



AGENDA REPORT
OVERSIGHT BOARD OF THE SUCCESSOR AGENCY
TO THE SAN CLEMENTE REDEVELOPMENT AGENCY
MEETING DATE: FEBRUARY 26, 2013

Agenda Item D
Approvals:
City Manager
Dept. Head
Attorney
Finance

Department: Finance & Administrative Services
Prepared By: Jake Rahn, Financial Services Officer

Subject: ***APPROVAL OF THE OTHER FUNDS DUE DILIGENCE REPORT***

Summary: Recently the State of California passed AB 1484, which included a variety of changes to the dissolution process that Successor Agencies are to follow. One of the requirements was for the successor agency to submit to the oversight board, county auditor-controller, State Controller, and State Department of Finance (DOF) results of the review conducted by a licensed accountant the successor agency must retain. As part of the process, the California Society of CPA's had to work with the DOF to determine the steps to be performed as part of the process, these procedures were finalized in September.

The CPA firm of Teaman, Ramirez & Smith was used to complete the agreed upon procedures. The agreed upon procedures report is attached; however, a summary of the main results from the agreed upon procedures are below:

- Assets were transferred from the Other RDA Fund's (Debt Service and Capital) to a separate Successor Agency fund to pay enforceable obligations. (Procedure 1)
- Assets that were transferred to the City of San Clemente (as the Successor Agency) were public use assets: 1) Casa Romantica Cultural Center and 2) Pier Bowl park land. (Procedure 2)
- As summarized in Attachment H, total assets at June 30, 2012 were \$1,390,079 (Procedure 5).
- A portion of the \$1,390,079 is not available. An amount of \$108,466 is a long term receivable, \$84,261 was needed to pay liabilities, and \$1,161,479 was already paid to the County of Orange. This leaves a net amount to be distributed of \$35,873 which is to be paid to the County Auditor-Controller for distribution to affected taxing agencies. (Procedure 10 and Attachment H).

Upon acceptance, this report will be submitted to the DOF and the Orange County Auditor-Controller. A payment will be made to the County for the amount listed on Attachment H upon the report acceptance by the State of California.

Recommended Action:

- STAFF RECOMMENDS THAT THE OVERSIGHT BOARD:
- 1) Open a public comment session related to the Due Diligence Report.
 - 2) Schedule a special meeting to take place after five business days to consider the adoption of Resolution No. _____ entitled "A RESOLUTION OF THE OVERSIGHT BOARD

OF THE SUCCESSOR AGENCY TO THE SAN CLEMENTE REDEVELOPMENT AGENCY TAKING SPECIFIED ACTIONS PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE SECTION 34179.6 WITH RESPECT TO THE DUE DILIGENCE REVIEW FOR OTHER FUNDS (NON-HOUSING) PREPARED PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE SECTION 34179.5"

Fiscal Impact: Upon approval of the Due Diligence Review, this will result in a disbursement of unencumbered Other Fund assets to the County of Orange in the amount of \$35,873, which will be distributed to the affected taxing agencies, including Capistrano Unified School District, the City of San Clemente, the County of Orange, the South Orange County Community College District, and various other agencies.

Attachment: Resolution No. _____
Exhibit "A" - Other Funds (Non-Housing) Due Diligence Agreed Upon Procedures Report

RESOLUTION NO.

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY
TO THE SAN CLEMENTE REDEVELOPMENT AGENCY TAKING SPECIFIED
ACTIONS PURSUANT TO CALIFORNIA HEALTH AND SAFETY
CODE SECTION 34179.6 WITH RESPECT TO THE DUE DILIGENCE REVIEW FOR
OTHER FUNDS (NON-HOUSING) PREPARED PURSUANT TO CALIFORNIA
HEALTH AND SAFETY CODE SECTION 34179.5

WHEREAS, the San Clemente Redevelopment Agency (“Redevelopment Agency”) was a redevelopment agency in the City of San Clemente (“City”), duly created pursuant to the California Community Redevelopment Law and Health and Safety Code Section 33000, *et. seq.*; and

WHEREAS, the City Council of the City of San Clemente (“City”) adopted a redevelopment plan for San Clemente’s redevelopment project area; and

WHEREAS, Assembly Bill x1 26 chaptered and effective on June 27, 2011 added Parts 1.8 and 1.85 to Division 24 of the California Health & Safety Code, which caused the dissolution of all redevelopment agencies and winding down of the affairs of former agencies, including as such laws were amended by Assembly Bill 1484 chaptered and effective on June 27, 2012 (together, the “Dissolution Act”); and

WHEREAS, as of February 1, 2012, the Agency was dissolved pursuant to the Dissolution Act and as a separate legal entity the City Council of the City adopted Resolution No 12-04 on January 17, 2012, pursuant to Part 1.85 of the Dissolution Act, electing for the City to serve as the successor agency to the San Clemente Redevelopment Agency under the Dissolution Act (“Successor Agency”); and

WHEREAS, the Successor Agency administers the enforceable obligations of the former Agency and otherwise unwinds the Agency’s affairs, all subject to the review and approval by a seven-member oversight board (“Oversight Board”); and

WHEREAS, pursuant to Section 34179 the Oversight Board has been established for the Successor Agency and all seven members have been appointed to the Oversight Board; and

WHEREAS, pursuant to Section 34179 the Oversight Board has the fiduciary responsibilities to holders of enforceable obligations and the taxing entities that benefit from distributions of property tax and other revenues pursuant to Section 34188 of Part 1.85 of the Dissolution Act; and

WHEREAS, pursuant Health and Safety Code Section 34179.5, the Successor Agency retained Teaman, Ramirez and Smith, Inc., a licensed accountant approved by the Orange County Auditor-Controller (“Auditor-Controller”) to conduct a due diligence review (“Due Diligence Review”) to determine the unobligated balance of all funds and accounts excluding the Low and Moderate Income Housing Fund (“Other Funds”) available for transfer to taxing entities; and

WHEREAS, in accordance with the provisions of the agreed-upon procedures and provisions of Section 34179.5, Teaman, Ramirez and Smith, Inc., has completed the other funds (non-housing) due diligence review and report, a copy of which is attached hereto and incorporated by this reference; and

WHEREAS, Section 34179.6 sets forth the steps to be taken by the Successor Agency and then by the Oversight Board relating to the other funds due diligence review report:

“The review required pursuant to Section 34179.5 shall be submitted to the oversight board for review. The successor agency shall submit a copy of the Recognized Obligation Payment Schedule to the County administrative officer, the county auditor-controller, and the Department of Finance at the same time that the successor agency submits the review to the oversight board for review.

(a) ...each successor agency shall provide to the oversight board, the county auditor-controller, the Controller, and the Department of Finance the results of the review...

(b) 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 vote specified in subdivision (c)

(c) ...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...the oversight board may adjust any amount provided in the review to reflect additional information and analysis...”; and

WHEREAS, the amount of cash and cash equivalents available for allocation to taxing entities is \$35,873 based on the other funds (non-housing) due diligence review.

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

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

Section 2. Pursuant to the Dissolution Act, the Successor Agency receives the Non-Housing Due Diligence Review Report as submitted herewith as Exhibit “A”.

Section 3. The Oversight Board accepts the Other Funds (Non-Housing) Due Diligence Review Report for its review and hereby approves the determination that the amount of cash and cash equivalents available for allocation to taxing entities is \$35,873 according to the method provided in Health and Safety Code Section 34179.5 for Other Funds (Non-Housing) in accordance with the Due Diligence Review.

Section 4. The Oversight Board hereby directs the RDA Successor Agency to submit copies of the Due Diligence Review for Other Funds (Non-Housing) to the County of Orange Auditor-Controller, the State of California Controller and the State of California Department of Finance.

Section 5. 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.

Section 6. The Secretary of the Successor Agency to the San Clemente Redevelopment Agency shall certify to the adoption of this Resolution.

Section 7. The actions taken by the Oversight Board shall take effect upon the date of its adoption, subject to the DOF's review pursuant to Health and Safety Code Section 34179.

Section 8. The Secretary of the Successor Agency to the San Clemente Redevelopment Agency shall certify to the passage and adoption of this resolution and enter it into the book of original resolutions.

PASSED AND ADOPTED this _____ day of _____, _____.

ATTEST:

SECRETARY, OVERSIGHT BOARD

CHAIR, OVERSIGHT BOARD

STATE OF CALIFORNIA)
COUNTY OF ORANGE) §
CITY OF SAN CLEMENTE)

I, JOANNE BAADE, Secretary to the Oversight Board of the Successor Agency to the San Juan Redevelopment Agency, hereby certify that foregoing resolution was duly adopted at a special meeting of the Oversight Board held on the ____ day of _____, _____, by the following vote:

AYES:

NOES:

ABSENT:

SECRETARY, OVERSIGHT BOARD

EXHIBIT A

DUE DILIGENCE REVIEW FOR OTHER FUNDS (NON-HOUSING)

[Attached behind this page]

**City of San Clemente
Successor Agency to the San Clemente
Redevelopment Agency**

**Independent Accountants' Report
On Applying Agreed-Upon Procedures**

**Independent Accountants' Report on Applying
Agreed-Upon Procedures**

City of San Clemente
Successor Agency to the San Clemente
Redevelopment Agency
San Clemente, CA

We have performed the required agreed-upon procedures (AUP), enumerated in Attachment A, 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 complying with the requirements described in AB 1484. Management of the Successor Agency is responsible for the accounting records pertaining to compliance with the applicable requirements of AB 1484. 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 in Attachment A 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 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 on the accounting records and appropriateness of the results summarized in Attachment A. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the applicable State Agencies and the City of San Clemente, 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.

Teaman Ramirez & Smith, Inc.

February 13, 2013

Attachment A

List of Procedures for Due Diligence Review

City of San Clemente (Successor Agency)

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.

Results:

We obtained a schedule from the Successor Agency (Attachment B) which listed total assets of \$1,468,300 transferred to the Successor Agency from the former redevelopment agency (all other funds) as of February 1, 2012 and agreed the assets to the G/L Trial Balance Report provided by the Successor Agency. The Successor Agency transferred the assets from the former Redevelopment Agency funds (#086 and #087) to the new Successor Agency fund (#187) 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:
 - 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.

Results:

2. A. The Successor Agency provided us with the schedule at Attachment C, indicating \$4,470,498 in transfers of land, improvements and buildings (relating to a cultural center) to the City of San Clemente, in March 2011. The Successor Agency noted these were transfers of public use property. The Successor Agency also noted the transfer of the cultural center was approved by the City Council on March 1, 2011 and by the Oversight Board on April 4, 2012. Also, Attachment C indicates transfers in cash of \$292,316 to the City, during the period of January 1, 2011 through January 31, 2012. This represents repayment of a loan made by the City, to the former Redevelopment Agency, in 2003. There were no other transfers noted for the period of January 1, 2011 through January 31, 2012.

2. B. The Successor Agency listed \$304,047 in transfers of land for the above period at Attachment C. They indicated this was a transfer of public use property (park area), which was approved by the Oversight Board on April 4, 2012.

2. C. For the transfers described in 2.A. above, we reviewed minutes of the March 1, 2011 City Council meeting, in which the City Council approved the transfer of the cultural center, and also the Agenda Reports for the April 4, 2012 Oversight Board meeting and the March 1, 2011 Council meeting. We also noted the above transfers were included in the Asset Transfer form submitted to the State Controller's Office on April 13, 2012. For the \$292,316 loan repayment to the City, the Successor Agency provided us with a copy of the "Interfund Loan Agreement" dated July 1, 2003, between the City and the Redevelopment Agency.

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.

Results:

- 3. A. The Successor Agency indicated there were no transfers for the period of January 1, 2011 through January 31, 2012, as described above.
- 3. B. The Successor Agency indicated there were no transfers for the period of February 1, 2012 through June 30, 2012, as described above.
- 3. C. Not Applicable.

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.

Results:

The Successor Agency provided us with the schedule at Attachment D, as required. We verified that for each period presented, the total of revenues, expenditures, and transfers accounted fully for the changes in equity from the previous fiscal period. We compared the amounts relevant to the fiscal year ended June 30, 2010 to the State Controller's Report (SCR) filed for that period. No discrepancies were noted.

For the other fiscal periods, we compared the amounts to the Successor Agency's accounting records (G/L Trial Balance Reports, Revenue and Expenditure Status Reports) and/or to audited financial statements for the applicable period. No discrepancies were noted.

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.

Results:

We obtained the attached schedule (Attachment E) from the Successor Agency listing total assets of \$1,390,079 for all funds other than the low/mod housing fund as of June 30, 2012. We agreed this schedule to a June 30, 2012 G/L Trial Balance Report provided by the Successor Agency. No discrepancies were noted.

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 the Successor 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.

Results:

6. A. Based on inquiry with the Successor Agency and review of June 30, 2012 accounting records, there are no unspent bond proceeds.
6. B. Based on inquiry and review of June 30, 2012 accounting records, there are no unspent grant proceeds and program income that are restricted by third parties.
6. C. Based on inquiry and review of June 30, 2012 accounting records, there are no other assets considered to be legally restricted.
6. D. Not applicable.

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.

Results:

7. A. The Successor Agency provided us with the schedule at Attachment F, listing \$108,466 in assets as of June 30, 2012 that are not liquid or otherwise available for distribution. These amounts are listed at purchase cost, which we agreed to the accounting records of the Successor Agency. No differences were noted.

7. B. See 7.A. above.

7. C. Not applicable.

7. D. Not applicable.

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.

Results:

Attachment G includes a schedule of accounts payable as of June 30, 2012, for which the Successor Agency believes that cash balances need to be retained to satisfy these obligations. The Successor Agency provided us with copies of applicable invoices and other supporting documentation for the payables totaling \$84,261 listed at Attachment G, which we reviewed. No discrepancies were noted.

- 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.

Results:

The Successor Agency did not claim any amounts that are restricted to fund enforceable obligations as described above. Therefore the above procedures are not applicable.

- 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.

Results:

The Successor Agency did not claim any amounts as described above. Therefore, the above procedures are 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.

Results:

Based on Attachment G, the Successor Agency had \$1,252,115 of available cash at June 30, 2012 and liabilities related to the ROPS for the period ending June 30, 2012 totaling \$1,245,740. This left available cash of \$6,375 which can be remitted to the County since the Redevelopment Agency's Property Tax Trust Fund is sufficient in Fiscal Year 2012-2013 to provide enough annual funding to pay the obligations due during the fiscal year.

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.

Results:

According to the Successor Agency, there are no balances, as described above, that need to be retained as of June 30, 2012. Therefore, this step is not applicable.

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).

Results:

See Attachment H. This includes a deduction of \$1,161,479 for amounts already paid to the County Auditor-Controller as of July 12, 2012. This amount was agreed to evidence of payment.

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.

Results:

The required representation letter from the Successor Agency management was obtained. We verified the letter included the provisions described above.

Attachment B

RDA SUCCESSOR AGENCY OTHER FUND ACTIVITY

RDA OTHER FUND ASSETS

<u>Account Number</u>	<u>Asset</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Total Other Funds Assets</u>
086/087-000-11111-000-00000	Cash	513,439	780,254	1,293,693
086/087-000-11140-000-00000	Unrealized Gain	11,118	2,577	13,695
086/087-000-11330-000-00000	Interest Receivable	6,547	1,517	8,064
086/087-000-11395-000-00000	General Billings	10,000	-	10,000
086/087-000-11952-000-00000	Loan Receivable	-	142,848	142,848
		<u>541,104</u>	<u>927,196</u>	<u>1,468,300</u>

Attachment C

SAN CLEMENTE - NON HOUSING
 TRANSFERS TO THE CITY OF SAN CLEMENTE FROM THE SUCCESSOR AGENCY TRUST FUND

Asset Transferred	Transfers from 1/1/2011 to 1/31/2012 (A)	Transfers from 2/1/2012 to 6/30/2012	Approved by Calif. Dept of Finance	Purpose of Transfer
LAND:				
Land - Casa Romantica Cultural Center	\$ 2,867,763	\$ -	-	To transfer public use assets to the Successor Agency. See Note A.
Land - Small park area	-	304,047	-	To transfer public use assets to the Successor Agency. See Note B.
OTHER CAPITAL ASSETS:				
Buildings - Casa Romantica Cultural Center	1,602,735	-	-	To transfer public use assets to the Successor Agency. See Note A.
Cash	<u>292,316</u>			Payments on a 2003 loan made by the City to the RDA.
	<u>\$ 4,762,814</u>	<u>\$ 304,047</u>		

Notes

(A) - These assets are the home of the City's founder and are a designated landmark on the National Register of Historic Places. It is leased on a long term basis and operated as a Cultural Center. The transfer of these assets to the City (Successor Agency) was approved by City Council on March 1, 2011, subsequently confirmed by the Successor Agency Oversight Board on April 4, 2012.

(B) - This land is a public park parcel that is essentially a walkway between railroad tracks and Avenida Victoria. The transfer of these parcels were approved by the Oversight Board at its April 4, 2012 meeting.

Attachment D

Successor Agency of The San Clemente Redevelopment Agency
Summary of Financial Transactions
6/30/2012

HOUSING AND NON-HOUSING FUNDS

	(a) Redevelopment Agency 12 Months Ended 6/30/2010	(b) Redevelopment Agency 12 Months Ended 6/30/2011	(c) Redevelopment Agency 7 Months Ended 1/31/2012	(d) Successor Agency 5 Months Ended 6/30/2012
Assets (modified accrual basis)				
Cash and Investments	\$ 2,773,955	\$ 2,831,699	\$ 3,172,909	\$ 3,076,674
Taxes Receivable	88,684	90,385	-	-
Accounts Receivable	-	60,592	-	5,500
Interest Receivable	22,252	18,561	18,560	17,043
Loans Receivable	2,409,334	2,454,155	2,430,809	125,530
Lease Receivable	2,610,000	2,485,000	-	-
Total Assets	\$ 7,904,225	\$ 7,940,392	\$ 5,622,278	\$ 3,224,747
Liabilities (modified accrual basis)				
Accounts Payable	\$ 508,147	\$ 760,961	\$ 121,322	\$ 1,249,594
Deferred Revenue	4,592,577	4,575,074	1,955,809	-
Total Liabilities	\$ 5,100,724	\$ 5,336,035	\$ 2,077,131	\$ 1,249,594
Equity	2,803,501	2,604,357	3,545,147	1,975,153
Total Liabilities + Equity	\$ 7,904,225	\$ 7,940,392	\$ 5,622,278	\$ 3,224,747
Total Revenues:	\$ 2,912,303	\$ 2,808,585	\$ 1,623,264	\$ 158,791
Total Expenditures:	\$ 5,717,838	\$ 3,007,729	\$ 682,999	\$ 1,729,446
Total Transfers:	\$ 1,500	\$ -	\$ 525	\$ 375
Net change in equity	\$ (2,804,035)	\$ (199,144)	\$ 940,790	\$ (1,570,280)
Beginning Equity:	\$ 5,607,536	\$ 2,803,501	\$ 2,604,357	\$ 3,545,147
Ending Equity:	\$ 2,803,501	\$ 2,604,357	\$ 3,545,147	\$ 1,974,867
Other Information (show year end balances for all four periods presented):				
Capital assets as of end of year	\$ 9,756,125	\$ 3,084,301 (e)	\$ 3,084,301 (e)	\$ -
Long-term debt as of end of year	\$ 4,748,496	\$ 4,389,203	\$ 1,778,343 (f)	\$ 1,778,343 (f)

(a) Information was agreed to the Financial Transaction Report for the year ended June 30, 2010 submitted to the State Controllers Office.

(b) Information was agreed to the audited financial statement for the year ended June 30, 2011.

(c) Information was agreed to the accounting records for the period from July 1, 2011 to January 31, 2012.

(d) Information was agreed to the accounting records for the period from February 1, 2012 to June 30, 2012.

(e) This amount consists of \$714,047 of land and \$2,370,254 of improvements. The land is \$410,000 of LMIHF land and \$304,047 of park land. The \$2,370,254 are rehabilitation/improvements to sidewalks and the City owned pier which were in the RDA project area.

(f) Loan from the General Fund of the City of San Clemente

Attachment E

SAN CLEMENTE OTHER FUNDS
Schedule of Assets Held at June 30, 2012

	<u>Amount</u>
Cash	1,252,115
Interest Receivable	6,935
General Billing Receivable	5,500
Long Term Loan Receivable	<u>125,529</u>
TOTAL ASSETS	<u><u>1,390,079</u></u>

Attachment F

SAN CLEMENTE SUCCESSOR AGENCY NON-CURRENT ASSETS

Long term note receivable	125,529
Less: Current portion (A)	<u>(17,063)</u>
Non-current equivalent assets	<u><u>108,466</u></u>

NOTES

A - This is the current portion of the principal amount due under the loan agreement.

Attachment G

SAN CLEMENTE SUCCESSOR AGENCY

LISTING OF ENFORCEABLE OBLIGATION PAYMENTS DUE AT JUNE 30, 2012

<u>Payee</u>	<u>Obligation</u>	<u>Amounts</u>	<u>ROPS Ending June 30, 2012</u>
Rutan & Tucker	Attorney Services	\$ 2,953	ROPS, Line 1
Legacy Construction Services	Construction contract	77,081	ROPS, Line 3
San Clemente Water Service	Maintenance - water	177	ROPS, Line 5
Animal Pest Mgmt Services	Maintenance - pests	300	ROPS, Line 5
Richard Rodriguez	Maintenance - tree work	3,750	ROPS, Line 5
		<u>\$ 84,261</u>	

Attachment G - Continued

SAN CLEMENTE SUCCESSOR AGENCY
SUMMARY OF UNRESTRICTED BALANCES

			Amounts
Available cash on hand at June 30, 2012			\$ 1,252,115
Payee	Obligation	Payment date	Amount
Richard Rodriguez	Maintenance - tree work	7/6/2012	(3,750)
County of Orange	Excess funds calculation	7/10/2012	(1,161,479) see step 10
Legacy Construction Services	Construction contract	7/20/2012	(77,081)
Animal Pest Mgmt Services	Maintenance - pests	7/20/2012	(300)
San Clemente Water Service	Maintenance - water	7/27/2012	(177)
Rutan & Tucker	Attorney Services	8/3/2012	(2,953) (1,245,740)
Unrestricted cash balances available at June 30, 2012			\$ 6,375

At June 30, 2012 there were available resources to pay the outstanding invoices at June 30, 2012. Future tax increment will be received to offset obligation requirements due in future fiscal years.

Attachment H

V. 8-27-12

SAN CLEMENTE SUCCESSOR AGENCY OTHER FUNDS

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)	\$	1,390,079
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)		(108,466)
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)		(84,261)
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		<u>(1,161,479)</u>
Amount to be remitted to county for disbursement to taxing entities	\$	<u>35,873</u>