

**COUNTY OF SACRAMENTO,
CALIFORNIA**

**Independent Accountant's Report on Applying
Agreed-Upon Procedures on the
Low and Moderate Income Housing Funds of
the Former Redevelopment Agency of the
County of Sacramento, California**

**As prescribed in Section 34179.5 of
the California Health and Safety Code**

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County of Sacramento, Successor Agency to
the County of Sacramento Redevelopment Agency
Sacramento, California

**Independent Accountant's Report on
Applying Agreed-Upon Procedures**

We have performed the procedures enumerated in Attachment A, which were applied to the Low and Moderate Income Housing Funds of the former redevelopment agency and agreed to by the County of Sacramento, California (County), as Successor Agency to the County of Sacramento Redevelopment Agency (Successor Agency), the California State Controller's Office, and the California State Department of Finance (collectively referred to as the Specified Parties) solely to assist the Specified Parties in determining the balances available for transfer to taxing entities from assets transferred to the Successor Agency from the Low and Moderate Income Housing Funds of the former redevelopment agency, as prescribed in Section 34179.5 of the California Health and Safety Code (Code). The management of the Successor Agency is responsible for the accounting records. 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 the Specified Parties. 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 agreed-upon procedures, as set forth in Attachment A, related to the assets transferred to the Successor Agency from the Low and Moderate Income Housing Funds of the former redevelopment agency. Attachment A also identifies the findings noted as a result of the procedures performed.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the balances available for transfer to taxing entities from assets transferred to the Successor Agency from the Low and Moderate Income Housing Funds of the former redevelopment agency or as to the appropriateness of the other financial information summarized in Attachment A and Attachment B, and Exhibits A to C. 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 Successor Agency, the California State Controller's Office, and the California Department of Finance and is not intended to be, and should not be, used by anyone other than these specified parties.

Sacramento, California
January 23, 2013

**COUNTY OF SACRAMENTO, SUCCESSOR AGENCY TO
THE COUNTY OF SACRAMENTO REDEVELOPMENT AGENCY
Attachment A – Agreed-Upon Procedures and Findings
Low and Moderate Income Housing Funds**

Our procedures and results are as follows:

- 1) **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.*

Procedure:

Obtain from the Successor Agency a listing of all assets that were transferred from the Low and Moderate Income Housing Funds of the former redevelopment agency to the Successor Agency on or about 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 noted the former redevelopment agency transferred assets in the amount of \$2,266,883 from the Low and Moderate Income Housing Funds of the former redevelopment agency to the Successor Agency on February 1, 2012.

- 2) **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.*

Procedures:

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 of assets from the Low and Moderate Income Housing Funds of the former redevelopment agency (excluding payments for goods and services) 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 of assets from the Low and Moderate Income Housing Funds of the former redevelopment agency (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.

**COUNTY OF SACRAMENTO, SUCCESSOR AGENCY TO
THE COUNTY OF SACRAMENTO REDEVELOPMENT AGENCY
Attachment A – Agreed-Upon Procedures and Findings (Continued)
Low and Moderate Income Housing Funds**

- 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: The State Controller’s Office has completed its review and the results are presented in a separate report as Attachment B. This report covers the time period of January 1, 2011 through January 31, 2012. There were no transfers of assets (excluding payments for goods and services) from the Successor Agency to the County for the period from February 1, 2012 through June 30, 2012.

- 3) **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.*

Procedures:

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 of assets from the Low and Moderate Income Housing Funds of the former redevelopment agency (excluding payments for goods and services) 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 of assets from the Low and Moderate Income Housing Funds of the former redevelopment agency (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: The State Controller’s Office has completed its review and the results are presented in a separate report as Attachment B. This report covers the time period of January 1, 2011 through January 31, 2012. There were no transfers of assets (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.

**COUNTY OF SACRAMENTO, SUCCESSOR AGENCY TO
THE COUNTY OF SACRAMENTO REDEVELOPMENT AGENCY
Attachment A – Agreed-Upon Procedures and Findings (Continued)
Low and Moderate Income Housing Funds**

- 4) **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.*

Procedures:

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 revenues, expenditures, and transfers account 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: As these procedures pertain to the Successor Agency as a whole, they will be performed and reported on in the Agreed-Upon Procedures on the Former Redevelopment Agency Funds (Excluding Low and Moderate Income Housing Funds) report, as instructed by the California Department of Finance and therefore are not applicable for this report.

- 5) **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.

Procedure:

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

**COUNTY OF SACRAMENTO, SUCCESSOR AGENCY TO
THE COUNTY OF SACRAMENTO REDEVELOPMENT AGENCY
Attachment A – Agreed-Upon Procedures and Findings (Continued)
Low and Moderate Income Housing Funds**

Results: No exceptions were noted as a result of the procedure performed. Please refer to Exhibit A for a listing of all assets of the Successor Agency held by the Successor Agency at June 30, 2012.

- 6) **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.*

Procedures:

Obtain from the Successor Agency a listing of asset balances transferred from the Low and Moderate Income Housing Fund 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).

**COUNTY OF SACRAMENTO, SUCCESSOR AGENCY TO
THE COUNTY OF SACRAMENTO REDEVELOPMENT AGENCY
Attachment A – Agreed-Upon Procedures and Findings (Continued)
Low and Moderate Income Housing Funds**

- 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.

Results: No exceptions were noted as a result of the procedures performed. Please refer to Exhibit B for the listing of the Successor Agency's restricted assets held by the Successor Agency at June 30, 2012.

- 7) **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.*

Procedures:

- A. Obtain from the Successor Agency a listing of assets transferred from the Low and Moderate Income Housing Fund 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 7A are listed at purchase cost, trace the amounts to a previously audited financial statement (or to the accounting records of the Successor Agency) and note any differences.
- C. For any differences noted in 7B, inspect evidence of disposal of the asset and ascertain that the proceeds were deposited into the Successor Agency trust fund. If the differences are due to additions (this generally is not expected to occur), inspect the supporting documentation and note the circumstances.
- D. If the assets listed at 7A are listed at recently estimated market value, inspect the evidence (if any) supporting the value and note the methodology used. If no evidence is available to support the value and/or methodology, note the lack of evidence.

Results: It is management's assertion that there are no assets that are not cash or cash equivalent's at June 30, 2012; therefore these procedures were not applicable.

**COUNTY OF SACRAMENTO, SUCCESSOR AGENCY TO
THE COUNTY OF SACRAMENTO REDEVELOPMENT AGENCY
Attachment A – Agreed-Upon Procedures and Findings (Continued)
Low and Moderate Income Housing Funds**

- 8) **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.*

Procedures:

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

**COUNTY OF SACRAMENTO, SUCCESSOR AGENCY TO
THE COUNTY OF SACRAMENTO REDEVELOPMENT AGENCY
Attachment A – Agreed-Upon Procedures and Findings (Continued)
Low and Moderate Income Housing Funds**

- 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 8A, B, or C were performed, calculate the amount of current unrestricted balances of assets transferred from the Low and Moderate Income Housing Fund 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: It is management's assertion that there are no enforceable obligations related to housing funds. There are no assets identified as needing to be retained to satisfy enforceable obligations; therefore these procedures were not applicable.

**COUNTY OF SACRAMENTO, SUCCESSOR AGENCY TO
THE COUNTY OF SACRAMENTO REDEVELOPMENT AGENCY
Attachment A – Agreed-Upon Procedures and Findings (Continued)
Low and Moderate Income Housing Funds**

- 9) **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.*

Procedure:

If the Successor Agency believes that, as of June 30, 2012, cash balances transferred from the Low and Moderate Income Housing Fund 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 transferred from the Low and Moderate Income Housing Fund 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: It is management's assertion that there are no enforceable obligations related to housing funds. There are no assets identified as needing to be retained to satisfy enforceable obligations; therefore these procedures were not applicable.

- 10) **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.*

Procedure:

Include a schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Entities from assets transferred to the Successor Agency from the Low and Moderate Income Housing Fund. 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.

**COUNTY OF SACRAMENTO, SUCCESSOR AGENCY TO
THE COUNTY OF SACRAMENTO REDEVELOPMENT AGENCY
Attachment A – Agreed-Upon Procedures and Findings (Continued)
Low and Moderate Income Housing Funds**

Results: No exceptions were noted as a result of the procedure performed. Please refer to Exhibit C for the results of this procedure.

- 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 assets of the Low and Moderate Income Housing Fund 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: No exceptions were noted as a result of this procedure.

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**COUNTY OF SACRAMENTO, SUCCESSOR AGENCY TO
THE COUNTY OF SACRAMENTO REDEVELOPMENT AGENCY
EXHIBIT A - LOW AND MODERATE INCOME HOUSING FUND
ASSETS HELD BY THE SUCCESSOR AGENCY**

<u>Asset</u>	Total value as of June 30, 2012
Cash and investments	<u>\$ 1,316,974</u>
Total Assets	<u><u>\$ 1,316,974</u></u>

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**COUNTY OF SACRAMENTO, SUCCESSOR AGENCY TO
THE COUNTY OF SACRAMENTO REDEVELOPMENT AGENCY
EXHIBIT B - LOW AND MODERATE INCOME HOUSING FUND RESTRICTED
ASSETS TRANSFERRED TO THE SUCCESSOR AGENCY**

A. Unspent Bond Proceeds

Assets	Total value as of June 30, 2012	Computation of the Restricted Balance	Source of funds	Source for the computation of the restricted balance (i.e. accounting records or other supporting documentation)	Identify the document requiring the restriction. For each restriction identify on these schedules, indicate in the period of time for which the restrictions are in effect. Note whether the restrictions are in effect until the related assets are expended for their intended purpose.
Bond Proceeds-2003 Mather/McClellan LM	\$ 247,091	Original bond issue \$ 5,047,091 Less: Project costs to date as of 6/30/12 4,800,000 Unspent bond proceeds: <u>\$ 247,091</u>	Bond proceeds	Accounting records	Unspent bond proceeds restricted by bond indenture - 2003 Mather/McClellan LM
Bond Proceeds-2008 Mather/McClellan LM	1,069,883	Original bond issue \$ 8,331,220 Less: Project costs to date as of 6/30/12 7,261,337 Unspent bond proceeds: <u>\$ 1,069,883</u>	Bond proceeds	Accounting records	Unspent bond proceeds restricted by bond indenture - 2008 Mather/McClellan LM
Total Assets	<u>\$ 1,316,974</u>				

B. Grant Proceeds and Program Income

Assets	Total value as of June 30, 2012	Computation of the Restricted Balance	Source of funds	Source for the computation of the restricted balance (i.e. accounting records or other supporting documentation)	Identify the document requiring the restriction. For each restriction identify on these schedules, indicate in the period of time for which the restrictions are in effect. Note whether the restrictions are in effect until the related assets are expended for their intended purpose.
No grant proceeds and program income were identified.					

C. Other Assets Considered Legally Restricted

Assets	Total value as of June 30, 2012	Computation of the Restricted Balance	Source of funds	Source for the computation of the restricted balance (i.e. accounting records or other supporting documentation)	Identify the document requiring the restriction. For each restriction identify on these schedules, indicate in the period of time for which the restrictions are in effect. Note whether the restrictions are in effect until the related assets are expended for their intended purpose.
No other assets considered legally restricted were identified.					
Total Assets	<u>\$ 1,316,974</u>				

**COUNTY OF SACRAMENTO, SUCCESSOR AGENCY TO
THE COUNTY OF SACRAMENTO REDEVELOPMENT AGENCY
EXHIBIT C - LOW AND MODERATE INCOME HOUSING FUND ASSETS
TRANSFERRED TO THE SUCCESSOR AGENCY THAT ARE AVAILABLE
TO DISTRIBUTE TO AFFECTED TAXING ENTITIES**

SUMMARY OF BALANCES AVAILABLE FOR ALLOCATION TO AFFECTED TAXING ENTITIES

Total amount of assets held by the successor agency as of June 30, 2012 (procedure 5) Exhibit A	\$ 1,316,974
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) Exhibit B	1,316,974
Less assets that are not cash or cash equivalents (e.g., physical assets) - (procedure 7)	-
Less balances that are legally restricted for the funding of an enforceable obligation (net of projected annual revenues available to fund those obligations) - (procedure 8)	-
Less balances needed to satisfy ROPS for the 2012-13 fiscal year (procedure 9)	-
Less the amount of payments made on July 12, 2012 to the County Auditor-Controller as directed by the California Department of Finance	<u>-</u>
Amount to be remitted to county for disbursement to taxing entities	<u><u>\$ -</u></u>

ASSET TRANSFER REVIEW

Attachment B

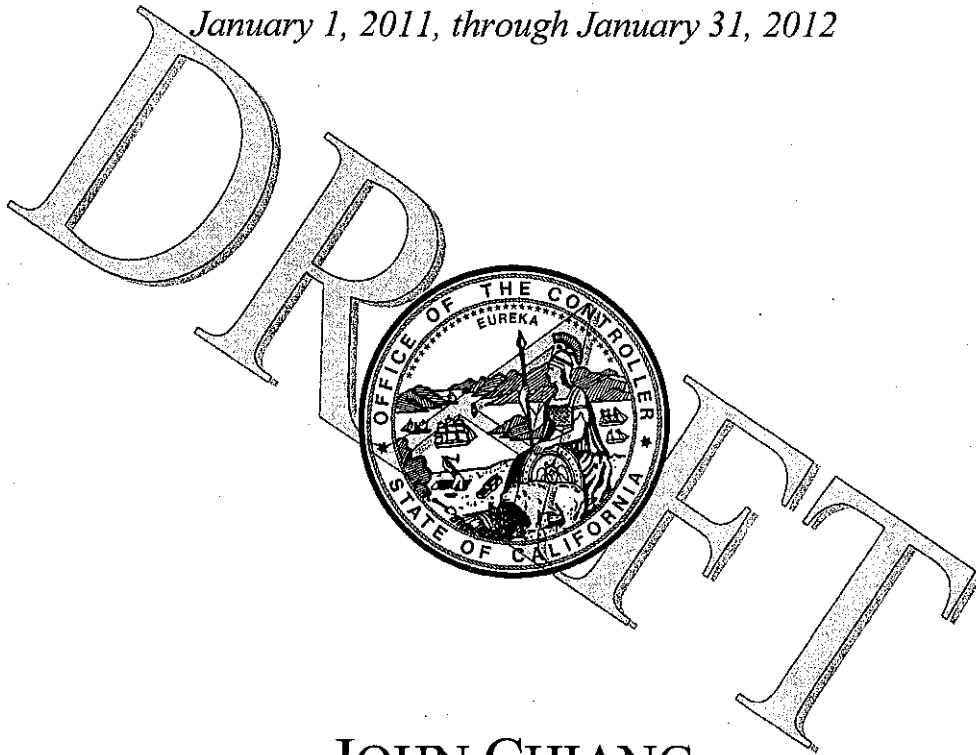
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COUNTY OF SACRAMENTO REDEVELOPMENT AGENCY

ASSET TRANSFER REVIEW

Review Report

January 1, 2011, through January 31, 2012



JOHN CHIANG
California State Controller

December 2012

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Review Report

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Asset Transfer Assessment Review Report

Summary

The State Controller's Office (SCO) reviewed the asset transfers made by the County of Sacramento Redevelopment Agency for the period of January 1, 2011, through January 31, 2012. Our review included, but was not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and any rights to payments of any kind from any source.

Our review disclosed that the County of Sacramento Redevelopment Agency transferred \$70,132,356 in assets. These transfers included unallowable transfers of assets totaling \$262,659, or 0.37%, that must be turned over to the County of Sacramento Redevelopment Successor Agency (Successor Agency).

Background

In January of 2011, the Governor of the State of California proposed statewide elimination of redevelopment agencies (RDAs) beginning with the fiscal year (FY) 2011-12 State budget. The Governor's proposal was incorporated into Assembly Bill 26 (ABX1 26, Chapter 5, Statutes of 2011, First Extraordinary Session), which was passed by the Legislature, and signed into law by the Governor on June 28, 2011.

ABX1 26 prohibited RDAs from engaging in new business, established mechanisms and timelines for dissolution of the RDAs, and created RDA Successor Agencies to oversee dissolution of the RDAs and redistribution of RDA assets.

A California Supreme Court decision on December 28, 2011 (California Redevelopment Association et al. v. Matosantos) upheld ABX1 26 and the Legislature's constitutional authority to dissolve the RDAs.

ABX1 26 was codified in the Health and Safety Code (H&S Code) beginning with section 34161.

In accordance with the requirements of H&S Code section 34167.5, the State Controller is required to review the activities of redevelopment agencies (RDAs), "to determine whether an asset transfer has occurred after January 1, 2011, between the city or county, or city and county that created a redevelopment agency, or any other public agency, and the redevelopment agency," and the date at which the RDA ceases to operate, or January 31, 2012, whichever is earlier.

The SCO has identified transfers of assets that occurred during that period between the County of Sacramento Redevelopment Agency, the County of Sacramento, and/or other public agencies. By law, the SCO is required to order that such assets, except those that already had been committed to a third party prior to June 28, 2011, the effective date of ABX1 26, be turned over to the Successor Agency. In addition, the SCO may file a legal order to ensure compliance with this order.

Objectives, Scope, and Methodology

Our review objective was to determine whether asset transfers that occurred after January 1, 2011, and the date upon which the RDA ceased to operate, or January 31, 2012, whichever was earlier, between the city or county, or city and county that created an RDA, or any other public agency, and the RDA, were appropriate.

We performed the following procedures:

- Interviewed Successor Agency personnel to gain an understanding of the Successor Agency operations and procedures.
- Reviewed meeting minutes, resolutions, and ordinances of the Sacramento County Board of Supervisors, the RDA, and Housing Authority of the County of Sacramento.
- Reviewed accounting records relating to the recording of assets.
- Verified the accuracy of the Asset Transfer Assessment Form. This form was sent to all former RDAs to provide a list of all assets transferred between January 1, 2011, and January 31, 2012.
- Reviewed applicable financial reports to verify assets (capital, cash, property, etc.).

Conclusion

Our review disclosed that the County of Sacramento Redevelopment Agency transferred \$70,132,356 in assets. These transfers included unallowable transfers of assets totaling \$262,659, or 0.37%, that must be turned over to the Successor Agency.

<u>UNALLOWABLE ASSETS TRANSFERRED</u>	
Unallowable assets transferred to Housing Authority of the County of Sacramento	\$ 262,659
Total unallowable transfers	<u>\$ 262,659</u>

The County of Sacramento is ordered to reverse the unallowable transfers and turn over the assets identified in this report to the Successor Agency (see Schedule 1).

Details of our finding and Order of the Controller are in the Finding and Order of the Controller section of this report.

Views of Responsible Officials

At an exit conference on October 31, 2012, we discussed the review results with Ben Lamera, Assistant Auditor-Controller; Tia Boatman Patterson, SHRA General Counsel; Chris Pahule, Program Manager, Donald Cavier, Finance Director; Karen Lukes, Management Analyst; and Lori Miller, Finance Manager. At the exit conference, we stated that the final report will include the views of responsible officials.

Restricted Use

This report is solely for the information and use of the County of Sacramento, Housing Authority of the County of Sacramento, the County of Sacramento Redevelopment Successor Agency, the County of Sacramento Successor Agency Oversight Board, and the SCO; it 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 when issued final.

JEFFREY V. BROWNFIELD
Chief, Division of Audits

_____, 2012

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Finding and Order of the Controller

**FINDING—
Unallowable asset
transfer to the
Housing Authority
of the County of
Sacramento**

The Redevelopment Agency of the County of Sacramento (RDA) transferred \$262,659 in assets to the Housing Authority of the County of Sacramento (Housing Authority). All of the asset transfers to the Housing Authority occurred during the period of January 1, 2011, through January 31, 2012, and the assets were not contractually committed to a third party prior to June 28, 2011.

Unallowable asset transfers were as follows:

- On February 1, 2012, the RDA transferred \$262,659 in Low and Moderate Income Housing cash to the Housing Authority. To accomplish those transfers, the Housing Authority and the Sacramento Housing and Redevelopment Agency (SHRA) entered into an agreement on July 26, 2011, and encumbered Low-Mod Tax Increment under Housing Authority Resolution No. HA-2325. Based on Health and Safety Code (H&S Code) sections 34163(b) and (d), the RDA was not allowed to enter into such an agreement or transfer physical assets or cash after June 27, 2011.

Pursuant to H&S Code section 34167.5, the RDA may not transfer assets to a city, county, city and county, or any other public agency after January 1, 2011. Those assets should be turned over to the County of Sacramento Redevelopment Successor Agency for disposition in accordance with H&S Code sections 34177 (d) and (e).

Order of the Controller

Based on H&S Code section 34167.5, the County of Sacramento is ordered to reverse the transfer of the above assets, described in Schedule 1, in the amount of \$262,659 and turn them over to the Successor Agency.

**Schedule 1—
Unallowable Asset Transfers to the Housing
Authority of the County of Sacramento
January 1, 2011, through January 31, 2012**

Current Assets

Cash Transfer to Housing Authority	\$ 262,659
Total Unallowable Transfer – Housing Authority	<u>\$ 262,659</u>

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¹ See the Finding and Order of the Controller section.