2012-13 fiscal year				<u>\$ 292,444</u>	

Note: For purposes of this schedule, the amount required to satisfy the total of the obligations listed on the ROPS was applied to one debt obligation. (Also see attachment G.)

Attachment I

Summary of Balances Available for Allocation to Affected Taxing Entities

Summary of Balances Available for Allocation to Affected Taxing Entities

Total amount of assets held by the successor agency as of June 30, 2012 (procedure 5)	\$	422,256	Attachment E
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)		3,855,930	Attachment F
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments (procedure 6)		-	N/A
Less assets that are not cash or cash equivalents (e.g., physical assets) - (procedure 7)		(3,855,930)	Attachment F
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)		-	N/A
Less balances needed to satisfy ROPS for the 2012-13 fiscal year (procedure 9)		(292,444)	Attachment H
Less the amount of payments made on July 12, 2012 to the County Auditor-Controller as directed by the California Department of Finance		<u>-</u>	
Amount to be remitted to county for disbursement to taxing entities	\$	<u>129,812</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.