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MEMORANDUM

DATE: September 12, 2012
TO: Oakland Oversight Board
RE: Possible Role of Board Counsel in Due Diligence Review Process

This Memorandum provides an overview of the due diligence review process and a description of the possible role of the Board Counsel in supporting the Oakland Oversight Board in its responsibility to consider and approve each of the two due diligence reviews.

A. Brief Overview of Due Diligence Review Process

The statutory requirements for the process and content of the due diligence reviews are set forth in Health & Safety Code Section 34179.5. This provision requires that two separate reviews be conducted, one for the Low and Moderate Income Housing Fund (the “Low/Mod Review”) and one for all other funds (the “All Other Funds Review”). For each of the two reviews, Section 34179.5(c) specifies that six “deliverables” must be included in the written report for the review. However, because of the five subcomponents of one of these deliverables (i.e., Section 34179.5(c)(5)(A-E)) the total number of items that must be specifically addressed in the report is really ten. Some of these “deliverables” are strictly accounting/financial in nature and some involve a legal analysis.

The Department of Finance (“DOF”), working with the CPA society, has drafted a list of procedures to be used in conducting the reviews (the “DOF Procedures”). The DOF Procedures provide that the requirements of Section 34179.5(c)(4) should be addressed only in the All Other Funds Review because it pertains to the accounts of the Successor Agency as a whole. Thus the Low/Mod Review will address nine different required items and the All Other Funds Review will address all ten. In addition, the DOF has added a non-statutory requirement that the accounting firm retained to do the reviews obtain a representation letter from the Successor Agency in which it acknowledges its responsibility to provide all the data needed by the accounting firm in preparing the reviews and represents that it has provided the reviewing accountant with information on all the transfers made by either the former redevelopment agency or the Successor Agency from January 1, 2011 through June 30, 2012. A copy of the DOF Procedures is attached to this Memorandum for your reference.

The ultimate goal of each review is to determine the amount of money that is immediately available for distribution to the taxing entities. The DOF prepared another document that is most helpful in understanding how this amount is calculated for each review. It is the Summary of Balances Available for Allocation to Affected Taxing Entities and it is also attached to this Memorandum for your reference. It reflects the fact that the reviews involve both accounting and legal analyses.

As you may know, the two reviews will be conducted on extremely ambitious time schedules. This is to make sure that all available liquid assets held by the Successor Agencies can be distributed to the taxing entities by the middle of May, 2013.

The Low/Mod Fund Review is required to be completed and presented to the Oversight Board by October 1, 2012. The DOF has received numerous comments/complaints from Successor Agencies that it will be very difficult to meet the deadline for preparation of the Low/Mod Fund review. The DOF has acknowledged the difficult challenge and is asking all Successor Agencies to do their best to meet the deadlines. The DOF has stated that it cannot grant any extensions because the date is dictated by statute; however, if a Successor Agency determines that it cannot meet the October 1, 2012 deadline, DOF asks that the Successor Agency so inform DOF and give DOF a projected date of when the review will be completed.

Although the DOF may decide to be lenient in enforcing deadlines for preparation of the reviews (and there do not appear to be any penalties that can be assessed simply from the failure to meet these deadlines), the statute does give the DOF some painful penalties or “remedies” that it may use if it chooses when deadlines for disbursement of available funds are missed. For example, Section 34179.6(h) allows the DOF to direct the State Board of Equalization to offset disbursements of sales taxes against amounts owed to taxing entities and to direct the county auditor-controller to withhold property tax allocations.

Given these possible disruptive consequences all efforts should be made to meet the required deadlines if at all possible. If the Oakland Successor Agency does not meet the October 1 deadline (and we understand at this time that might be a possibility), that will obviously impact the Oakland Oversight Board’s ability to meet its October 15 deadline (described below). It may also affect the Board’s meeting schedule.

B. Role of Oversight Board

Section 34179.6 requires that the Low/Mod Review be delivered to the Oversight Board by October 1, 2012 and the All Other Funds Review be delivered to the Board by December 15, 2012. Upon receipt of each review, the Board must convene a public comment session. No earlier than five business days after the public comment session the Board can meet to take action on the review. Specifically, the Board is required to “review, approve and transmit to the [DOF] and the county auditor-controller the determination of the amount of cash and cash equivalents that are available to the taxing entities” (Section 34179.6(b)) The Board must make its determination on the Low/Mod Fund Review by no later than October 15, 2012 and on the All Other Funds Review by no later than January 15, 2013. In conducting its reviews, the

Board must consider any opinions on the reviews offered by the county auditor-controller and the State Controller, and it may request from the Successor Agency any information it deems necessary. The Board may adjust any amounts provided in the reviews to reflect additional information and analysis. The Board is also empowered to authorize a successor agency to retain assets or funds that are legally restricted as to purpose and which therefore cannot be provided to taxing entities, assets that are not cash or cash equivalents (such as physical assets, land, records and equipment), assets or funds that are legally or contractually dedicated or restricted for the funding of an enforceable obligation and amounts needed to satisfy obligations that will be placed on the ROPS for the current fiscal year.

As in all of its activities, the Board's analysis of each due diligence review must be conducted with its dual fiduciary duties in mind --- to the taxing entities and to the holders of enforceable obligations.

C. Possible Role of Board Counsel

What is an appropriate role for Board Counsel in supporting the Oversight Board in meeting its responsibilities on the due diligence reviews? This is more of a policy question than a legal question, but we offer the following factors for consideration.

1. Board Counsel should provide added value without duplicating the efforts of the accountants.

2. The 9 or 10 deliverables required in the due diligence reviews (as set forth in the DOF Procedures and reflected on the Summary of Balances Available for Allocation to Affected Taxing Entities) require both legal and financial analyses. The expertise of Board Counsel is limited primarily to the legal issues involved, i.e., the ability to identify enforceable obligations and legal restrictions on the use of assets and funds.

3. As always when considering the use of legal counsel, the benefits of legal services must be balanced with the resources available to pay for those services and with the competing demands for such resources. While the Board needs to do its statutorily mandated job, it also needs to preserve available monies for distribution to taxing entities. Time is also a factor. Once the Board receives a review from the Successor Agency, the Board and Board Counsel will have very little time to conduct an independent review and analysis.

With all of this in mind, we suggest the following goals for the work of the Board Counsel in the due diligence review process:

1. To be familiar enough with each review soon enough to be able to answer questions Board members may have as they conduct their own review and analysis and to be able to assist the Board in answering any questions the public may have about the review.

2. To be familiar with the facts referenced by the Successor Agency in making claims of the existence of enforceable obligations and of legal restrictions on the use of Successor Agency funds and other assets so that Board Counsel can provide the Board with an

opinion on the legal issues involved, especially in instances where the Successor Agency and the accountant conducting the due diligence review may disagree on these legal questions.

3. To be familiar enough with each review to offer the Board an opinion on whether it appears to meet the requirements of Section 34179.5(c).

D. Work Plan for Board Counsel Activity in Review of Low/Mod Fund Due Diligence Review

We suggest that whatever the Board determines is the proper role of Board Counsel in the due diligence review process, that we provide this legal support in connection with the Low/Mod Fund Review, and upon the conclusion of that effort, check back with the Board to see if any change in approach or execution is desired before work is done on the All Other Funds Review.

Assuming the Board directs Board Counsel to use the goals set forth above, we would propose to do our work on the Low/Mod Fund Review as follows:

1. Ask the Successor Agency to provide us with copies of all lists provided to the accountants as required by the DOF Procedures. Work with the Successor Agency to make sure we have quick access, as needed, to all information used to evidence any enforceable obligation or any legal restriction on the use of Successor Agency funds or other assets.

2. Have a brief telephone conference as soon as possible with the accounting firm conducting the reviews to understand the firm's approach to the reviews, in particular to learn of its views on the best way to prepare the "deliverables" and of any additional information (other than as specifically described in the DOF Procedures) it expects to develop in the course of analyzing and preparing the reviews.

3. Review and analyze the Low/Mod Fund Review as soon as it is delivered to the Board, and in time for the public comment session.

4. From the review of the Low/Mod Fund Review immediately identify any disagreements between the Successor Agency and the accountants on enforceable obligations and legal restrictions of funds or assets. Once identified, research background materials for each item and be prepared to offer advice to the Board on such items. Engage Successor Agency staff and accounting staff as necessary to aid in quickly making these determinations.

5. As the Low/Mod Fund Review is reviewed, compare it with the DOF Procedures for the purpose of determining, on a general basis, that all DOF required procedures have been followed and all required information determined and provided.

We welcome any comments, questions, suggestions and discussion regarding our proposed work plan.

List of Procedures for Due Diligence Review

General information regarding these procedures:

1. The procedures associated with Sections 34179.5(c)(1) through 34179.5(c)(3) and Sections 34179.5(c)(5) through 34179.5(c)(6) are to be applied separately to (a) the Low and Moderate Income Housing Fund of the Successor Agency and to (b) all other funds of the Successor Agency combined (excluding the Low and Moderate Income Housing Fund).
2. The due date for the report associated with the Low and Moderate Income Housing Fund is October 1, 2012.
3. The due date for the report associated with all other funds of the Successor Agency combined (excluding the Low and Moderate Income Housing Fund) is December 15, 2012.
4. Because the procedures required by Section 34179.5(c)(4) pertain to the Successor Agency as a whole, these procedures should be addressed in the report that is due on December 15, 2012.

Fiscal year references below refer to fiscal years ending on June 30. This language should be modified for those agencies that have a different fiscal year-end.

For purposes of the procedures below and the related exhibits, the amount of the assets presented should be based upon generally accepted accounting principles (GAAP), unless otherwise noted.

To the extent the procedures listed below are duplicative to the agreed upon procedures that were performed pursuant to HSC 34182 (a)(1), it is acceptable to obtain and use information from the HSC 34182 (a)(1) procedures for purposes of this due diligence review without having to re-perform the procedures. When this is done, the due diligence report should refer to the report that was issued for the agreed upon procedures performed under HSC 34182 (a)(1).

Certain assets may qualify as a deduction under more than one category of deduction. In such cases, care should be taken to ensure that such assets have been included as a deduction in the summary schedule only once.

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.

Citation:

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

Suggested Procedure(s):

2. If the State Controller's Office has completed its review of transfers required under both Sections 34167.5 and 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the AUP report. If this has not yet occurred, perform the following procedures:
 - A. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the former redevelopment agency to the city, county, or city and county that formed the redevelopment agency for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
 - B. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Successor Agency to the city, county, or city and county that formed the redevelopment agency for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
 - C. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

Citation:

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

Suggested Procedure(s):

3. If the State Controller's Office has completed its review of transfers required under both Sections 34167.5 and 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the AUP report. If this has not yet occurred, perform the following procedures:

- A. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) [from the former redevelopment agency to any other public agency or to private parties for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
- B. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) [from the Successor Agency to any other public agency or private parties for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
- C. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

Citation:

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

Suggested Procedure(s):

4. Perform the following procedures:
 - A. Obtain from the Successor Agency a summary of the financial transactions of the Redevelopment Agency and the Successor Agency in the format set forth in the attached schedule for the fiscal periods indicated in the schedule. For purposes of this summary, the financial transactions should be presented using the modified accrual basis of accounting. End of year balances for capital assets (in total) and long-term liabilities (in total) should be presented at the bottom of this summary schedule for information purposes.
 - B. Ascertain that for each period presented, the total of revenues, expenditures, and transfers accounts fully for the changes in equity from the previous fiscal period.
 - C. Compare amounts in the schedule relevant to the fiscal year ended June 30, 2010 to the state controller's report filed for the Redevelopment Agency for that period.
 - D. Compare amounts in the schedule for the other fiscal periods presented to account balances in the accounting records or other supporting schedules. Describe in the report the type of support provided for each fiscal period.

Citation:

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

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

Suggested Procedure(s):

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

Citation:

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

Suggested Procedure(s):

6. Obtain from the Successor Agency a listing of asset balances held on June 30, 2012 that are restricted for the following purposes:
 - A. Unspent bond proceeds:
 - i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures, amounts set aside for debt service payments, etc.)
 - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
 - iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.

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

Citation:

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

Suggested Procedure(s):

7. Perform the following procedures:
 - A. Obtain from the Successor Agency a listing of assets as of June 30, 2012 that are **not** liquid or otherwise available for distribution (such as capital assets, land held for resale, long-term receivables, etc.) and ascertain if the values are listed at either purchase cost (based on book value reflected in the accounting records of the Successor Agency) or market value as recently estimated by the Successor Agency.
 - B. If the assets listed at 7(A) are listed at purchase cost, trace the amounts to a previously audited financial statement (or to the accounting records of the Successor Agency) and note any differences.

- C. For any differences noted in 7(B), inspect evidence of disposal of the asset and ascertain that the proceeds were deposited into the Successor Agency trust fund. If the differences are due to additions (this generally is not expected to occur), inspect the supporting documentation and note the circumstances.
- D. If the assets listed at 7(A) are listed at recently estimated market value, inspect the evidence (if any) supporting the value and note the methodology used. If no evidence is available to support the value and/or methodology, note the lack of evidence.

Citation:

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

Suggested Procedure(s):

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

unable to provide appropriate restricting language in the legal document associated with the enforceable obligation.

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

- ii. Reduce the amount of total resources available by the amount forecasted for the annual spending requirements. A negative result indicates the amount of current unrestricted balances that needs to be retained.
- iii. Include the calculation in the AUP report.

Citation:

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

Suggested Procedure(s):

9. If the Successor Agency believes that cash balances as of June 30, 2012 need to be retained to satisfy obligations on the Recognized Obligation Payment Schedule (ROPS) for the period of July 1, 2012 through June 30, 2013, obtain a copy of the final ROPS for the period of July 1, 2012 through December 31, 2012 and a copy of the final ROPS for the period January 1, 2013 through June 30, 2013. For each obligation listed on the ROPS, the Successor Agency should add columns identifying (1) any dollar amounts of existing cash that are needed to satisfy that obligation and (2) the Successor Agency's explanation as to why the Successor Agency believes that such balances are needed to satisfy the obligation. Include this schedule as an attachment to the AUP report.

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).

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.

V. 8-27-12

**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)	\$	-
Add the amount of any assets transferred to the city or other parties for which an enforceable obligation with a third party requiring such transfer and obligating the use of the transferred assets did not exist (procedures 2 and 3)		-
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments (procedure 6)		-
Less assets that are not cash or cash equivalents (e.g., physical assets) - (procedure 7)		-
Less balances that are legally restricted for the funding of an enforceable obligation (net of projected annual revenues available to fund those obligations) - (procedure 8)		-
Less balances needed to satisfy ROPS for the 2012-13 fiscal year (procedure 9)		-
Less the amount of payments made on July 12, 2012 to the County Auditor-Controller as directed by the California Department of Finance		-
Amount to be remitted to county for disbursement to taxing entities	<u>\$</u>	<u>-</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.