



MEETING AGENDA

SUCCESSOR AGENCY OVERSIGHT BOARD
CITY OF CLAYTON, CA

THURSDAY, OCTOBER 25, 2012

3:00 p.m.

*First Floor Conference Room, Clayton City Hall
6000 Heritage Trail, Clayton, CA 94517*

OVERSIGHT BOARD MEMBERS

Howard Geller, Mayor of Clayton	John al-Amin, Contra Costa Community College District
Vito Impastato, CCC Fire Protection District	Dan Richardson, Clayton resident
Laci Jackson, former RDA Secretary	Jane Shamieh, County Office of Education
Karen Mitchoff, Contra Costa County Supervisor	

- A complete packet of information containing staff reports and exhibits related to each public item is available for public review in City Hall located at 6000 Heritage Trail on Monday prior to the Board meeting.
- Agendas are posted at: 1) City Hall, 6000 Heritage Trail; 2) Library, 6125 Clayton Road; 3) Ohm's Bulletin Board, 1028 Diablo Street, Clayton; and 4) City Website at www.ci.clayton.ca.us
- Any writings or documents provided to a majority of the Oversight Board after distribution of the Agenda Packet and regarding any public item on this Agenda will be made available for public inspection in the City Clerk's office located at 6000 Heritage Trail during normal business hours.
- If you have a physical impairment that requires special accommodations to participate, please call the City Clerk's office at least 72 hours in advance of the meeting at (925) 673-7304.

MEETING AGENDA
OVERSIGHT BOARD
SUCCESSOR AGENCY, CITY OF CLAYTON

Thursday, October 25, 2012

1. CALL TO ORDER AND ROLL CALL – Board Chairman Dan Richardson

2. CONSENT CALENDAR

Consent Calendar items are typically routine in nature and are considered for approval by the Board with one single motion. Members of the Board, Audience or Staff wishing an item removed from the Consent Calendar for the purpose of public comment, question, input or action different than recommended may request so through the Board Chairman.

(a) Information Only – No action to be taken

1. Letter dated October 11, 2012 re: new Committee member designation from Contra Costa Community College District
2. Email dated October 10, 2012, from Dept. of Finance re: no acceptance of revised or supplemental ROPS 3 being allowed.
3. Letter dated October 18, 2012 from the City to California Department of Finance re: review of Clayton's ROPS 3 submittal.
4. Web site information from the California Department of Finance informing all City/Successor Agencies the HATs (Housing Asset Transfer) Meet and Confer process is delayed.

(b) Minutes of the Oversight Board's meeting of September 27, 2012.

3. OVERSIGHT BOARD HEARING ITEMS

- (a) Consideration of and receipt of public comments on the draft Clayton Successor Agency Low-Moderate Income Housing Funds Due Diligence Report to be submitted to the CA Department of Finance pursuant to AB 1484 (HSC Section 34179.5)
- Take any comments from the Public.
 - Questions/Comments from the Oversight Board members
 - Direct staff to bring back the item for final Action by the Oversight Board at its November 29th meeting or an alternative meeting date that is no sooner than November 5, 2012.

4. PUBLIC COMMENT ON NON-AGENDA ITEMS

Members of the public may address the Oversight Board on items within the Board's jurisdiction, (which are not on the agenda) at this time. To facilitate the recordation of comments, it is requested each speaker complete a speaker card available on the Meeting table and submit it in advance to the Clerk. To assure an orderly meeting and an equal opportunity for everyone, each speaker is limited to 3 minutes, enforced at the Chairperson's discretion. When one's name is called or you are recognized by the Chairperson as wishing to speak, the speaker shall approach the Board and adhere to the time limit. In accordance with State Law, no action may take place on any item not appearing on the posted agenda. The Board may respond to statements made or questions asked, or may at its discretion request Successor Agency Staff to report back at a future meeting concerning the matter.

Public comment and input on Public Hearing, Action Items and other Agenda Items will be allowed when each item is considered by the Oversight Board.

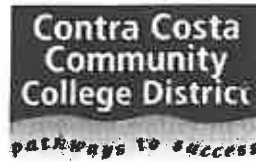
5. **ADJOURNMENT** – the meeting is adjourned on call by the Chairperson.
The Oversight Board's next meeting will be scheduled as necessary.

#

Agenda Date: 10/25/12

Governing Board

Tomi Van de Brooke, *President*
Sheila A. Grilli, *Vice President*
John E. Márquez, *Secretary*
Robert Calone
John T. Nejedly



Agenda Item: 2A(1)

Chancellor
Helen Benjamin, Ph.D.

College Presidents
Contra Costa College Denise Noldon, Ph.D.
Diablo Valley College Peter Garcia
Los Medanos College Bob Kratochvil

October 11, 2012

Mr. Gary A. Napper
City Manager
City of Clayton, City Hall
6000 Heritage Trail
Clayton, CA 94517-1250

Received
OCT 11 2012
City of Clayton

RE: Successor Oversight Board Appointments (AB 1x26)

Dear Mr. Napper:

AB 1x26, the legislation directing the elimination of redevelopment agencies in California, requires the appointment of specified local educational agency representatives to a successor agency Oversight Board. Health and Safety Code Section 34179(2)(5) designates the Chancellor of the California Community Colleges as the appointing authority for one member representing community college districts in the county. The state Chancellor has approved my appointment as the community college representative to the City of Clayton successor Oversight Board to replace former representative John Nejedly:

John al-Amin, Vice Chancellor
Contra Costa Community College District
500 Court Street
Martinez, CA 94553
Office: 925-229-6942
jalamin@4cd.edu

Should you have any questions, please do not hesitate to contact me at 925-229-6942 or jalamin@4cd.edu

Sincerely,



John al-Amin, Ph.D.
Vice Chancellor, Administrative Services

Laura Hoffmeister

From: Merry Pelletier <mpelletier@ci.clayton.ca.us>
Sent: Wednesday, October 10, 2012 9:56 AM
To: lhoffmeister@ci.clayton.ca.us
Subject: FW: Clayton Revised ROPS III

FYI

From: Redevelopment Administration [<mailto:RedevelopmentAdministration@dof.ca.gov>]
Sent: Wednesday, October 10, 2012 9:19 AM
To: mpelletier@ci.clayton.ca.us
Cc: jay.wilverding@ac.cccounty.us
Subject: RE: Clayton Revised ROPS III

Pursuant to Health and Safety Code (HSC) section 34177 (m), the Clayton Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on September 4, 2012 for the period January through June 2013. Our determination on the Clayton Successor Agency ROPS III is due by October 19, 2012.

Per HSC section 34177 (m), the ROPS for this period was due no later than September 1, 2012, and in compliance with that section the ROPS was submitted. As such, we will not be accepting any revised ROPS Forms, and will be making our determination based on the ROPS that was received on September 4, 2012. To the extent you added additional items to the revised ROPS that are valid enforceable obligations, you may request funding for them on a subsequent ROPS and we will review and consider them at that time.

Based on the foregoing, the Department of Finance returns the Oversight Board action of the Clayton Successor Agency, and pursuant to section 34179 (h) the action is not effective.

Sincerely,

Department of Finance
Redevelopment Agency Administration

From: Merry Pelletier [<mailto:mpelletier@ci.clayton.ca.us>]
Sent: Wednesday, September 12, 2012 7:49 PM
To: Redevelopment Administration
Cc: jay.wilverding@ac.cccounty.us
Subject: Clayton Revised ROPS III

Attached is our Recognized Obligation Payment Schedule revised to include the Due Diligence audit review on all funds by December 15th not just the LMI funds as originally indicted and due by October 1st.

Merry Pelletier
City of Clayton
Finance Manager



DEPARTMENT OF
FINANCE

Agenda Date: 10/25/12

Agenda Item: 2A(3)

EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

October 18, 2012

Ms. Merry Pelletier, Finance Manager
City of Clayton
6000 Heritage Trail
Clayton, CA 94517

Dear Ms. Pelletier:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the Clayton Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on September 4, 2012 for the period of January through June 2013. Finance has completed its review of your ROPS III, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligation(s):

- Item No. 3 – Loan for Supplemental Education Revenue Augmentation Fund (SERAF) totaling \$592,412. HSC Section 34176 (e) (6) (B) states that loan or deferral repayments shall not be made prior to the 2013-14 fiscal year. Therefore, this item is not an enforceable obligation and not eligible for the Redevelopment Property Tax Trust Fund funding.
- Item No. 8 – Property tax administrative fees totaling \$106,000. HSC section 34183 (a) states that the county auditor-controller will deduct administrative costs allowed under Section 34182 from the Redevelopment Property Tax Trust Fund before allocating the money to other costs.

Furthermore, Item Nos. 5 and 9 totaling \$10,000 were reclassified as administrative costs. Although this reclassification increased administrative costs to \$125,002, the administrative cost allowance has not been exceeded.

Except for items denied in whole or in part as enforceable obligations as noted above, Finance is approving the remaining items listed in your ROPS III. If you disagree with the determination with respect to any items on your ROPS III, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$251,328 as summarized below:

Approved RPTTF Distribution Amount	
For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 263,378
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 3	74,052
Item 5*	3,000
Item 8	53,000
Item 9*	7,000
Total approved RPTTF for enforceable obligations	\$ 126,326
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	125,002
Total RPTTF approved:	\$ 251,328

*Reclassified as administrative costs

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

Please refer to the ROPS III schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS III Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%20III%20Forms%20by%20Successor%20Agency/).

All items listed on a future ROPS are subject to a subsequent review. An item included on a future ROPS may be denied even if it was not questioned from the preceding ROPS.

The amount available from the RPTTF is the same as the property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF.

Please direct inquiries to Nichelle Thomas, Supervisor or Susana Medina Jackson, Lead Analyst at (916) 445-1546.

Sincerely,


STEVE SZALAY
Local Government Consultant

cc: Ms. Laura Hoffmeister, Assistant City Manager, City of Clayton
Mr. Bob Campbell, Auditor-Controller, County of Contra Costa

MEET AND CONFER STATUS UPDATE

The Department of Finance continues to work through high volumes of meet and confer requests. At this time, the vast majority of requests to meet and confer on the Housing Asset Transfer Forms will be scheduled once Finance has completed the meet and confer requests related to the ROPS III reviews. Because of the statutory timeframes related to the ROPS III meet and confer determinations those requests will take priority over any requests to meet and confer on Housing Asset Transfer forms. Therefore, if you haven't been contacted regarding your Housing Asset Transfer Form meet and confer request, it could be a few months before we begin to process those requests and schedule meetings. We appreciate the patience you have shown and we look forward to meeting with each of you during this process.

Webpage last updated October 18, 2012

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ACTION MINUTES
OF THE
REGULAR MEETING

OVERSIGHT BOARD
SUCCESSOR AGENCY, CITY OF CLAYTON, CA

September 27, 2012

1. CALL TO ORDER AND ROLL CALL

Chair Richardson called the meeting to order at 3:05 pm in the 1st Floor Conference Room of City Hall, 6000 Heritage Trail; Clayton; CA.

Board Members present: Howard Geller, Mayor of Clayton; Vito Impastato, Contra Costa Fire Protection District; Karen Mitchoff, Contra Costa County Supervisor; Dan Richardson, Clayton resident; Jane Shamieh, County Office of Education.

Board Members absent: John Nejedly, Contra Costa Community College District; Laci Jackson, former RDA Secretary.

Staff present: Asst to the City Manager/Board Clerk: Laura Hoffmeister ; Merry Pelletier, Finance Manager.

2. CONSENT CALENDAR

(a) Informational Only: (No Action Taken)

1. Letter dated August 30, 2012 from the California Department of Finance informing the City/Successor Agency that its HATs (Housing Asset Transfer) list was denied in total.
2. Letter dated September 4, 2012 from the City to California Department of Finance requesting Meet and Confer in response to the HATs denial.
3. E-mail dated September 14, 2012 from California Department of Finance confirming receipt of City's Meet and Confer request.

(b) Minutes of the Oversight Board's meeting of July 26, 2012.

Motion by Board Member Mitchoff, seconded by Board Member Geller, to approve the Consent Calendar as submitted. Motion passed (vote 5-0).

3. OVERSIGHT BOARD ACTION ITEMS

- (a) Consideration of Resolution No. 05-2012 approving an Amended 3RD Recognized Obligation Payment Schedules (ROPS III) for the Successor Agency of the City of Clayton for the time period of January 1, 2012 through June 30, 2013 caused by the re-formatting required by the State Department of Finance.

Clayton Asst. to the City Manager, Laura Hoffmeister, provided an overview of the reason for requesting an Amended ROPs 3 filing. Ms. Hoffmeister noted that since the Oversight Board Action of July 26, 2012, approving the 3rd ROPS for the Successor Agency of the City of Clayton, the CA Dept. of Finance created a new format for use and filing. The new filing also includes requesting consideration of costs necessary for consultant to prepare the now required "Due Diligence" reports as well as special legal costs associated with those reports and the Meet and Confer process that we have requested for our Housing Asset Transfer (HATs).

Finance Manager Merry Pelletier explained the detail of the Amended ROPs schedule identifying the differences between the earlier document and the amended document.

Board member Mitchoff noted that the staff should include items excluded on prior ROPs, as one never know when they might be allowed, preserve right to protest denials etc. This included fire station loan, 2% election costs, SEARF loan, etc. Other Board members agreed to this concept.

Motion by Board Member Geller, seconded by Board Member Mitchoff, to adopt Resolution 05-2012, approving an Amended 3rd Recognized Obligation Schedule (ROPS) of the Successor Agency for the City of Clayton covering the time period of January 2013 through June 2013; and further allowing staff to include any prior ROPs items as appropriate, even if denied. Motion passed (vote 5-0).

4. PUBLIC COMMENT ON NON-AGENDA ITEMS

None.

5. (a) Set Meeting date and time for Consideration of the "Due Diligence" review report required for the Low to Moderate Income (LMI) Housing Funds.

Asst. to the City Manager/Board Clerk Hoffmeister requested Board members to tentatively calendar meeting dates for October 25, and November 29, 2012.

By Consensus of the Board Members present to plan for those dates provided there would be a quorum.

5. ADJOURNMENT

Upon call by Chairperson Richardson, the Board meeting adjourned at 3:20.

APPROVED BY THE OVERSIGHT BOARD

Dan Richardson, Chairperson

ATTEST:

Laura Hoffmeister, Clerk to the Board

#



Agenda Date: 10/25/12

Agenda Item: 3A

STAFF REPORT

TO: HONORABLE CHAIRMAN AND BOARD MEMBERS

FROM: Laura Hoffmeister, Asst. to the City Manager

MEETING DATE: October 19, 2012

SUBJECT: Receipt of public comment on and Review of Draft Low – Moderate Income Housing Funds Due Diligence Review Report pursuant to AB 1484 (HSC 34179.5)

RECOMMENDATION

It is recommended the Oversight Board:

- Take any comments from the Public.
- Questions/Comments from the Oversight Board members
- Direct staff to bring back the item for final Action by the Oversight Board at its November 29th meeting or an alternative meeting date that is no sooner than November 5, 2012.

BACKGROUND

On January 17, 2012, the Clayton City Council selected through adoption of Resolution 03-2012 to retain the affordable housing assets and functions performed by the former Redevelopment Agency in accordance with Section with Section 34176 of the Health and Safety Code (Redevelopment Law). The duties and functions transferred by operation of State law on February 1, 2012.

The City, acting in its general municipal capacity and separately from the City as Successor Agency, has also elected to retain and accept specified affordable housing assets, obligations, and housing functions (collectively, the "Housing Functions") of the Redevelopment Agency pursuant to Section 34176, commencing on the Dissolution Date (February 1, 2012). In this capacity, the City is referred to as the "Successor Housing Agency".

All monies in the Redevelopment Agency's Low and Moderate Income Housing Fund were transferred on the Dissolution Date to the City as Successor Housing Agency. The Redevelopment Agency understands that the City as Successor Housing Agency will establish a comparable fund, separate and distinct from all other funds and accounts of the City, to hold, administer and spend the monies in the transferred Housing Fund to perform Housing Functions consistent with the Dissolution Act.

On June 27, 2012, the Governor signed into law AB 1484 which modified the dissolution law affecting the winding down of redevelopment agencies throughout the State. As part of this new law, successor agencies Oversight Boards are required to submit an Annual Due Diligence Report to the DOF by October 1, 2012. However, it was not until almost mid-September that the DOF provided the requirements for such submittal. Given the late notice of the DOF requirements for such submittal, the lack of available time for preparation by the necessary outside qualified firms, the DOF posted the following information on its Website:

“The Department of Finance has been getting requests to extend the October 1, 2012 deadline for the low and moderate income housing due diligence review submittals. Unfortunately, the due date is a statutory date that the Department of Finance has no ability to change. The Department of Finance asks that you do your best to meet the deadline. However, we do recognize the extreme time crunch and likely inability for some successor agencies to meet the deadline prescribed by law. In the event that you are not going to meet the deadline, please send an email to Redevelopment_Administration@dof.ca.gov and let us know the projected date in which you believe the review will be completed and submitted to Finance.”

In accordance with the above information the City of Clayton did notify the State through email that its anticipated filing would be October 31, 2012. However since that email we have been made aware through legal counsel that contained within AB 1484 the Due Diligence Reviews need to have the public comment on them at an Oversight Board meeting prior to the Oversight Board taking any action. Further no action of the Oversight Board can be made on the Due Diligence Reports until at least 5 calendar days has passed from the date of the comment meeting.

DISCUSSION

AB 1484 (HSC Section 34179.5) requires each 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. As an alternative, an audit provided by the county auditor-controller that provides the information required by this section may be used to comply with this section with the concurrence of the oversight board. The County has notified jurisdictions that it does not have the staffing to undertake such efforts and thus the local agencies need to engage their own outside auditor.

Due Diligence reviews of the Low and Moderate Income Housing Fund must be submitted to the Oversight Board, the county auditor-controller, the State Controller's Office and the Department of Finance by October 1, 2012. The Oversight Board has until October 15, 2012 to review, approve, and transmit to the Department of Finance and county auditor-controller the determination of the amount of cash and cash equivalents that are available for disbursement to taxing entities.

Department of Finance reviews of the determinations provided by the Oversight Boards will be completed no later than November 9, 2012. Any decision to overturn determinations made by the Oversight Board to authorize a Successor Agency to retain assets or funds will be conveyed to the Oversight Board and Successor Agency via a letter. Successor Agencies have five days from receipt of the decisions to request “meet and confer.” However DOF staff has verbally indicated that this date would be later for those agencies that submit after October 15th

While HSC Section 34179.6 allows the Department of Finance to specify the form and manner in which information about the review shall be provided, no specific form will be required. However, every due diligence review submitted, at a minimum, must contain the following:

A cover page delineating whether the due diligence review was conducted by a licensed accountant or the county auditor-controller along with verification of approval or concurrence of the due diligence reviewer by the appropriate entity. A summary addressing each of the six deliverables required, pursuant to HSC Section 34179.5 (c) (1) – (6). The document includes the following items:

- Independent Accountants Report on Applying Agreed Upon Procedures
- Procedures and Findings
- Condensed Financial Statement Comparison
- Summary of Available Balances
- Recognized Obligation Payment Schedule (ROPS 1)
- Recognized Obligation Payment Schedule (ROPS 2)
- Recognized Obligation Payment Schedule (ROPS 3)
- Inventory of Assets Received- Loans/Grants Receivable

FISCAL IMPACT

The costs of the Due Diligence reports, (estimated at 7,000-10,000 for both the LMI Housing Funds and the upcoming Due Diligence for the “All Other Funds”) were included as part of the ROPs 3; however these costs were denied by the DOF. The DOF has required that these costs be paid for out of the already allowed Administrative Costs funds that Successor Agency’s receive annually through the ROP process.

CONCLUSION

Staff recommends that the Oversight Board:

- Take any comments from the Public.
- Questions/Comments from the Oversight Board members
- Direct staff to bring back the item for final Action by the Oversight Board at its November 29th meeting or an alternative meeting date that is no sooner than November 5, 2012.

Attachments:

- A) List of Procedures fir Due Diligence Review of the LMI Housing Fund AB 1484 HSC Section 34179.6
- B) Draft Due Diligence Report
- C) Draft Management Representation Letter

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.

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).

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.

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.

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.

Department of Finance of the State of California

**Due Diligence Review of the
Redevelopment Agency of the City of Clayton
(Dissolved Agency)
Low to Moderate Income Housing Fund**

Draft

***Independent Accountants' Report on Applying Agreed-Upon
Procedures with respect to HSC Section 34179.5(c)(1)-(6)***

**REDEVELOPMENT AGENCY
OF THE CITY OF CLAYTON (DISSOLVED AGENCY)
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INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES

Oversight Board of the Successor Agency
for the Redevelopment Agency of the City of Clayton
(Dissolved Agency)
Clayton, California

We have performed the agreed-upon procedures enumerated in Attachment A, which were agreed to by the California State Controller's Office and the Department of Finance to assist you in ensuring that the dissolved redevelopment agency is complying with its statutory requirements with respect to ABX1 26. Management of the successor agency and the county are responsible for the accounting records pertaining to statutory compliance pursuant to Health and Safety Code Sections 34179.5(c)(1) through 34179.5(c)(3) and Sections 34179.5(c)(5) through 34179.5(c)(6) as it relates to the Low and Moderate Income Housing Fund of the Successor Agency. 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 identified below either for the purpose for which this report has been requested or for any other purpose.

The scope of this engagement was limited to performing the agreed-upon procedures as set forth in Attachment A, B and C. Attachment A also identifies the findings noted as a result of the procedures performed.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion as to the appropriateness of the results summarized in Attachment A. Accordingly, we do not express 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, and 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.

CROPPER ACCOUNTANCY CORPORATION
Certified Public Accountants

Walnut Creek, California
October 1, 2012

PROCEDURE REQUESTED	RESULTS/FINDING BASED ON PERFORMANCE OF THE PROCEDURE REQUESTED	ATTACHMENT /EXHIBIT
<p><i>CITATION</i></p> <p>34179.5(c)(1) <i>The dollar value of assets transferred from the former redevelopment agency to the successor agency on or about February 1, 2012</i></p> <p>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.</p>	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only.</p> <p>The City of Clayton transferred assets of \$10,116,824 at January 31, 2012. The fund equity totaled \$6,849,224, while liabilities were \$3,267,600. As part of the agreed upon procedures, these amounts were agreed to the City and Successor Agency records.</p> <p>Exhibit A - client listing of the outstanding balances was reconciled to the accounting records.</p>	<p>Attachment B Exhibit A</p>
<p><i>CITATION</i></p> <p>34179.5(c)(2) <i>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.</i></p>		

<p>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:</p>	<p>No report was known to be performed.</p>	
<p>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</p>	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only.</p> <p>Orally discussed transfers with client. There were 2011 transfers out of LMI fund for mistakes sent in error by the County to the RDA for election costs. The 2011 total was \$75,047.50 which was sent to the City general fund. In the last half of 2010 another \$75,047.50 was also remitted to the City general fund.</p> <p>There were no enforceable obligations transferred out of the LMI fund</p>	
<p>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.</p>	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only.</p> <p>Orally discussed transfers with client. There was one \$50,000 transfer made to the general fund for this period relating to Successor Agency functions.</p> <p>There were no enforceable obligations transferred out of the LMI fund.</p>	

<p>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.</p>	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only. Not applicable as there were no enforceable obligations.</p>
<p><i>CITATION</i></p> <p><i>34179.5(c)(3) 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 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.</i></p>	<p>No report was known to be performed.</p>
<p>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:</p>	

<p>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.</p>	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only.</p> <p>Not applicable. No transfers to private parties or other public agencies were made.</p>	
<p>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.</p>	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only.</p> <p>Not applicable. No transfers to private parties or other public agencies were made.</p>	
<p>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.</p>	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only.</p> <p>Not applicable. No enforceable obligations were noted.</p>	

<p><i>CITATION</i></p> <p>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.</p>		
<p>4. Perform the following procedures:</p> <p>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.</p> <p>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.</p>	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only</p> <p>Obtained trial balances and detailed general ledgers for the applicable periods. Agreed accounting records to financial statements as applicable.</p> <p>See attachment B for fiscal periods requested.</p> <p>There are no capital assets or long-term liabilities in the LMI fund.</p>	<p>Attachment B</p>
<p>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.</p>	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only.</p> <p>Equity roll forwards were performed.</p>	<p>Attachment B</p>

<p>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.</p> <p>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.</p>	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only. Agreed state controllers reports to the periods shown.</p> <p>Reviewed the Low to Moderate Income Housing Fund (LMI) only. Agreed comparative totals to general ledger detail and other documentation as appropriate.</p>	<p>Attachment B</p>
<p><i>CITATION</i></p> <p><i>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:</i></p> <p><i>(A) A statement of the total value of each fund as of June 30, 2012.</i></p>		

<p>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.</p>	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only.</p> <p>Exhibit A as submitted to the Department of Finance differs from the accounting record's notes receivable of \$4,160,650 is as follows:</p> <p>1-Diamond Terrace is \$3,606,200 on the Exhibit A versus \$3,406,200 on the general ledger or a difference of \$200,000. This difference is related to a subsequent principal payment of \$200,000 at June 30, 2012.</p> <p>2-Eden Housing's \$567,000 agrees to the both Exhibit A and the general ledger.</p> <p>3- Stranahan Circle (13 properties on Exhibit A) differ on the current outstanding loan balances. Exhibit A lists \$2,177,806 in loan balances while the accounting records reflect \$187,450. The large difference is due to a complex shared equity agreement where the LMI fund would have the first option to purchase properties at market and sell to buyers below market. The auditors wrote this down to a net realizable value in 2010.</p>	<p>Attachment B Exhibit A</p>
<p><i>CITATION</i></p> <p>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.</p>		

<p>6. Obtain from the Successor Agency a listing of asset balances held on June 30, 2012 that are restricted for the following purposes:</p>		
<p>A. Unspent bond proceeds:</p> <ul style="list-style-type: none"> 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. 	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only.</p> <p>Not applicable – no unspent bond proceeds.</p>	

<p>B. Grant proceeds and program income that are restricted by third parties:</p> <ul style="list-style-type: none"> 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. 	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only.</p> <p>Not applicable – no grant proceeds or program income</p>
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<p>C. Other assets considered to be legally restricted:</p> <ul style="list-style-type: none"> 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. 	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only.</p> <p>Not applicable – no other assets that are legally restricted</p>
<p>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.</p>	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only.</p> <p>Not applicable</p>

<p>CITATION</p> <p>34179.5(c)(5)(C) <i>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.</i></p>	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only.</p> <p>The following are based on various agreements totaling \$4,753,062 in non-liquid assets:</p> <p>1-Stranahan Circle-The booked \$187,450 is dependent on a number of factors including how long the owner keeps the property. This number cannot be determined, only estimated. The received portion will not be restricted after it settles which could be up to 45 years.</p> <p>2-Diamond Terrace- There is a \$500,000 forgiveness of debt attached to the note receivable of \$3,406,200. In addition the not is subject to annual \$200,000 subsidy payment with the last \$200,000 payment to be made in fiscal 2013.</p> <p>3- Eden Housing - \$567,000 loan to Eden.</p> <p>4-SERAF- This is a state borrowing of \$592,412. No known restrictions.</p>
<p>7. Perform the following procedures:</p> <p>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.</p>	<p>Exhibit A</p>

<p>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.</p>	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only. Amounts were tied to the 2010 audited financial statements.</p>	
<p>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.</p>	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only. Not applicable – no disposals in fiscal 2012</p>	
<p>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.</p>	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only. No evidence available to estimate market value other than the original notes.</p>	

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.

8. Perform the following procedures:

<p>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.</p> <ol style="list-style-type: none"> 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. 	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only</p> <p>Asset restrictions apply to Diamond Terraces' \$200,000 for the annual subsidy ending in 2012.</p> <p>Diamond Terrace - Exhibit A has an outstanding asset balance of \$3,406,200, at June 30, 2012. This note receivable is related to the deferred revenue account.</p> <p>Compared the ROPS II schedule and noted the Diamond Terrace investors are due \$200,000 in December of 2012.</p> <p>Compared the information on the schedule to legal documents. Noted no legal restrictions other than the \$200,000.</p> <p>Compared the current balances to the amounts on the accounting records. The only deviation was the net realizable value on the Stranahan Circle properties. Eden and Diamond Terrace can be reconciled to books.</p> <p>Compared the ROPS III schedule and noted the SERAF payment of \$592,412 which will be received by LMI.</p> <p>Noted no enforceable obligations where there was not a legal document as back up.</p>	<p>Exhibit A Exhibits 1, 2, 3</p>
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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.

Reviewed the Low to Moderate Income Housing Fund (LMI) only.

Compared enforceable obligations to ROPS II on Exhibit D.

Future revenues combined with dedicated balances appear to be sufficient to cover future obligations with the exception of the \$200,000 ROPS payment to Diamond Terrace Investors estimated to be distributed in December of 2012.

Compared DOF letter to ROPS schedule for June 30, 2012 and December 31, 2012.

Compared the annual spending on the ROPS. No key assumptions are needed to forecast.

Exhibit 1

<p>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.</p> <ol style="list-style-type: none"> 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. 	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only.</p> <p>Not applicable-no bond payments are noted in the LMI fund.</p>
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<p>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.</p> <ul style="list-style-type: none"> 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. 	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only.</p> <p>Dedicated or restricted balances of \$200,000 are needed for December 2012.</p>	
<p>CITATION</p> <p>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.</p>		

<p>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.</p>	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only.</p> <p>Not applicable.</p>	<p>Exhibit C</p>
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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.

34179.5

<p>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).</p>	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only.</p> <p>See exhibit C for Low to Moderate Income Housing Fund.</p>	<p>Exhibit C</p>
<p>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.</p>	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only.</p>	

Oversight Board of the Successor Agency
for the Redevelopment Agency of the City of Clayton
Low to Moderate Income Housing Fund (LMI)
Condensed Financial Statement Comparison

Attachment B

	Low to Moderate Income Housing Fund 12 Months Ended 6/30/2010	Low to Moderate Income Housing Fund 12 Months Ended 6/30/2011	Low to Moderate Income Housing Fund 7 Months Ended 1/31/2012	Fiduciary Successor Agency 5 Months Ended 6/30/2012
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
SERAF receivable	592,412	592,412	592,412	592,412
Notes receivable	3,883,450	4,022,050	3,960,650	4,160,650
Restricted Assets				
Low/Moderate Income Housing cash and investments	4,740,529	4,839,611	5,563,762	5,399,514
Total Assets	\$ 9,216,391	\$ 9,454,073	\$ 10,116,824	\$ 10,152,576
Liabilities				
Accounts payable	\$ 74	\$ 2,633	\$ -	\$ (559)
Deferred revenue	3,622,418	3,267,600	3,267,600	3,267,600
Total Liabilities	\$ 3,622,492	\$ 3,270,233	\$ 3,267,600	\$ 3,267,041
Equity				
Restricted for Low/moderate income housing	\$ 4,593,899	\$ 5,087,317	5,183,839	\$ 5,849,224
Undesignated for contingencies	1,000,000	1,000,000	1,000,000	1,000,000
Current period net income	-	36,523	665,385	36,311
Total Liabilities and Equity	\$ 5,593,899	\$ 6,183,840	\$ 6,849,224	\$ 6,885,535
Total Revenues:	\$ 1,271,322	\$ 1,359,644	\$ 608,122	\$ 88,860
Total Expenditures:	\$ 439,435	\$ 1,113,026	\$ 3,451	\$ 2,549
Total Transfers:	\$ (125,000)	\$ (150,095)	\$ 60,713	\$ (50,000)
Net change in equity	\$ 706,887	\$ 96,523	\$ 665,384	\$ 36,311
Beginning Equity:	\$ 4,887,012	\$ 6,087,317	\$ 6,183,840	\$ 6,849,224
Ending Equity:	\$ 5,593,899	\$ 6,183,840	\$ 6,849,224	\$ 6,885,535

* The fund balance rollforward contains an audit adjustment of 493,418 in 2011

Other Information (show year end balances for all three years presented):

Capital assets as of end of year	n/a	n/a	n/a	n/a
Long-term debt as of end of year	n/a	n/a	n/a	n/a

Oversight Board of the Successor Agency
for the Redevelopment Agency of the City of Clayton
Low to Moderate Income Housing Fund (LMI)
Summary of Available Balances

Attachment C

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)	\$10,152,576	Attachment B
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)	125,048	See 2A See 2B
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)	(4,753,062)	See 7A
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)	(200,000)	See 8A
Less balances needed to satisfy ROPS for the 2012-13 fiscal year (procedure 9)	-	LMI only
Less the amount of payments made on July 12, 2012 to the County Auditor-Controller as directed by the California Department of Finance	-	LMI only
Amount to be remitted to county for disbursement to taxing entities	<u>\$ 5,324,562</u>	

Note that separate computations are required for the Low and Moderate Income Housing Fund held by the Successor Agency and for all other funds held by the Successor Agency

NOTES: For each line shown above, an exhibit should be attached showing the composition of the summarized amount.

If the review finds that there are insufficient funds available to provide the full amount due, the cause of the insufficiency should be demonstrated in a separate schedule.

2nd RECOGNIZED OBLIGATION PAYMENT SCHEDULE

Per ABX126 - Section 34167 and 34169

Project Name / Debt Obligation	Payee	Description	Funding Source	Total Outstanding Debt or Obligation	Total Due During Fiscal Year	12/31/12											
						Payments by month											
						July	August	September	October	November	December	Total					
1) RDA contractual subsidy entered on 10/1/2001	Diamond Terrace Investors	Loan - Final Anniversary disbursement	RDA Retirement Trust	200,000.00	200,000.00							200,000.00	\$ 200,000.00				
2) 1996 Tax Allocation Bonds Series A	US Bank	Bonds issued to fund non-housing projects	RDA Retirement Trust	254,884.00	6,181.25		6,181.25					6,181.25	\$ 6,181.25				
3) 1998 Tax Allocation Bonds	US Bank	Bonds issued to fund non-housing projects	RDA Retirement Trust	6,655,883.00	516,140.00		401,360.00					401,360.00	\$ 401,360.00				
4) City Loan entered into on 8/17/1989	City of Clayton	Loan P & I on CCGC Fire Station Land*	RDA Retirement Trust	475,000.00	78,375.00							78,375.00	\$ 78,375.00				
5) City Loan entered into on 8/17/1989	City of Clayton	Loan for S.E.R.A.F. payment	RDA Retirement Trust	592,412.00	148,103.00		12,342.00					12,342.00	\$ 12,342.00				
6) Contract for Consulting Services	Thales Consulting	RDA State Controller's Report 2010/11-2011/12	RDA Retirement Trust	5,400.00	1,800.00		1,800.00					1,800.00	\$ 1,800.00				
7) Contract for Consulting Services	Cropper Accountancy	RDA Audit 2010-11-2011/12	RDA Retirement Trust	12,372.00	4,124.00		1,200.00					1,200.00	\$ 1,200.00				
8) Contract for Consulting Services	NBS Local Govt Solution	Arbitrage Reporting	RDA Retirement Trust	8,700.00	2,900.00		1,200.00					1,200.00	\$ 1,200.00				
9) Contract for Consulting Services	US Bank	Paying Agent Fee	RDA Retirement Trust	16,095.00	5,365.00							5,365.00	\$ 5,365.00				
10) Contract for Consulting Services	Raney Planning	Housing Element Implementation	RDA Retirement Trust	153,743.00	147,350.00		10,000.00					10,000.00	\$ 10,000.00				
11) Contract for Consulting Services	Gedenski Jansen/Turner/BBAK	Legal advice	RDA Retirement Trust	45,000.00	15,000.00		2,000.00					2,000.00	\$ 2,000.00				
12) Successor Agency Functions	City of Clayton	Expenses for Successor Agency operations	RDA Retirement Trust	750,000.00	250,000.00		20,833.00					20,833.00	\$ 20,833.00				
13) Section 33676 Payments	Comm College	Payments per former CRL 33676	RDA Retirement Trust	129,754.00	38,235.00		(19,084.00)					20,833.00	\$ 20,833.00				
14) Section 33676 Payments	County Supt Schools	Payments per former CRL 33676	RDA Retirement Trust	27,033.00	7,655.88		(3,974.00)					20,833.00	\$ 20,833.00				
15) Section 33676 Payments	County Res Consv	Payments per former CRL 33676	RDA Retirement Trust	455.52	146.84							146.84	\$ 146.84				
16) Section 33676 Payments	City of Clayton	Payments per former CRL 33676	RDA Retirement Trust	189,287.06	72,600.00							72,600.00	\$ 72,600.00				
17) Section 33676 Payments	County	Payments per former CRL 33676	RDA Retirement Trust	2,416,372.08	1,082,069.80		(232,236.00)					1,082,069.80	\$ 1,082,069.80				
18) Pass Through Agreement	Flood Control Dist	Payments per former CRL 33676	RDA Retirement Trust	5,200.00	2,193.33							2,193.33	\$ 2,193.33				
19) Pass Through Agreement	Library	Payments per former CRL 33401	RDA Retirement Trust	244,284.00	87,364.00							87,364.00	\$ 87,364.00				
20) Pass Through Agreement	County Fire	Payments per former CRL 33401	RDA Retirement Trust	373,707.00	157,609.00							157,609.00	\$ 157,609.00				
21) Pass Through Agreement	County	Payments per former CRL 33401	RDA Retirement Trust	498,184.00	(181,924.00)							(181,924.00)	\$ (181,924.00)				
22) City Loan entered into on 2/18/2010	City of Clayton	2% Election payments per Section 33676	RDA Retirement Trust	376,423.98	125,475.00		10,456.00					10,456.00	\$ 10,456.00				
23) Statutory Payments	County	Property Tax Administrative Cost	RDA Retirement Trust	106,000.00	0.00							10,456.00	\$ 10,456.00				
Totals				\$ 13,545,801.1	\$ 2,994,152.1	\$ (249,948)	\$ 464,372	\$ 55,631	\$ 55,631	\$ 86,831	\$ 255,634	\$ 638,151.25					

RECOGNIZED OBLIGATION PAYMENT SCHEDULE (ROPS III)
January 1, 2013 through June 30, 2013

Item #	Project Name / Debt Obligation	Contract/Agreement Execution Date	Contract/Agreement Termination Date	Payee	Description/Project Scope	Project Area	Total Outstanding Debt or Obligation	Total Due During Fiscal Year 2012-13	Funding Source				Six-Month Total	
									LMHE	Bond Proceeds	Reserve Balance	Admin Allowance		RPTTF
1	1988 Tax Allocation Bonds Series A	11/15/1988	8/1/2020	US Bank	Bonds issued to fund non-housing projects	AI	\$ 7,988,337.25	\$ 114,892.35	\$ 6,181.25	\$ 288,378.25	\$ -	\$ -	\$ -	\$ 414,892.35
2	1989 Tax Allocation Bonds	8/15/1989	8/1/2024	US Bank	Bonds issued to fund non-housing projects	AI	\$ 2,254,452.50	\$ 114,760.00	\$ 6,181.25	\$ -	\$ -	\$ -	\$ -	\$ 14,760.00
3	City Loan entered into on 3/13/10	6/18/2010	none	Successor Agency LM Fund	Inter-loan for SERAF payment to State of CA	AI	\$ 892,412.00	\$ 74,650.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 74,650.00
4	Contract for Consulting Services	1/17/1996	8/31/2024	US Bank	Payroll Agent Fees	AI	\$ 18,095.00	\$ 5,385.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,385.00
5	Contract for Consulting Services	2/17/2011/3/11/1984	none	Goldilocks & Lipman/BBKrejar	Legal Advice	AI	\$ 30,500.00	\$ 3,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,000.00
6	Successor Agency Functions	none	none	City of Clayton	Expenses for Successor Agency Operation	AI	\$ 625,002.00	\$ 125,002.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 125,002.00
7	Contract for Consulting Services	2/22/2011	none	Ramesh Planning	Housing Element Implementation	AI	\$ 22,892.10	\$ 22,892.10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,892.10
8	Statutory Payments	none	none	Contra Costa County	Property Tax Administration Fees	AI	\$ 105,000.00	\$ 53,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,000.00
9	Statutory Payments	3/22/2010	none	Cropper Accountancy	Required Due Diligence Review	AI	\$ 10,000.00	\$ 10,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,000.00
10	Contract for Consulting Services													
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Exhibit A - Real Property

City of Clayton
Inventory of Assets Received Pursuant to Health and Safety Code section 34176 (a) (2)

Item #	Type of Asset	Legal Title and Address	Carrying Value of Asset	Total square footage reserved for low/mod housing	Square footage reserved for low/mod housing	Is the property encumbered by a low/mod housing covenant?	Source of low/mod housing covenant by Agency	Date of transfer to Housing Successor Agency	Collateral or security with Low/Mod Housing Fund	Contribution or acquisition with other RDA funds	Construction or acquisition costs funded with RDA	Date of completion of acquisition	Information on real property (option to purchase, sublease, etc.)
1	LMI Senior Rental Housing	APN 119-580-020 6401 Center Street	n/a	74,716	74,716	yes	CA Redev Law	1-Feb-12	\$4,036,000	n/a	n/a	2001-2002	subordinated deed of trust
2	LMI Disabled Persons Rental Housing	APN 119-031-055 1732 Kifer Pass Road	n/a	12,641	12,641	yes	CA Redev Law	1-Feb-12	\$567,000	n/a	n/a	1993	subordinated deed of trust
3	LMI Affordable Ownership Housing	APN 119-620-048 245 Stranahan Circle	n/a	1,663	1,663	yes	CA Redev Law	1-Feb-12	\$35,000	n/a	n/a	1995	repurchase option
4	LMI Affordable Ownership Housing	APN 119-620-038 274 Stranahan Circle	n/a	1,663	1,663	yes	CA Redev Law	1-Feb-12	\$27,000	n/a	n/a	1996/2006	repurchase option
5	LMI Affordable Ownership Housing	APN 119-620-007 212 Stranahan Circle	n/a	1,339	1,339	yes	CA Redev Law	1-Feb-12	\$35,000	n/a	n/a	1996	repurchase option
6	LMI Affordable Ownership Housing	APN 119-620-040 278 Stranahan Circle	n/a	1,663	1,663	yes	CA Redev Law	1-Feb-12	\$308,500	n/a	n/a	1996/2010	repurchase option
7	LMI Affordable Ownership Housing	APN 119-620-002 202 Stranahan Circle	n/a	1,650	1,650	yes	CA Redev Law	1-Feb-12	\$26,900	n/a	n/a	1996	repurchase option
8	LMI Affordable Ownership Housing	APN 119-620-008 214 Stranahan Circle	n/a	1,650	1,650	yes	CA Redev Law	1-Feb-12	\$23,350	n/a	n/a	1996	repurchase option
9	LMI Affordable Ownership Housing	APN 119-620-012 222 Stranahan Circle	n/a	1,650	1,650	yes	CA Redev Law	1-Feb-12	\$32,855	n/a	n/a	1996	repurchase option
10	LMI Affordable Ownership Housing	APN 119-620-033 264 Stranahan Circle	n/a	1,339	1,339	yes	CA Redev Law	1-Feb-12	\$35,000	n/a	n/a	1996	repurchase option
11	LMI Affordable Ownership Housing	APN 119-620-006 210 Stranahan Circle	n/a	1,663	1,663	yes	CA Redev Law	1-Feb-12	\$29,450	n/a	n/a	1996	repurchase option
12	LMI Affordable Ownership Housing	APN 119-620-041 280 Stranahan Circle	n/a	1,650	1,650	yes	CA Redev Law	1-Feb-12	\$202,000	n/a	n/a	1996/2009	repurchase option
13	LMI Affordable Ownership Housing	APN 119-620-001 200 Stranahan Circle	n/a	1,339	1,339	yes	CA Redev Law	1-Feb-12	\$35,000	n/a	n/a	1996	repurchase option
14	LMI Affordable Ownership Housing	APN 119-620-003 204 Stranahan Circle	n/a	1,663	1,663	yes	CA Redev Law	1-Feb-12	\$30,650	n/a	n/a	1996	repurchase option
15	LMI Affordable Ownership Housing	APN 119-620-042 282 Stranahan Circle	n/a	1,339	1,339	yes	CA Redev Law	1-Feb-12	\$18,300	n/a	n/a	1996	repurchase option
16	LMI Affordable Ownership Housing	APN 119-620-039 278 Stranahan Circle	n/a	1,650	1,650	yes	CA Redev Law	1-Feb-12	\$177,700	n/a	n/a	1996/2007	repurchase option
17	LMI Affordable Ownership Housing	APN 119-620-035 268 Stranahan Circle	n/a	1,361	1,361	yes	CA Redev Law	1-Feb-12	\$352,000	n/a	n/a	1996/2011	repurchase option
18	LMI Affordable Ownership Housing	APN 119-620-005 208 Stranahan Circle	n/a	1,650	1,650	yes	CA Redev Law	1-Feb-12	\$274,400	n/a	n/a	1996/2010	repurchase option
19	LMI Affordable Ownership Housing	APN 119-620-037 272 Stranahan Circle	n/a	1,650	1,650	yes	CA Redev Law	1-Feb-12	\$250,000	n/a	n/a	1996/2010	repurchase option
20	LMI Affordable Ownership Housing	APN 119-620-034 266 Stranahan Circle	n/a	1,663	1,663	yes	CA Redev Law	1-Feb-12	\$20,490	n/a	n/a	1996	repurchase option
21	LMI Affordable Ownership Housing	APN 118-410-046 1177 Shell Lane	n/a	1,355	1,355	yes	CA Redev Law	1-Feb-12	\$0	n/a	n/a	1994/2003	repurchase option
22	LMI Affordable Ownership Housing	APN 119-242-009 6 Clark Creek Circle	n/a	1,457	1,457	yes	CA Redev Law	1-Feb-12	\$0	n/a	n/a	1977/2003	repurchase option
23	LMI Affordable Ownership Housing	APN 119-232-031 21 Long Creek Circle	n/a	1,378	1,378	yes	CA Redev Law	1-Feb-12	\$0	n/a	n/a	1973/2006	repurchase option
24	LMI Affordable Ownership Housing	APN 119-242-016 6 Clark Creek Circle	n/a	1,050	1,050	yes	CA Redev Law	1-Feb-12	\$0	n/a	n/a	1977/2012	repurchase option

a) The City does not own any of the Real Property shown in Exhibit A; the City interest is related to the covenant terms.

The City of Clayton notes that because of the somewhat redundant definitions of "Housing Assets" in Health and Safety Code Section 34176 et. seq., all assets and any relevant information included in Exhibit D "Loans/Grants" that also meet the definition of "Real Property" are hereby also includable in Exhibit A.

Note 1: For the ownership housing the City has the first right of refusal to buy at Fair Market or equity starting prices per the covenant at time of sale; when sold the borrower will receive only the percentage of the appreciation as defined by the promissory noteowner; there is a restricted future maximum sales price.

Note 2: All properties allows the Clayton Redevelopment Agency - (the City of Clayton Successor Housing Agency) the right but not the obligation to consider purchase of the unit under the same terms.

Note 3: For 25 year forgivable loans interest rate at 5% for first 10 years then -10% for next 15 years - therefore loan zeros out /no balance due /is: foregone after 25 years; the loans are also subordinate to the primary loan on the property

Note 4: For 45 year equity sharing - equity appreciation/resale price to the homebuyer, equity sharing with the Clayton Redevelopment Agency - (Successor Housing Agency), requires any resale to be to an affordable income qualified homebuyer, and allows the Clayton Redevelopment Agency-(Successor Housing Agency) the right but not the obligation to consider purchase of the unit under the same terms.

Note 5: Even if loan prepaid, the restricted covenant for affordable ownership continues for any future resale continues forward for the term of the restricted covenant.

a/ Asset types may include low/mod housing, mixed-income housing, low/mod housing with commercial space, mixed-income housing with commercial space.
b/ May include California Redevelopment Law, tax credits, state bond indentures, and federal funds requirements.



COMMUNITY
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ENGINEERING (925) 363-7433

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City Council
HOWARD GELLER, MAYOR
JOSEPH A. MEDRANO, VICE MAYOR
JULIE K. PIERCE
DAVID T. SHUEY
HANK STRATFORD

Cropper Accountancy Corporation
2700 Ignacio Valley Road, Suite 230
Walnut Creek, California 94598

Date: _____, 2012

We are providing this letter in connection with the *Independent Accountants' Report on Agreed-Upon-Procedures (AUP)* with respect to HSC Section 34179.5 (c) (1)-(6) as required by the Department of Finance of the State of California's Due Diligence Review of the Redevelopment Agency of the City of Clayton (Dissolved Agency) Low to Moderate Housing Fund.

We confirm, to the best of our knowledge and belief, as of October 1, 2012, the following representations made to you during your Agreed-Upon-Procedures.

- 1) Management acknowledges their responsibility for the data provided to us and the data presented in the report or in any attachments and schedules to the Agreed Upon Procedures Report.
- 2) Furthermore, management acknowledges that they are 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.
- 3) We have made available to you all—
 - a) Financial records and related data [as well as any relevant monitoring reports, if any, received from authoritative sources].
 - b) Minutes of the meetings of the Oversight Board of the Successor Agency to the Clayton Redevelopment Agency or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 4) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, the handling of the dissolved agency that have not been disclosed to the auditor.
- 5) There are no material transactions that have not been properly recorded in the accounting records.
- 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) The following, if any, have been properly recorded or disclosed:
 - a) Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - b) Guarantees, whether written or oral, under which the Successor Agency is contingently liable.
- 8) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we

believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the AUP objectives, including legal and contractual provisions for reporting specific activities in separate funds.

- 9) There are no—
 - a) Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
 - b) Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with generally accepted accounting principles.
 - c) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by generally accepted accounting principles.
- 10) As part of your AUP, you assisted with preparation of the report and related notes [and applicable schedule]. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those Agreed-Upon-Procedures and related notes.
- 11) The Oversight Board of the Successor Agency has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 12) The Oversight Board of the Successor Agency has complied with all aspects of contractual agreements that would have a material effect on the AUP Report in the event of noncompliance.
- 13) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- 14) Interfold, internal, and intra-entity activity and balances have been appropriately classified and reported.

Signed: _____

Dan Richardson

Merry Pelletier

Title: Oversight Board Chair,
Clayton Successor Agency

Finance Manager, City of Clayton
Successor Agency Oversight Board

Attest: _____

Laura Hoffmeister
Secretary, City of Clayton
Clerk/Secretary
Successor Agency Oversight Board