

AGENDA

OVERSIGHT BOARD MEETING

FONTANA REDEVELOPMENT SUCCESSOR AGENCY

FRIDAY, NOVEMBER 2, 2012
9:00 A.M.

Fontana City Hall
Executive Conference Room
8353 Sierra Avenue
Fontana, CA 92335

EVELYNE SSENKOLOTO, Chair
City of Fontana
Employee Appointment

ACQUANETTA WARREN, Vice-Chair
City of Fontana
Mayor Appointment

JOHN B. ROBERTS
City of Fontana
Fontana Fire Protection District Appointment

ALEJANDRO ALVAREZ
Fontana Unified School District
County Superintendent of Education Appointment

LYNNE FISCHER
County of San Bernardino
Board of Supervisors Appointment

DR. ERIC BISHOP
Chaffey College District
Chaffey College Appointment

LAURA A. MANCHA
County of San Bernardino
Board of Supervisors Appointment
Public Member Appointment

In compliance with the Americans with Disabilities Act, the City of Fontana is wheelchair accessible. If other special Assistance is required, please contact the Fontana City Clerk's Office (909-350-7602) 48 hours prior to the scheduled meeting so the Oversight Board can make reasonable arrangements.

AGENDA
OVERSIGHT BOARD MEETING
FONTANA REDEVELOPMENT SUCCESSOR AGENCY
FRIDAY, NOVEMBER 2, 2012
9:00 A.M.

This meeting will take place in the Fontana City Hall – Executive Conference Room located at 8353 Sierra Avenue, Fontana, CA 92335

Welcome to a meeting of the Oversight Board – Fontana Redevelopment Successor Agency. A complete agenda packet is located on the table in the Executive Conference Room. To address the Board, please fill out a card located at the entrance indicating your desire to speak on either a specific agenda item or under Public Communications and give it to the Recording Secretary. Your name will be called when it is your turn to speak. In compliance with Americans with Disabilities Act, the Executive Conference Room is wheel chair accessible.

Traducción en Español disponible a petición. Favor de notificar al Departamento "City Clerk". Para mayor información, favor de marcar el número (909) 350-7602.

CALL TO ORDER/ROLL CALL:

PUBLIC COMMUNICATIONS:

This is an opportunity for citizens to speak for up to five minutes on items not on the agenda, but within the Oversight Board's jurisdiction. The Board is prohibited by law from discussing or taking immediate action on non-agendized items.

ITEM (A-C):

- A. Approval of Minutes from October 19, 2012 Meeting
- B. Resolution Approving the Due Diligence Review of the Low and Moderate Income Housing Fund
- C. Staff/Board Member Communication

ADJOURNMENT:

Next Meeting: Next Oversight Board meeting is scheduled for Friday, November 30, 2012 at 9:00 A.M. in the Fontana City Hall, Executive Conference Room located at 8353 Sierra Avenue, Fontana, CA 92335.

**MINUTES OF THE OVERSIGHT BOARD
FONTANA REDEVELOPMENT SUCCESSOR AGENCY
FRIDAY, OCTOBER 19, 2012**

CALL TO ORDER/ROLL CALL:

The Meeting of the Oversight Board, Fontana Redevelopment Successor Agency, was called to order at 9:03 a.m., which was held on Friday, October 19, 2012, in the Fontana City Hall, Executive Conference Room, 8353 Sierra Avenue, Fontana, California.

OSB Members Present: Chairperson Evelyne Ssenkoloto and OSB Members Dr. Eric Bishop, Alejandro Alvarez, Lynne Fischer, and John Roberts. OSB Members Absent: Vice-Chair Acquanetta Warren and Laura Mancha.

OSB Staff Present: David Edgar, Deputy City Manager, Administrative Services; Lisa Strong, Management Services Director; and Cecilia Lopez-Henderson, Administrative Project Coordinator (Recording Secretary).

PUBLIC COMMUNICATIONS: There were no public communications received.

A. APPROVAL OF MINUTES FROM AUGUST 24, 2012 MEETING

ACTION: Motion was made by OSB Member Alvarez, and seconded by OSB Member Bishop to approve the August 24, 2012, Minutes of the Oversight Board Meeting, Fontana Redevelopment Successor Agency. Motion passed by vote of Ayes: 5; Noes: 0; Absent: 2.

B. DUE DILIGENCE REVIEW OF THE LOW AND MODERATE INCOME HOUSING FUND

Chairperson Ssenkoloto asked whether any written communication was received on this matter. Recording Secretary Cecilia Lopez-Henderson stated that no written communication was received.

Deputy City Manager David Edgar provided introductory comments concerning Assembly Bill 1484 relative to the Due Diligence Review of the Low and Moderate Income Housing Fund. Under AB 1484, the City is obligated to complete two due diligence reviews. This is the first Low and Moderate Income Housing Fund review and the Oversight Board is soliciting public input. Mr. Edgar stated that the law is clear that the City is obligated to solicit public input, but the law is unclear whether the City is obligated to prepare a response to the input. Mr. Edgar stated this is an important point because the objectivity of the information that has been compiled needs to be preserved, and cautioned the Oversight Board about making extensive changes to the document. The City's Auditors and CPAs have done an extensive review of the

information, and if any changes are made, the information must remain as objective as possible for submittal to the Department of Finance (DOF).

Lisa Strong, Director of Management of Services, gave the staff report. Ms. Strong stated that the review is for the Low to Moderate Income Housing Fund, which was done by the City's external auditors, Lance Soll & Lunghard. The City's external auditors were approved by the County to conduct the review, and the auditors followed the agreed upon procedures, which was a list of procedures for Due Diligence Review of the Low and Moderate Housing Fund. Ms. Strong stated that the auditors basically reviewed all the transactions in the Low and Moderate Income Housing Fund from January 1, 2011 through June 30, 2012. The auditors made sure that all the transactions were based on the Enforceable Obligation Payment Schedule (EOPS) or Recognized Obligation Payment Schedule (ROPS) that were previously approved by the Oversight Board and the DOF. Based on the report, the amount to be transferred to the County for disbursement to the other taxing entities is zero; no money is due to the County for distribution to the other entities. Ms. Strong stated that the auditors have started the second Due Diligence Review on the other funds and the report will be ready soon.

OSB Member Fischer asked whether Fontana had a Housing Authority. Ms. Strong responded that the Fontana Housing Authority is the Successor Agency. Discussion ensued regarding the formation of the Fontana Housing Authority, and its present use as a financing vehicle to administer bonds and maintenance of an asset portfolio.

Chairperson Ssenkoloto stated that no written communication or public comment cards were received on this item. The public comment session was closed and the motion was called.

ACTION: Motion was made by OSB Member Bishop, seconded by OSB Member Fischer to acknowledge receipt of the Due Diligence Review of the Low and Moderate Income Housing Fund.; motion carried by a vote of Ayes: 5, Noes: 0, Absent: 2.

C. STAFF/BOARD MEMBERS COMMUNICATION

There were no other comments were received from board members.

Deputy City Manager David Edgar presented a handout outlining the Fontana Oversight Board's Upcoming Meeting Schedule and Important Dates for the Due Diligence Reviews. Copies were distributed to the OSB Members; a copy is on file with the City Clerk's Department. Mr. Edgar highlighted the upcoming meeting dates and requested that the OSB Members confirm their attendance by contacting staff, as a quorum must be established for each meeting so that the process can continue. The Due Diligence Review will return to the OSB for action on November 2, 2012, and then submitted to the Department of Finance (DOF). Mr. Edgar added that the Low to Moderate Income

Housing Fund is scheduled for the Successor Agency on October 23, 2012. Mr. Edgar stated that staff's goal is to have both Due Diligence Reviews completed and approved by the Oversight Board and the Successor Agency, and submitted to the DOF by the end of 2012. The DOF has until April 1, 2013 to provide notice certifying that the reviews are complete. The April 1 date is important because then the Property Disposition Strategy can be submitted.

Discussion ensued concerning the Property Disposition Strategy, which will be presented in early 2013. No other staff comments were provided.

ADJOURNMENT:

Chairperson Ssenkoloto adjourned the Fontana Oversight Board Meeting at 9:14 a.m.

Lynne Fischer
Secretary

Evelyne Ssenkoloto
Chairperson

**OVERSIGHT BOARD ACTION REPORT
FONTANA REDEVELOPMENT SUCCESSOR AGENCY
NOVEMBER 2, 2012**

FROM: Management Services Department
SUBJECT: Due Diligence Review of the Low and Moderate Income Housing Fund

RECOMMENDED ACTION:

Adopt Resolution No. FOB 2012-____ of the Oversight Board of the Successor Agency to the Dissolved Fontana Redevelopment Agency, approving the Due Diligence Review of the Low and Moderate Income Housing Fund pursuant to Health and Safety Code Section 34179.6(c).

BACKGROUND:

AB 1X 26 dissolved the Fontana Redevelopment Agency ("Agency") as of February 1, 2012. The City of Fontana ("RDA Successor Agency") is the successor agency to the Agency.

Assembly Bill 1484 requires that the Successor Agency employ a licensed accountant, approved by the County Auditor-Controller and with experience and expertise in local government accounting, to conduct a due diligence review to determine the unobligated balances available for transfer to taxing entities. Two separate reviews are to be conducted; the first due to the Oversight Board by October 1, 2012, for the Low and Moderate Income Housing Fund; the second due to the Oversight Board by December 15, 2012, for all of the other former redevelopment funds.

There was a delay in employing an accounting firm to conduct this review, as they were unable to provide the service until agreed-upon procedures were issued by the state. Therefore, the Successor Agency was unable to have the review performed until the week of September 17, 2012. The accounting firm of Lance, Soll & Lunghard, LLP, performed the review and provided the attached report. Based on the report, the amount to be remitted to the County for disbursement to the other taxing entities is zero.

AB 1484 requires the Oversight Board to convene a public comment session to take place at least five business days before the Oversight Board holds the approval vote. The public comment session was held by the Oversight Board on October 19, 2012. No public comments were received.

FISCAL IMPACT: None.

MOTION:

Approve staff's recommendation.

SUBMITTED BY:


Lisa A. Strong
Management Services Director

APPROVED BY:


Kenneth R. Hunt
City Manager

ATTACHMENT:

1. Resolution No. FOB 2012-__ Approving the Due Diligence Review of the Low and Moderate Income Housing Fund

RESOLUTION NO. FOB 2012-____

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE DISSOLVED FONTANA REDEVELOPMENT AGENCY, APPROVING THE DUE DILIGENCE REVIEW OF THE LOW AND MODERATE INCOME HOUSING FUND PURSUANT TO HEALTH AND SAFETY CODE SECTION 34179.6(c)

WHEREAS, pursuant to Health and Safety Code Section 34173(d), the City of Fontana ("RDA Successor Agency") is the successor agency to the dissolved Fontana Redevelopment Agency ("Agency"), as confirmed by Resolution No. 2012-001 adopted on January 10, 2012; and

WHEREAS, pursuant to Health and Safety Code Section 34179(a), the Oversight Board is the Successor Agency's oversight board; and

WHEREAS, Health and Safety Code Section 34179.5(a) requires the RDA Successor Agency to employ a licensed accountant, approved by the county auditor-controller and with experience and expertise in local government accounting, to conduct a due diligence review to determine the unobligated balances available for transfer to taxing entities.

WHEREAS, Health and Safety Code Section 34179.6(a) requires by October 1, 2012, the RDA Successor Agency to provide to the oversight board, the county auditor-controller, the Controller, and the Department of Finance the results of the review conducted pursuant to Section 34179.5 for the Low and Moderate Income Housing Fund and specifically the amount of cash and cash equivalents determined to be available for allocation to taxing entities; and

WHEREAS, Health and Safety Code Section 34179.6(b) requires that upon receipt of the review, the oversight board shall convene a public comment session to take place at least five business days before the oversight board holds the approval voted specified in Health and Safety Code Section 34179.6(c); and

WHEREAS, a public comment session was held by the oversight board on October 19, 2012, at which time no public comments were received; and

WHEREAS, Health and Safety Code Section 34179.6(c) requires by October 15, 2012, the oversight board shall review, approve and transmit to the department and the county auditor-controller the determination of the amount of cash and cash equivalents that are available for disbursement to taxing entities as determined according to the method provided in Health and Safety Code Section 34179.5; and

WHEREAS, there was a delay in employing an accounting firm to conduct this review as they were unable to provide the service until agreed-upon procedures were issued by the state; therefore, the RDA Successor Agency was unable to have the

Resolution No. FOB 2012-_____

review performed until the week of September 17, 2012, thereby delaying oversight board approval and transmittal to the county auditor-controller, and Controller and the Department of Finance the results of the review; and

WHEREAS, on October 2, 2012, the RDA Successor Agency notified the Department of Finance that the oversight board was scheduled to act on the Due Diligence Review of the Low and Moderate Income Housing Fund on November 2, 2012, and that the review would be transmitted to the county auditor-controller, the Controller and the Department of Finance immediately thereafter.

NOW, THEREFORE, THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE DISSOLVED FONTANA REDEVELOPMENT AGENCY, DOES HEREBY RESOLVE AND FIND AS FOLLOWS:

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

Section 2. CEQA Compliance. The approval of the Due Diligence Review of the Low and Moderate Income Housing Fund through this Resolution does not commit the Oversight Board to any action that may have a significant effect on the environment. As a result, such action does not constitute a project subject to the requirements of the California Environmental Quality Act. The City Clerk, 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.

Section 3. Approval of Due Diligence Review of the Low and Moderate Income Housing Fund. The Oversight Board hereby approves the Due Diligence Review of the Low and Moderate Income Housing Fund as prepared by the accounting firm of Lance, Soll & Lunghard, LLP, in substantially the form attached to this Resolution as Exhibit A, pursuant to Health and Safety Code Section 34179.5(a).

Section 4. Implementation. The Oversight Board hereby directs the RDA Successor Agency to submit copies of the Due Diligence Review of the Low and Moderate Income Housing Fund approved by the Oversight Board to the county auditor-controller, and the Controller's office and the Department of Finance, and posting on the RDA Successor Agency's Internet Web site no later than November 5, 2012.

Section 5. Severability. If any provision of this Resolution or the application of any such provision to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of this Resolution that can be given effect without the 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.

Resolution No. FOB 2012-_____

Section 6. Certification. The City Clerk, acting on behalf of the Oversight Board, shall certify to the adoption of this Resolution.

Section 7. Effective Date. This Resolution shall become effective immediately upon its adoption.

APPROVED and ADOPTED this 2nd day of November, 2012.

Evelyne Ssenkoloto, Chairperson
Oversight Board of the Successor Agency to the
Fontana Redevelopment Agency

ATTEST:

Lynne Fischer, Secretary
Oversight Board of the Successor Agency to the
Fontana Redevelopment Agency

I, Lynne Fischer, acting as the Secretary of the Oversight Board of the Successor Agency to the Fontana Redevelopment Agency, do hereby certify that the foregoing Resolution is the actual Resolution duly and regularly adopted by the Oversight Board of the Successor Agency to the Fontana Redevelopment Agency at a regular meeting on the 2nd day of November, 2012, by the following vote to-wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

Lynne Fischer, Oversight Board Secretary

EXHIBIT A

Due Diligence Review of the Low and Moderate Income Housing Fund

[Attached behind this page]



**Successor Agency of the
Former Fontana Redevelopment Agency**

**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 Soll & Lunghard, LLP

203 North Brea Blvd
Suite 203
Brea, CA 92821

41185 Golden Gate Circle
Suite 103
Murrieta, CA 92562

**Successor Agency of the
Former Fontana Redevelopment Agency**

**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. Slater, 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 Fontana Redevelopment Agency
City of Fontana, 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 20, 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.

SCHEDULE A (Continued)

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.

SCHEDULE A (Continued)

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.

SCHEDULE A (Continued)

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

<i>Asset</i>	<i>Balance at 2/1/2012</i>
Cash in Bank	\$ 24,805
Fiscal Agent	1
Due from other Governments	259,569
Total Assets transferred:	<u>\$ 284,375</u>

Procedure 2
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

ATTACHMENT B2

Describe Purpose of Transfer	Enforceable Obligation (EO)/ Other Legal Requirement (LR)	Amount	Legal Documentation Obtained? (Y/N)
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From former Redevelopment Agency to City for January 1, 2011 through January 31, 2012:

NONE.

From Successor Agency to City for February 1, 2012 through June 30, 2012

NONE.

Procedure 3
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

ATTACHMENT B3

Describe Purpose of Transfer	Enforceable Obligation (EO)/ Other Legal Requirement (LR)	Amount	Legal Documentation Obtained? (Y/N)
From former Redevelopment Agency to other public agencies or private parties for January 1, 2011 through January 31, 2012:			
First American Title - Toscana Apartment Loan	EO	\$ 5,635,000	Y
First American Title - Toscana Apartment Loan	EO	5,635,000	Y
First American Title - Paseo Verde Loan	EO	5,581,609	Y
Sub-total:		16,851,609	
From Successor Agency to other public agencies or private parties for February 1, 2012 through June 30, 2012			
Cash in Bank	LR	1,742	N
FA - Rental Agent	LR	29,502	Y
Accounts Receivable	LR	57,010	Y
Due from other Governments	LR	259,569	Y
Interest Receivable	LR	836,300	Y
Advances for ERAF Payment	LR	26,079,247	Y
Loans receivable	LR	10,020,000	Y
L/R - Toscana Apts	LR	5,816,189	Y
L/R - Paseo Verde Ph II	LR	560,088	Y
L/R - Housing Loans	LR	2,500,000	Y
L/R - Sr Housing Ph II	LR	7,153,254	Y
L/R - Sr Housing Ph III	LR	2,500,000	Y
L/R - Citrus Grove Apts	LR	6,834,539	Y
L/R - Sr Housing Ph IV	LR	7,870,000	Y
L/R - Paseo Verde Ph I	LR	6,200,442	Y
L/R - Ceres Way Apts	LR	6,250,000	Y
L/R - Paseo Verde Ph II	LR	82,967,882	
Sub-total:		82,967,882	
Total Transfers to other public agencies or private parties for 1/1/2011 through 6/30/2012:			
		\$ 99,819,491	

a) These items were not included on the housing asset transfer form as being transferred to the Housing Authority, therefore these items were disallowed.

Procedure 4
Summary of the financial transactions of Redevelopment Agency and Successor Agency
Low and Moderate Housing Fund
Per schedule attached to List of Procedures for Due Diligence Review

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

<u>Asset</u>	<u>Amount</u>
Cash	
290.1100	Cash in Bank
290.1106	Reserve-Decline in Investment Value
	TOTAL CASH:
	1
Cash with fiscal agent	
290.1440	F/A - Debt Service
	TOTAL CASH WITH FISCAL AGENT:
	1
	TOTAL ASSETS AT 6/30/2012:
	\$ 7,517,374

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

ATTACHMENT B6

<u>Item #</u>	<u>Description</u>	<u>Documentation Referenced</u>	<u>Amount</u>	<u>Purpose</u>	<u>Legal Documentation Obtained? (Y/N)</u>
1	Cash with Fiscal Agent a) Debt service payment		290,144	\$ 1 Debt service payment account - US Bank	Y
	TOTAL:			\$ 1 1	

Procedure 7
Listing of Assets That Are Not Liquid or Otherwise Available for Distribution
Low and Moderate Housing Fund
As of June 30, 2012

ATTACHMENT B7

Item #	Description	Reference	Amount	Value Method	Variance Noted? (Y/N)
NONE.					

**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**

ATTACHMENT B8a

Item #	Project Name	Reference	Amount			Legal Documentation Obtained? (Y/N)
			Approved Obligation Amount	Amount Paid in Period Ending June 30, 2012	Restricted for Obligation for June 30, 2012 Balance	
1	Elderly Housing Development & Operations Corp	HAT, Exhibit C	\$ 48,043	\$ -	\$ 48,043	Y
2	Elderly Housing Development & Operations Corp	HAT, Exhibit C	2,451,957	-	2,451,957	Y
3	Elderly Housing Development & Operations Corp	HAT, Exhibit C	4,100,000	-	4,100,000	Y
4	CPSI, Inc.	HAT, Exhibit C	6,450	-	6,450	Y
5	Dudek & Assoc.	HAT, Exhibit C	78,522	-	78,522	Y
6	Amerinational Community Services	HAT, Exhibit C	2,500	-	2,500	Y
7	RSG Consultants	HAT, Exhibit C	35,000	-	35,000	Y
8	City of Fontana	HAT, Exhibit C	154,100	-	154,100	Y
9	Fontana Housing Authority	HAT, Exhibit C	25,000	-	25,000	Y
10	Various	HAT, Exhibit C	145,634	-	145,634	Y
11	City of Fontana	HAT, Exhibit C	381,690	-	381,690	Y
12	Best, Best & Krieger	HAT, Exhibit C	14,000	-	14,000	Y
13	Lance Garber Esq.	HAT, Exhibit C	110,863	-	110,863	Y
			<u>\$ 7,553,759</u>	<u>\$ -</u>	<u>\$ 7,553,759</u>	

(a) These items were approved on the Housing Asset Transfer Form, Exhibit C, Low-Mod Encumbrances.

Procedure 8b
Listing of Assets (resources) that need to be retained due to insufficient funding for the funding of enforceable obligations
Low and Moderate Housing Fund
As of June 30, 2012

ATTACHMENT B8b

<u>Item #</u>	<u>Project Name</u>	<u>Reference</u>	<u>Approved Obligation Amount</u>	<u>Designated Amount Plus Estimated Future Revenues</u>	<u>Revenue Source</u>	<u>Amount Needed to be Retained from June 30, 2012 Balance</u>	<u>Legal Documentation Obtained? (Y/N)</u>
NONE.							

Listing of Assets (resources) that need to be retained due to projected insufficient property tax revenues for bond debt payments
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	Legal Documentation Obtained? (Y/N)
NONE.							

Procedure 9
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

ATTACHMENT B9

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?
	NONE.						

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)	\$ 7,517,374
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	1,742
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments (procedure 6)	(1)
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)	(7,553,759)
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	
a) Amount to be remitted to County for disbursement to taxing entities is zero.	
	\$ <u><u>(34,644)</u></u> a)



City of Fontana

REDEVELOPMENT AGENCY

September 20, 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 Fontana Redevelopment Agency. 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 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 1404.

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: Accounting Manager