

# AGENDA

Special Meeting of the  
**Oversight Board for the  
Successor Agency of the  
Scotts Valley Redevelopment Agency**

1 Civic Center Drive  
Scotts Valley, CA 95066  
(831) 440-5600

**Date: January 15, 2013**  
**Time: 3:00 p.m.**

**MEETING LOCATION**

Scotts Valley City Council Chambers  
1 Civic Center Drive  
Scotts Valley, CA 95066

**POSTING**

The agenda was posted 1-14-13 at City Hall,  
Scotts Valley Senior Center, Scotts Valley  
Library and on the Internet at  
[www.scottsvalley.org](http://www.scottsvalley.org).

**OVERSIGHT BOARD MEMBERS**

Dene Bustichi, Scotts Valley City Council  
Rudy Cabigas, Scotts Valley Fire Protection District  
Vickie Clark, Scotts Valley Unified School District  
Jack Dilles, Scotts Valley Community Member  
Corrie Kates, City of Scotts Valley, Community  
Development Director/Deputy City Manager  
Bruce McPherson, Santa Cruz County Board of Supervisors  
Donna Ziel, Cabrillo Community College Governing Bd

**SUCCESSOR AGENCY STAFF**

Steve Ando, Executive Director  
Tracy Ferrara, Secretary  
Kirsten Powell, Counsel  
Ken Anderson, Public Works Director  
Michelle Fodge, Senior Planner

**Agenda and Agenda Packet Materials:**

The Oversight Board for the Successor Agency of the Scotts Valley Redevelopment Agency agenda and the complete agenda packet are available for review by 5:00 pm, 72 hours prior to the meeting, on the Internet at the City's website: [www.scottsvalley.org](http://www.scottsvalley.org) and in the lobby of City Hall at 1 Civic Center Drive, Scotts Valley, CA. Pursuant to Government Code §54957.5, materials related to an agenda item, submitted after distribution of the agenda packet, are available for public inspection in the lobby of City Hall during normal business hours, Monday-Friday, 8am-12 pm and 1-5 pm. In accordance with AB 1344, such documents will be posted on the City's website at [www.scottsvalley.org](http://www.scottsvalley.org).

**CALL TO ORDER**                      3:00 p.m.

**ROLL CALL**

**PUBLIC COMMENT TIME**

(This is the opportunity for individuals to make and/or submit written or oral comments to the Board on any items within the purview of the Board, which are **NOT** part of the Agenda. No action on the item may be taken, but the Board may request the matter be placed on a future agenda.)

**ALTERATIONS TO CONSENT AGENDA**

(Board can remove or add items to the Consent Agenda.)

**CONSENT AGENDA**

(The Consent Agenda is comprised of items which appear to be non-controversial. Persons wishing to speak on any item may do so by raising their hand to be recognized by the Chair.)

- A. Approve Oversight Board meeting minutes of 10-10-12

**ALTERATIONS TO REGULAR AGENDA**

(Board can remove or add items to the Regular Agenda.)

**REGULAR AGENDA**

(Persons wishing to speak on any item may do so by raising their hand to be recognized by the Chair.)

1. Consideration and approval of Due Diligence Review Report – Other Than Low/Moderate Income Housing Funds (Resolution No. OB-8)
2. Consideration and approval of Revised Due Diligence Review Report for Low and Moderate Income Housing Funds (Resolution No. OB-7.1)
3. Future Board agenda items  
(This portion of the Regular Agenda allows the Successor Agency to determine items to be placed on a future agenda and to choose a date, if so desired.)

**ADJOURNMENT**

The Oversight Board for the Successor Agency of the Scotts Valley Redevelopment Agency does not discriminate against persons with disabilities. The Scotts Valley City Council Chambers is an accessible facility. If you wish to attend a Board meeting and require assistance such as sign language, a translator, or other special assistance or devices in order to attend and participate at the meeting, please call the Secretary's office at (831) 440-5602 five to seven days in advance of the meeting to make arrangements for assistance. If you require the agenda of a Board meeting be available in an alternative format consistent with a specific disability, please call the Secretary's Office. The California State Relay Service (TDD to voice: 1-800-735-2929, voice to TDD: 1-800-735-2922), provides Telecommunications Devices for the Deaf and will provide a link between the TDD caller and users of telephone equipment.

## ***PROCEDURAL INFORMATION FOR THE PUBLIC***

### **THE FOLLOWING IS THE PROCEDURE BOARD SHOULD TAKE IN APPROVAL OF A RESOLUTION:**

1. Move the Resolution number for approval.
2. Second the motion.
3. Vote by body, a roll call vote is not required.

### **THE FOLLOWING IS THE PROCEDURE BOARD SHOULD TAKE IN INTRODUCTION/ADOPTION OF AN ORDINANCE:**

1. Move the Ordinance number for introduction (or adoption).
2. Move the Ordinance be introduced by title only and waive the reading of the text.
3. Read the Ordinance title.
4. Second the motion.
5. Vote by body, a roll call vote is not required.

### **THE FOLLOWING IS THE PROCEDURE BOARD SHOULD TAKE IN PUBLIC COMMENT/PUBLIC HEARINGS:**

Unless otherwise determined by the presiding officer of the meeting:

1. Three minutes allowed per individual to speak.
2. Five minutes allowed per individual representing a group of three or more.



The Oversight Board for the Successor Agency of the Scotts Valley Redevelopment Agency does not discriminate against persons with disabilities. The Scotts Valley City Council Chambers is an accessible facility. If you wish to attend a Board meeting and require assistance such as sign language, a translator, or other special assistance or devices in order to attend and participate at the meeting, please call the Secretary's office at (831) 440-5602 five to seven days in advance of the meeting to make arrangements for assistance. If you require the agenda of a Board meeting be available in an alternative format consistent with a specific disability, please call the Secretary's Office. The California State Relay Service (TDD to voice: 1-800-735-2929, voice to TDD: 1-800-735-2922), provides Telecommunications Devices for the Deaf and will provide a link between the TDD caller and users of telephone equipment.

# MINUTES

## Meeting of the Oversight Board for the Successor Agency of the Scotts Valley Redevelopment Agency

**Date: October 10, 2012**

**POSTING:**

The agenda was posted on 10-5-12  
at City Hall, the SV Senior Center, and  
the SV Library, by the City Clerk.

---

---

**CALL TO ORDER**                      3:00 p.m.

**ROLL CALL**

Board Members:

Dene Bustichi, Scotts Valley City Council  
Rudy Cabigas, Scotts Valley Fire Protection District  
Vickie Clark, Scotts Valley Unified School District  
Jack Dilles, Scotts Valley Community Member  
Corrie Kates, City of Scotts Valley, Community  
Development Director/Deputy City Manager  
John Leopold, Santa Cruz County Board of Supervisors  
Donna Ziel, Cabrillo Community College Governing Bd

Successor Agency Staff:

Steve Ando, Executive Director  
Tracy Ferrara, Secretary  
Kirsten Powell, Counsel  
Ken Anderson, Public Works Director  
Michelle Fodge, Senior Planner

**PUBLIC COMMENT**

None.

**ALTERATIONS TO  
CONSENT AGENDA**

***M/S: Dilles/Leopold  
To approve the Consent Agenda.  
Carried 5/0***

**Consent Agenda:**

A. Approve Oversight Board meeting minutes of 9-26-12, 4-26-12

**ALTERATIONS TO  
REGULAR AGENDA**

***M/S: Dilles/Kates***

***To approve the Regular Agenda.***

***Carried 5/0***

**REGULAR AGENDA**

1. **Consideration of Resolution No. OB-7 approving the due diligence review of the low and moderate income housing fund conducted pursuant to Healthy and Safety Code Section 34179.5 and taking certain other actions in connection therewith**

ED Ando presented the written staff report and responded to questions from the Board.

***M/S: Leopold/Ziel***

***To approve Resolution No. OB-7 a resolution of the Oversight Board for the Successor Agency of the Scotts Valley Redevelopment Agency approving the due diligence review of the low and moderate income housing fund conducted pursuant to Healthy and Safety Code Section 34179.5 and taking certain other actions in connection therewith.***

***Carried 7/0***

2. **Future Board agenda items**

None.

**ADJOURNMENT**

The meeting adjourned at 3:06 p.m.

Approved: \_\_\_\_\_

Dene Bustichi, Chair

Attest: \_\_\_\_\_

Tracy A. Ferrara, Secretary

# Scotts Valley Redevelopment Successor Agency MEMORANDUM

**DATE:** January 15, 2013  
**TO:** Honorable Chair and Oversight Board Members  
**FROM:** Steve Ando, Executive Director   
**SUBJECT:** Consideration and Approval of Due Diligence Review Report – Other Than Low/Moderate Income Housing Funds

**SUMMARY OF ISSUE**

Health and Safety Code Section 34179.5 requires successor agencies to employ a licensed accountant to conduct due diligence reviews to determine the “unobligated cash balances” in the various funds available to transfer to the taxing agencies. The report for the “other than low/moderate income housing funds” is attached for the consideration and approval by the Oversight Board. The Oversight Board held a meeting on December 19, 2012, to provide a public comment session for this report. There were no comments from the public at that meeting.

As required by law, a minimum of five days has passed prior to the Oversight Board meeting to consider and approve this due diligence review report. Once the report is approved by the Oversight Board, it will be sent to the State Department of Finance (DOF) by the January 15 deadline.

The report for the Board’s approval has changed from the December 19 report. The original report showed a cash balance of \$214,863 which was to be used for payment of enforceable obligations on the Successor Agency’s Recognized Obligation Payment Schedule (ROPS). The revised report attached for your approval at this meeting has a cash deficit. When the original report was prepared, certain accounting journal entries related to recording wire transfer bond payments had not been recorded. Once these bond payments were recorded, the cash balance fell to a deficit position. The Successor Agency will be requesting a loan from the City which will come to the Oversight Board at a later date for approval as well.

After the report has been transmitted, the DOF has until April 1, 2013, to complete its review of the report and to issue findings, determinations, or other decisions, if any. The Successor Agency has until April 6, to request a meet and confer with the DOF to resolve any disputes. The DOF must confirm or modify its position within 30 days.

**FISCAL IMPACT**

There are no funds available for distribution to the taxing entities.

**STAFF RECOMMENDATION**

That the Oversight Board approve Resolution OB-8.

**TABLE OF CONTENTS**

	<b><u>PAGE</u></b>
Resolution OB-8.....	2
Due Diligence Review Report – Other Than Low/Moderate Income Funds.....	5

**RESOLUTION NO. OB-8**

**A RESOLUTION OF THE OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY APPROVING THE DUE DILIGENCE REVIEW FOR FUND AND ACCOUNT BALANCES OF THE FORMER SCOTTS VALLEY REDEVELOPMENT AGENCY CONDUCTED PURSUANT TO HEALTH AND SAFETY CODE SECTION 34179.5 AND TAKING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH**

**RECITALS:**

A. Pursuant to Health and Safety Code Section 34175(b) and the California Supreme Court's decision in *California Redevelopment Association, et al. v. Ana Matosantos, et al.* (53 Cal.4th 231(2011)), on February 1, 2012, all assets, properties, contracts, leases, books and records, buildings, and equipment of the former Scotts Valley Redevelopment Agency transferred to the control of the Successor Agency of the Scotts Valley Redevelopment Agency (the "Successor Agency") by operation of law.

B. Health and Safety Code Section 34179.5 requires the Successor Agency to employ a licensed accountant, approved by the county auditor-controller, to conduct a due diligence review to determine the unobligated balances available for transfer to taxing entities.

C. Pursuant to Health and Safety Code Section 34179.6, on October 10, 2012, the Oversight Board of the Successor Agency (the "Oversight Board") approved the results of the due diligence review conducted pursuant to Section 34179.5 for the Low and Moderate Income Housing Fund (the "LMIHF") and specifically the amount of cash and cash equivalents determined to be available for allocation to taxing entities.

D. Health and Safety Code Section 34179.6 also requires the Successor Agency to submit to the Oversight Board for the Oversight Board's review and approval the results of the due diligence review conducted pursuant to Section 34179.5 for all other fund and account balances of the former Scotts Valley Redevelopment Agency, excluding the LMIHF, and specifically the amount of cash and cash equivalents determined to be available for allocation to taxing entities (the "Other Funds DDR").

E. Pursuant to Health and Safety Code Sections 34179.6 and 34180(j), the Successor Agency submitted to the Oversight Board, the county administrative officer, the county auditor-controller, the State Controller and the Department of Finance ("DOF") the Other Funds DDR and a copy of the Recognized Obligation Payment Schedule ("ROPS").

F. Pursuant to Health and Safety Code Section 34179.6(b), upon receipt of the Other Funds DDR, and at least five business days before the Oversight Board considers the approval of the Other Funds DDR, the Oversight Board must hold a public comment session (the "Public Comment Session") at which time the public has an opportunity to hear and be heard on the results of the Other Funds DDR and at which time the Oversight Board shall consider the opinions, if any, offered by the county auditor-controller on the results of the Other Funds DDR.

G. On December 19, 2012, the Oversight Board held the Public Comment Session pursuant to Health and Safety Code Section 34179.6 (b).

H. Pursuant to Health and Safety Code Section 34179.6(c), the Oversight Board must review, approve and transmit to DOF and the county auditor-controller, the determination of the amount of cash and cash equivalents available for disbursement to taxing entities as determined according to the method provided in Section 34179.5. Section 34179.6 (c) provides that the Oversight Board may adjust any amount provided in the Other Funds DDR to reflect additional information and analysis.

I. Section 34179.6(c) empowers the Oversight Board to authorize the Successor Agency to retain assets or funds identified in subparagraphs (B) to (E), inclusive, of paragraph (5) of subdivision(c) of Section 34179.5. If the Oversight Board makes this authorization, the Oversight Board must identify to DOF the amount of funds authorized for retention, the source of those funds, and the purposes for which those funds are being retained. The determination and authorization to retain funds and assets shall be subject to the review and approval of DOF pursuant to Health and Safety Code Section 34179.6(d).

J. Pursuant to Health and Safety Code Section 34179.6(c), the Oversight Board desires to approve the Other Funds DDR and to authorize the Successor Agency to retain the assets and funds, if any, identified pursuant to subparagraphs (B) to (E), inclusive, of paragraph (5) of subdivision(c) of Section 34179.5, as documented in the Other Funds DDR.

**NOW, THEREFORE, THE OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY HEREBY FINDS, DETERMINES, RESOLVES, AND ORDERS AS FOLLOWS:**

Section 1. The above recitals are true and correct and are a substantive part of this Resolution.

Section 2. This Resolution is adopted pursuant to Health and Safety Code Section 34179.6(c).

Section 3. The Oversight Board hereby approves the Other Funds DDR as presented and on file with the Secretary.

Section 4. The staff of the Successor Agency is hereby directed to transmit to DOF and the county auditor-controller written notice and information regarding the actions taken by this Resolution and specifically the determination of the amount of cash and cash equivalents that are available for disbursement to taxing entities as determined according to the method provided in Health and Safety Code Section 34179.5. Such notice to DOF shall be provided by electronic means and in a manner of DOF's choosing.

Section 5. The staff and the Board of the Successor Agency are hereby authorized and directed, jointly and severally, to execute such documents and instruments and to do any and all other things which they may deem necessary or advisable to effectuate this Resolution and any such actions previously taken are hereby ratified.

**PASSED AND ADOPTED** this 15th day of January 2013.

\_\_\_\_\_  
Dene Bustichi, Chair

ATTEST:

\_\_\_\_\_  
Tracy A. Ferrara, Secretary



# C. G. UHLENBERG LLP

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

The California Department of Finance and the Successor Agency of the Scotts Valley  
Redevelopment Agency, Scotts Valley:

We have performed the agreed-upon procedures enumerated in Attachment A, which was agreed to by the California Department of Finance and the Successor Agency of the Scotts Valley redevelopment Agency ("Successor Agency"), solely to comply with statutory requirements pursuant to Health and Safety Code section 34179.5(c). Management of the successor agency is responsible for the accounting records pertaining to statutory compliance pursuant to Health and Safety Code section 34179.5(c). This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described 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 as they were applicable to the Funds other than the Low and Moderate Income Housing Funds of the former redevelopment agency and the Successor Agency, except for Procedure 4 which was applicable to all funds of the former redevelopment agency and the Successor Agency. If the procedure was not applicable, we have indicated as such in Attachment A.

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.

We originally issued our report dated December 13, 2012. Subsequent to the issuance, Management identified errors in their original responses to Procedure 4, 5, 9 and 10 set forth in Attachment A and included in the report. As such, our report is reissued to correct the errors.

This report is intended solely for the information and use of the California Department of Finance and the Successor Agency 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.

*C. G. Uhlenberg LLP*

Redwood City, California  
January 8, 2013

**ATTACHMENT A**  
**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON**  
**PROCEDURES DATED JANUARY 8, 2013**  
**SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY**

*All Procedures were only applied against the Funds other than the Low and Moderate Income Housing Funds of the former redevelopment agency and the Successor Agency of the Scotts Valley Redevelopment Agency ("Successor Agency"), except for Procedure 4 which was applicable to all funds of the former redevelopment agency and the Successor Agency, as applicable.*

---

**Procedure 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.

**Result of Procedure 1:** No exceptions were found as a result of this procedure. The total amount transferred from the former redevelopment agency ("RDA") to the Successor Agency was \$15,832,698, which includes cash of \$1,152,656 and non-cash of \$14,680,042.

**Procedure 2:** If the State Controller's Office has completed its review of transfers required under both Sections 34167.5 and 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the AUP report. If this has not yet occurred, perform the following procedures:

A. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the former redevelopment agency to the city, county, or city and county that formed the redevelopment agency for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

B. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Successor Agency to the city, county, or city and county that formed the redevelopment agency for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

C. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

**Results of Procedure 2:** Attachment 1, prepared by the Successor Agency, has been included. For the transfer of the SERAF Loan payment to the City of \$58,112, as stated in the Attachment, the total obligation of \$1,484,011 was agreed to the Agreed-Upon Procedures Report dated June 28, 2012. However, there is no legal document that specified the timing of the repayment.

**Procedure 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

**ATTACHMENT A**  
**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON**  
**PROCEDURES DATED JANUARY 8, 2013**  
**SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY**

*All Procedures were only applied against the Funds other than the Low and Moderate Income Housing Funds of the former redevelopment agency and the Successor Agency of the Scotts Valley Redevelopment Agency ("Successor Agency"), except for Procedure 4 which was applicable to all funds of the former redevelopment agency and the Successor Agency, as applicable.*

---

copy of that report as an exhibit to the AUP report. If this has not yet occurred, perform the following procedures:

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

B. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) [from the Successor Agency to any other public agency or private parties for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

C. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

Citation:

**Results of Procedure 3:** Attachment 2, prepared by the Successor Agency, has been included. No exceptions were found as a result of this procedure.

**Procedure 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.

**ATTACHMENT A  
INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON  
PROCEDURES DATED JANUARY 8, 2013  
SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY**

*All Procedures were only applied against the Funds other than the Low and Moderate Income Housing Funds of the former redevelopment agency and the Successor Agency of the Scotts Valley Redevelopment Agency ("Successor Agency"), except for Procedure 4 which was applicable to all funds of the former redevelopment agency and the Successor Agency, as applicable.*

D. Compare amounts in the schedule for the other fiscal periods presented to account balances in the accounting records or other supporting schedules. Describe in the report the type of support provided for each fiscal period.

**Results of Procedure 4:** Attachment 3, prepared by the Successor Agency, has been included. We performed Procedure 4D by comparing the amounts to the Balance Sheet reports, provided by the Successor Agency, for all other fiscal periods. For capital assets and Long-term debt, we compare the June 30, 2011 balances to the audit report as of June 30, 2011 and the June 30, 2012 Detail list prepared by the Successor Agency as of June 30, 2012.

All amounts agree except for four items due solely to differences in the presentation of financial information as represented by the Successor Agency. The table below shows the four items that, on the surface, do not agree between the amount reported on Attachment 3 and the State Controller's Report. The first three have the same difference of \$3,546,775. Per the Successor Agency, this relates to one loan amount between the City and the Redevelopment Agency. In the Redevelopment Agency's financial statements, this amount is shown in the debt service fund while in the State Controller's Report it is shown in the General Long-Term Debt Account Group. The debt service fund only shows current debt, not long-term debt. The General Long-Term Account Group does not show a fund balance (or equity). Therefore, this difference in presentation affects the amounts shown as amount due to City of Scotts Valley, long-term debt, and fund balance (or equity) as demonstrated in the table below.

The total other financing sources (uses) and transfers has a difference of \$21,525 which is the amount of the accrued interest on the above loan between the City and the Redevelopment Agency. On the financial statements, the accrued interest was added to the loan amount in the debt service fund. Because the loan is presented in the General Long-Term Account Group in the State Controller's Report, this amount had to be presented as a transfer in order for the State Controller's Report to balance.

Items	Reported on Attachment 3	Reported on controller's report	Difference
Amount due to City of Scotts Valley	\$5,146,775	\$1,600,000	\$3,546,775
Long-Term Debt	\$15,545,000	\$19,091,775	\$3,546,775
Equity	\$3,935,108	\$7,481,883	\$3,546,775
Total Other Financing Sources (Uses) and Transfers	\$8,790,188	\$8,811,713	\$21,525

**ATTACHMENT A**  
**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON**  
**PROCEDURES DATED JANUARY 8, 2013**  
**SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY**

*All Procedures were only applied against the Funds other than the Low and Moderate Income Housing Funds of the former redevelopment agency and the Successor Agency of the Scotts Valley Redevelopment Agency ("Successor Agency"), except for Procedure 4 which was applicable to all funds of the former redevelopment agency and the Successor Agency, as applicable.*

---

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

**Results of Procedure 5:** Attachment 4, prepared by the Successor Agency, has been included. No exceptions were found as a result of applying the procedure.

**Procedure 6:** Obtain from the Successor Agency a listing of asset balances held on June 30, 2012 that is restricted for the following purposes:

**A. Unspent bond proceeds:**

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

**B. Grant proceeds and program income that are restricted by third parties:**

- i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).
- ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
- iii. Obtain from the Successor Agency a copy of the grant agreement that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.

**C. Other assets considered to be legally restricted:**

**ATTACHMENT A**  
**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON**  
**PROCEDURES DATED JANUARY 8, 2013**  
**SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY**

*All Procedures were only applied against the Funds other than the Low and Moderate Income Housing Funds of the former redevelopment agency and the Successor Agency of the Scotts Valley Redevelopment Agency ("Successor Agency"), except for Procedure 4 which was applicable to all funds of the former redevelopment agency and the Successor Agency, as applicable.*

---

- 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.

**Results of Procedure 6:** Attachment 5, prepared by the Successor Agency, has been included. No exceptions were found as a result of applying the procedure.

**Procedure 7:** Perform the following procedures:

A. Obtain from the Successor Agency a listing of assets as of June 30, 2012 that are not liquid or otherwise available for distribution (such as capital assets, land held for resale, long-term receivables, etc.) and ascertain if the values are listed at either purchase cost (based on book value reflected in the accounting records of the Successor Agency) or market value as recently estimated by the Successor Agency.

B. If the assets listed at 7(A) are listed at purchase cost, trace the amounts to a previously audited financial statement (or to the accounting records of the Successor Agency) and note any differences.

C. For any differences noted in 7(B), inspect evidence of disposal of the asset and ascertain that the proceeds were deposited into the Successor Agency trust fund. If the differences are due to additions (this generally is not expected to occur), inspect the supporting documentation and note the circumstances.

D. If the assets listed at 7(A) are listed at recently estimated market value, inspect the evidence (if any) supporting the value and note the methodology used. If no evidence is available to support the value and/or methodology, note the lack of evidence.

**ATTACHMENT A**  
**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON**  
**PROCEDURES DATED JANUARY 8, 2013**  
**SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY**

*All Procedures were only applied against the Funds other than the Low and Moderate Income Housing Funds of the former redevelopment agency and the Successor Agency of the Scotts Valley Redevelopment Agency ("Successor Agency"), except for Procedure 4 which was applicable to all funds of the former redevelopment agency and the Successor Agency, as applicable.*

---

**Results of Procedure 7:** Attachment 6, prepared by the Successor Agency, has been included. No exceptions were found as a result of applying the procedure.

**Procedure 8:** Perform the following procedures:

A. If the Successor Agency believes that asset balances need to be retained to satisfy enforceable obligations, obtain from the Successor Agency an itemized schedule of asset balances (resources) as of June 30, 2012 that are dedicated or restricted for the funding of enforceable obligations and perform the following procedures. The schedule should identify the amount dedicated or restricted, the nature of the dedication or restriction, the specific enforceable obligation to which the dedication or restriction relates, and the language in the legal document that is associated with the enforceable obligation that specifies the dedication of existing asset balances toward payment of that obligation.

- i. Compare all information on the schedule to the legal documents that form the basis for the dedication or restriction of the resource balance in question.
- ii. Compare all current balances to the amounts reported in the accounting records of the Successor Agency or to an alternative computation.
- iii. Compare the specified enforceable obligations to those that were included in the final Recognized Obligation Payment Schedule approved by the California Department of Finance.
- iv. Attach as an exhibit to the report the listing obtained from the Successor Agency. Identify in the report any listed balances for which the Successor Agency was unable to provide appropriate restricting language in the legal document associated with the enforceable obligation.

B. If the Successor Agency believes that future revenues together with balances dedicated or restricted to an enforceable obligation are insufficient to fund future obligation payments and thus retention of current balances is required, obtain from the Successor Agency a schedule of approved enforceable obligations that includes a projection of the annual spending requirements to satisfy each obligation and a projection of the annual revenues available to fund those requirements and perform the following procedures:

- i. Compare the enforceable obligations to those that were approved by the California Department of Finance. Procedures to accomplish this may include reviewing the letter from the California Department of Finance approving the Recognized Enforceable Obligation Payment Schedules for the six month period from January 1, 2012 through June 30, 2012 and for the six month period July 1, 2012 through December 31, 2012.
- ii. Compare the forecasted annual spending requirements to the legal document supporting each enforceable obligation.
  - a. Obtain from the Successor Agency its assumptions relating to the forecasted annual spending requirements and disclose in the report major assumptions associated with the projections.
- iii. For the forecasted annual revenues:

**ATTACHMENT A**  
**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON**  
**PROCEDURES DATED JANUARY 8, 2013**  
**SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY**

*All Procedures were only applied against the Funds other than the Low and Moderate Income Housing Funds of the former redevelopment agency and the Successor Agency of the Scotts Valley Redevelopment Agency ("Successor Agency"), except for Procedure 4 which was applicable to all funds of the former redevelopment agency and the Successor Agency, as applicable.*

---

a. Obtain from the Successor Agency its assumptions for the forecasted annual revenues and disclose in the report major assumptions associated with the projections.

C. If the Successor Agency believes that projected property tax revenues and other general purpose revenues to be received by the Successor Agency are insufficient to pay bond debt service payments (considering both the timing and amount of the related cash flows), obtain from the Successor Agency a schedule demonstrating this insufficiency and apply the following procedures to the information reflected in that schedule.

i. Compare the timing and amounts of bond debt service payments to the related bond debt service schedules in the bond agreement.

ii. Obtain the assumptions for the forecasted property tax revenues and disclose major assumptions associated with the projections.

iii. Obtain the assumptions for the forecasted other general purpose revenues and disclose major assumptions associated with the projections.

D. If procedures A, B, or C were performed, calculate the amount of current unrestricted balances necessary for retention in order to meet the enforceable obligations by performing the following procedures.

i. Combine the amount of identified current dedicated or restricted balances and the amount of forecasted annual revenues to arrive at the amount of total resources available to fund enforceable obligations.

ii. Reduce the amount of total resources available by the amount forecasted for the annual spending requirements. A negative result indicates the amount of current unrestricted balances that needs to be retained.

iii. Include the calculation in the AUP report.

**Results of Procedure 8:** Procedure 8 is not applicable.

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

**Results of Procedure 9:** Procedure 9 is not applicable.

**ATTACHMENT A**  
**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON**  
**PROCEDURES DATED JANUARY 8, 2013**  
**SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY**

*All Procedures were only applied against the Funds other than the Low and Moderate Income Housing Funds of the former redevelopment agency and the Successor Agency of the Scotts Valley Redevelopment Agency ("Successor Agency"), except for Procedure 4 which was applicable to all funds of the former redevelopment agency and the Successor Agency, as applicable.*

---

**Procedure 10:** Include (or present) a schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Entities. Amounts included in the calculation should agree to the results of the procedures performed in each section above. The schedule should also include a deduction to recognize amounts already paid to the County Auditor-Controller on July 12, 2012 as directed by the California Department of Finance. The amount of this deduction presented should be agreed to evidence of payment. The attached example summary schedule may be considered for this purpose. Separate schedules should be completed for the Low and Moderate Income Housing Fund and for all other funds combined (excluding the Low and Moderate Income Housing Fund).

**Results of Procedure 10:** Attachment 7, prepared by the Successor Agency, has been included. As noted under the results of Procedure 2, the \$58,112 transfer to the City for repayment of the SERAF loan could not be agreed to a legal document specified the timing of repayment. However, the Successor Agency does not believe it should be listed on Attachment 7 as it does not meet the following description "... 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..."

**Procedure 11:** Obtain a representation letter from Successor Agency management acknowledging their responsibility for the data provided to the practitioner and the data presented in the report or in any attachments to the report. Included in the representations should be an acknowledgment that management is not aware of any transfers (as defined by Section 34179.5) from either the former redevelopment agency or the Successor Agency to other parties for the period from January 1, 2011 through June 30, 2012 that have not been properly identified in the AUP report and its related exhibits. Management's refusal to sign the representation letter should be noted in the AUP report as required by attestation standards.

**Results of Procedure 11:** No exceptions were found as a result of applying the procedure.

**Successor Agency of the Scotts Valley Redevelopment Agency  
 Procedure 2 - Redevelopment Agency Funds (other than LMI funds) Transfers  
 to the Entity that Formed the Redevelopment Agency  
 (Schedule Prepared by the Successor Agency)**

Date of Transfer	Amount	Purpose of Transfer	Legal Description
<b>Procedure 2A - January 1, 2011 to January 31, 2012</b>			
No transfers during this time period.			
<b>Procedure 2B - February 1, 2012 to June 30, 2012</b>			
6/30/2012	58,112.00	SERAF Loan payment	The total obligation of \$1,484,011 was agreed to the Agreed-Upon Procedures Report dated June 28, 2012. However, there is no legal document that specified the timing of the repayment.

**Successor Agency of the Scotts Valley Redevelopment Agency**  
**Procedure 3 - Redevelopment Agency Funds (other than LMI funds) Transfers**  
**to Any Other Public Agency or to Private Parties**  
**(Schedule Prepared by the Successor Agency)**

	Date	Amount	Purpose of Transfer	Legal Description
<b>Procedure 3A - January 1, 2011 to January 31, 2012</b>				
1	1/26/2011	\$ 268,811.25	Principal/Interest Payment	2006 TAB purchase agreement dated 6/5/2006
2	2/16/2011	11,482.72	Purchase of Property	Purchase agreement dated 1/20/2010 and proof of payment
3	2/18/2011	2,400,000.00	Purchase of Property	Purchase agreement dated 1/20/2010
4	3/29/2011	23,051.00	Interest Payment	2003 COP purchase agreement dated 4/22/2003, and its debt service schedule
5	4/1/2011	15,000.00	Option payment for property	Owner participation agreement (fifth amendment) between RDA and the City of Santa Cruz dated 4/27/2010
6	4/1/2011	150,013.75	Interest Payment	2009 Lease Revenue bond book dated 11/19/2009, and its debt service schedule
7	4/1/2011	131,229.38	Interest Payment	2009 Lease Revenue bond book dated 11/19/2009, and its debt service schedule
8	5/6/2011	305,791.00	SERAF Payment	Demand from CA Dept of Finance dated 11/12/2010
9	6/30/2011	7,538.00	Interest Payment	Loan agreement between RDA and City, dated 7/16/2009 and interest calculation
10	7/28/2011	271,128.75	Principal/Interest Payment	Bond 2006 TAB purchase agreement dated 6/5/2006, and its debt service schedule
11	7/29/2011	220,142.06	Pass-thru payment	Pass-through agreement between RDA and the Scotts Valley Union School District dated 11/21/1990, and proof of payment
12	7/29/2011	30,613.60	Pass-thru payment	Pass-through agreement between RDA and the Scotts Valley Water District dated 9/12/1990, and proof of payment
13	8/1/2011	12,500.00	Loan payment	Loan agreement between the City and the water district dated 6/4/1997 and debt service schedule
14	9/27/2011	23,051.00	Interest Payment	2003 COP purchase agreement dated 4/22/2003, and its debt service schedule
15	10/1/2011	150,013.75	Interest Payment	2009 Lease Revenue bond book dated 11/19/2009 and its debt service schedule
16	10/1/2011	131,229.38	Interest Payment	2009 Lease Revenue bond book dated 11/19/2009 and its debt service schedule
17	1/30/2012	273,353.75	Principal/Interest Payment	2006 TAB purchase agreement dated 6/5/2006, and its debt service schedule
<b>Procedure 3B - February 1, 2012 to June 30, 2012</b>				
1	3/27/2012	23,051.00	Interest Payment	2003 COP purchase agreement dated 4/22/2003, and its debt service schedule
2	3/29/2012	150,013.75	Interest Payment	2009 Lease Revenue bond book dated 11/19/2009 and its debt service schedule
3	3/29/2012	131,229.38	Interest Payment	2009 Lease Revenue bond book dated 11/19/2009 and its debt service schedule
4	6/1/2012	144,592.90	Water/School District Pass-Thru	Pass-through agreements as item #11 and #12 above, and proof of payment
5	6/25/2012	7,200.00	Interest Payment	Loan agreement dated 6/4/1997 and debt service schedule

**Successor Agency of the Scotts Valley Redevelopment Agency**  
**Procedure 4 - Summary of the Financial transactions of the Redevelopment Agency**  
**and the Successor Agency**

(Schedule Prepared by the Successor Agency)

	Redevelopment Agency 12 Months Ended 6/30/2010	Redevelopment Agency 12 Months Ended 6/30/2011	Redevelopment Agency 7 Months Ended 1/31/2012	Successor Agency 5 Months Ended 6/30/2012
<b>Assets (modified accrual basis)</b>				
Cash	\$ 4,169,776	\$ 3,588,183	\$ 2,380,095	\$ 2,405,395
Cash with Fiscal Agent	5,095,719	1,048,501	1,040,611	767,258
Accounts Receivable	202,812	118,187	-	-
Accrued Interest Receivable	-	-	-	-
Advances to other funds	1,969,487	1,978,223	1,978,223	-
Other assets	-	-	-	-
<b>Total Assets</b>	<b>\$ 11,437,794</b>	<b>\$ 6,733,094</b>	<b>\$ 5,398,929</b>	<b>\$ 3,172,653</b>
<b>Liabilities (modified accrual basis)</b>				
Accounts Payable	\$ 378,683	\$ 951,870	\$ -	\$ 4,602
Advance from other funds	1,969,487	1,978,223	1,978,223	1,978,223
Other liabilities	7,741	14,395	-	-
Amount due to City of Scotts Valley	5,146,775 #	3,655,523	3,655,523	3,834,933
<b>Total Liabilities</b>	<b>\$ 7,502,686</b>	<b>\$ 6,600,011</b>	<b>\$ 5,633,746</b>	<b>\$ 5,817,758</b>
<b>Equity</b>	<b>3,935,108 #</b>	<b>133,083</b>	<b>(234,817)</b>	<b>(2,645,105)</b>
<b>Total Liabilities + Equity</b>	<b>\$ 11,437,794</b>	<b>\$ 6,733,094</b>	<b>\$ 5,398,929</b>	<b>\$ 3,172,653</b>
<b>Total Revenues:</b>	<b>\$ 5,756,277</b>	<b>\$ 7,991,802</b>	<b>\$ 1,401,584</b>	<b>\$ 547,423</b>
<b>Total Expenditures:</b>	<b>\$ 11,265,932</b>	<b>\$ 11,793,827</b>	<b>\$ 1,433,350</b>	<b>\$ 979,488</b>
<b>Total Other Financing Sources (Uses) and Transfers:</b>	<b>\$ 8,790,188 #</b>	<b>\$ -</b>	<b>\$ (336,134)</b>	<b>\$ (1,978,223)</b>
<b>Net change in equity</b>	<b>\$ 3,280,533</b>	<b>\$ (3,802,025)</b>	<b>\$ (367,900)</b>	<b>\$ (2,410,288)</b>
<b>Beginning Equity:</b>	<b>\$ 654,575</b>	<b>\$ 3,935,108</b>	<b>\$ 133,083</b>	<b>\$ (234,817)</b>
<b>Prior Period Adjustment</b>				
<b>Ending Equity:</b>	<b>\$ 3,935,108</b>	<b>\$ 133,083</b>	<b>\$ (234,817)</b>	<b>\$ (2,645,105)</b>
<b>Other Information (show year end balances for all three years presented):</b>				
Capital assets as of end of year (Gross)	\$ 12,753,917	\$ 19,177,040	NA	\$ 15,079,526 **
Long-term debt as of end of year *	\$ 15,545,000 #	\$ 15,250,000	NA	\$ 14,940,000

\* Advance from City of Scotts Valley is not included.

\*\* Balance does not include three pieces of LMI Land held for sale of \$ 4,436,517.

# Exceptions noted

**Successor Agency of the Scotts Valley Redevelopment Agency  
Procedure 5 - List of all assets of all other funds  
of the Successor Agency as of June 30, 2012  
(Schedule Prepared by the Successor Agency)**

Fund	Asset	Amount
23	Cash with fiscal agent	\$ 767,258
NA	Land	2,410,509
NA	Other General Governmental Capital Asset, net	<u>12,240,265</u>
		<u>\$ 15,418,032</u>

**Successor Agency of the Scotts Valley Redevelopment Agency  
Procedure 6 - List of all legally restricted assets of all other funds  
of the Successor Agency as of June 30, 2012  
(Schedule Prepared by the Successor Agency)**

<u>Name of the asset</u>	<u>Ending Balance</u>	<u>Restrictions</u>	<u>Effective period</u>
Unspent Bond Proceeds	\$ 767,258	Bond Reserve Cash	Through 10/1/2039

**Successor Agency of the Scotts Valley Redevelopment Agency  
Procedure 7 - List of all non-liquid assets of all other funds  
of the Successor Agency as of June 30, 2012  
(Schedule Prepared by the Successor Agency)**

Name of the asset	Ending Balance	Description	Recorded at
Land	\$ 2,410,509	Former Suburban Location	Book value
Other General Governmental Capital Asset, net	<u>12,240,265</u>		Book value
	<u>\$ 14,650,774</u>		

## Successor Agency of the Scotts Valley Redevelopment Agency

### Procedure 10 - SUMMARY OF BALANCES AVAILABLE FOR ALLOCATION TO AFFECTED TAXING ENTITIES - Non LMI

(Schedule Prepared by the Successor Agency)

Total amount of assets held by the successor agency as of June 30, 2012 (procedure 5)	\$ 15,418,032
Add the amount of any assets transferred to the city or other parties for which an enforceable obligation with a third party requiring such transfer and obligating the use of the transferred assets did not exist (procedures 2 and 3)	-
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments (procedure 6)	(767,258)
Less assets that are not cash or cash equivalents (e.g., physical assets) - (procedure 7)	(14,650,774)
Less balances that are legally restricted for the funding of an enforceable obligation (net of projected annual revenues available to fund those obligations) - (procedure 8)	-
Less balances needed to satisfy ROPS for the 2012-13 fiscal year (procedure 9)	-
Less the amount of payments made on July 12, 2012 to the County Auditor-Controller as directed by the California Department of Finance	-
Amount to be remitted to county for disbursement to taxing entities	\$ <u>          -</u>

*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.

# Scotts Valley Redevelopment Successor Agency MEMORANDUM

**DATE:** January 15, 2013  
**TO:** Honorable Chair and Oversight Board Members  
**FROM:** Steve Ando, Executive Director   
**SUBJECT:** **Approval of Due Diligence Review Report for Low and Moderate Income Housing Funds**

## SUMMARY OF ISSUE

The Oversight Board approved the Due Diligence Review Report for Low and Moderate Income Housing Funds at your October 10, 2012, meeting. It was determined just recently that interest income in the amount of \$2,876.11 had not been recorded in the fund. The licensed accountant has prepared a revised report that incorporates this revision for the Oversight Board's consideration and approval.

Once the report is approved, the additional \$2,876.11 will be sent to the County Auditor-Controller to distribute to the taxing entities.

## FISCAL IMPACT

Additional \$2,876.11 to be distributed to the taxing entities.

## STAFF RECOMMENDATION

That the Oversight Board approve Resolution No. OB-7.1.

## TABLE OF CONTENTS

	<u>PAGE</u>
Resolution No. OB 7.1.....	2
Revised Due Diligence Review Report – Low/Moderate Income Housing Fund.....	4

**RESOLUTION NO. OB-7.1**

**A RESOLUTION OF THE OVERSIGHT BOARD FOR THE SUCCESSOR  
AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY  
APPROVING THE DUE DILIGENCE REVIEW OF THE LOW AND  
MODERATE INCOME HOUSING FUND CONDUCTED PURSUANT TO  
HEALTH AND SAFETY CODE SECTION 34179.5 AND TAKING  
CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH**

**RECITALS:**

A. Pursuant to Health and Safety Code Section 34175(b) and the California Supreme Court's decision in *California Redevelopment Association, et al. v. Ana Matosantos, et al.* (53 Cal.4th 231(2011)), on February 1, 2012, all assets, properties, contracts, leases, books and records, buildings, and equipment of the former Scotts Valley Redevelopment Agency transferred to the control of the Successor Agency of the Scotts Valley Redevelopment Agency (the "Successor Agency") by operation of law.

B. Health and Safety Code Section 34179.5 requires the Successor Agency to employ a licensed accountant, approved by the county auditor-controller, to conduct a due diligence review to determine the unobligated balances available for transfer to taxing entities.

C. Health and Safety Code Section 34179.6 requires the Successor Agency to submit the results of the review conducted pursuant to Section 34179.5 for the Low and Moderate Income Housing Fund (the "LMHF") and specifically the amount of cash and cash equivalents determined to be available for allocation to taxing entities (the "Due Diligence Review") to the Successor Agency's Oversight Board (the "Oversight Board") for the Oversight Board's review and approval.

D. Pursuant to Health and Safety Code Sections 34179.6 and 34180(j), the Successor Agency submitted to the Oversight Board, the county administrative officer, the county auditor-controller, the State Controller and the Department of Finance ("DOF") the Due Diligence Review and a copy of the Recognized Obligation Payment Schedule ("ROPS").

E. Pursuant to Health and Safety Code Section 34179.6(b), upon receipt of the Due Diligence Review, and at least five business days before the Oversight Board considers the approval of the Due Diligence Review, the Oversight Board must hold a public comment session (the "Public Comment Session") at which time the public has an opportunity to hear and be heard on the results of the Due Diligence Review.

F. On September 26, 2012, the Oversight Board held the Public Comment Session pursuant to Health and Safety Code Section 34179.6 (b) and approved the Due Diligence Review on October 10, 2012.

G. On January 3, 2013, it was determined that \$2,876.11 of interest income had not been included in the report.

H. The licensed accountant has prepared a revised LMIHF Due Diligence Review Report dated January 8, 2013, which incorporates the revision above.

I. Pursuant to Health and Safety Code Section 34179.6(c), the Oversight Board desires to approve the revised LMIHF Due Diligence Review.

**NOW, THEREFORE, THE OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY HEREBY FINDS, DETERMINES, RESOLVES, AND ORDERS AS FOLLOWS:**

Section 1. The above recitals are true and correct and are a substantive part of this Resolution.

Section 2. This Resolution is adopted pursuant to Health and Safety Code Section 34179.6(c).

Section 3. The Oversight Board hereby approves the Due Diligence Review as presented and on file with the Secretary.

Section 4. The staff of the Successor Agency is hereby directed to transmit to DOF and the county auditor-controller written notice and information regarding the actions taken by this Resolution and specifically the determination of the amount of cash and cash equivalents that are available for disbursement to taxing entities as determined according to the method provided in Health and Safety Code Section 34179.5. Such notice to DOF shall be provided by electronic means and in a manner of DOF's choosing.

Section 5. The staff and the Board of the Successor Agency are hereby authorized and directed, jointly and severally, to execute and record such documents and instruments and to do any and all other things which they may deem necessary or advisable to effectuate this Resolution and any such actions previously taken are hereby ratified.

**PASSED AND ADOPTED** this 15th day of January, 2013.

AYES:

NOES:

ABSTAIN:

ABSENT:

\_\_\_\_\_  
Dene Bustichi, Chair

ATTEST:

\_\_\_\_\_  
Tracy A. Ferrara, Secretary



# C. G. UHLENBERG LLP

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

The California Department of Finance and the Successor Agency of the Scotts Valley  
Redevelopment Agency, Scotts Valley, California:

We have performed the agreed-upon procedures enumerated in Attachment A, which was agreed to by the California Department of Finance and the Successor Agency of the Scotts Valley Redevelopment Agency ("Successor Agency"), solely to comply with statutory requirements pursuant to Health and Safety Code section 34179.5(c). Management of the successor agency is responsible for the accounting records pertaining to statutory compliance pursuant to Health and Safety Code section 34179.5(c). This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described 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 as they were applicable to the Low and Moderate Income Housing Funds of the former redevelopment agency, the Successor Agency and the Successor Housing Agency (the City of Scotts Valley). If the procedure was not applicable, we have indicated as such in Attachment A.

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.

We originally issued our report dated September 24, 2012. Subsequent to the issuance, Management identified errors in their original responses to Procedure 5, 9 and 10 set forth in Attachment A and included in the report. As such, our report is reissued to correct the errors.

This report is intended solely for the information and use of the California Department of Finance and the Successor Agency 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.

*C. G. Uhlenberg LLP*

Redwood City, California  
January 8, 2013

**ATTACHMENT A**  
**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON**  
**PROCEDURES DATED JANUARY 8, 2013**  
**SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY**

*All Procedures were only applied against the Low and Moderate Income Housing Funds of the former redevelopment agency, the Successor Agency of the Scotts Valley Redevelopment Agency ("Successor Agency") and the Successor Housing Agency (the City of Scotts Valley), as applicable.*

---

**Procedure 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.

**Result of Procedure 1:** No exceptions were found as a result of applying the procedure against the former Low and Moderate Income Housing Fund (LMIHF) asset listing. According to the listing prepared by Successor Agency, \$8,686,577 of non-cash assets of the former LMIHF was transferred from the former redevelopment agency to the Successor Housing Agency (the City of Scotts Valley). According to the listing prepared by the Successor Agency, \$2,268,050 of cash of the former LMIHF was transferred from the former redevelopment agency to the Successor Agency.

**Procedure 2:** If the State Controller's Office has completed its review of transfers required under both Sections 34167.5 and 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the AUP report. If this has not yet occurred, perform the following procedures:

A. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the former redevelopment agency to the city, county, or city and county that formed the redevelopment agency for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

B. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Successor Agency to the city, county, or city and county that formed the redevelopment agency for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

C. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

**Results of Procedure 2:** Attachment 1, prepared by the Successor Agency, has been included.

**ATTACHMENT A**  
**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON**  
**PROCEDURES DATED JANUARY 8, 2013**  
**SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY**

*All Procedures were only applied against the Low and Moderate Income Housing Funds of the former redevelopment agency, the Successor Agency of the Scotts Valley Redevelopment Agency ("Successor Agency") and the Successor Housing Agency (the City of Scotts Valley), as applicable.*

---

For the transfer described, the purchase of land from the City of Scotts Valley for \$725,000, there is no legal document that formed the basis for the enforceable obligation that required the transfer.

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

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

B. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) [from the Successor Agency to any other public agency or private parties for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

C. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

Citation:

**Results of Procedure 3:** Attachment 2, prepared by the Successor Agency, has been included. There was one exception to the procedure to obtain the legal document that formed the basis for the enforceable obligation. For the payment to the Security Deposit Program (Transfer # 2 on Attachment 2), there is no legal document that formed the basis for the enforceable obligation that required the transfer.

**Procedure 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

**ATTACHMENT A**  
**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON**  
**PROCEDURES DATED JANUARY 8, 2013**  
**SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY**

*All Procedures were only applied against the Low and Moderate Income Housing Funds of the former redevelopment agency, the Successor Agency of the Scotts Valley Redevelopment Agency ("Successor Agency") and the Successor Housing Agency (the City of Scotts Valley), as applicable.*

---

schedule for the fiscal periods indicated in the schedule. For purposes of this summary, the financial transactions should be presented using the modified accrual basis of accounting. End of year balances for capital assets (in total) and long-term liabilities (in total) should be presented at the bottom of this summary schedule for information purposes.

B. Ascertain that for each period presented the total of revenues, expenditures, and transfers accounts fully for the changes in equity from the previous fiscal period.

C. Compare amounts in the schedule relevant to the fiscal year ended June 30, 2010 to the state controller's report filed for the Redevelopment Agency for that period.

D. Compare amounts in the schedule for the other fiscal periods presented to account balances in the accounting records or other supporting schedules. Describe in the report the type of support provided for each fiscal period.

**Results of Procedure 4:** Procedure 4 is not applicable.

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

**Results of Procedure 5:** Attachment 3, prepared by the Successor Agency, has been included. No exceptions were found as a result of applying the procedure.

**Procedure 6:** Obtain from the Successor Agency a listing of asset balances held on June 30, 2012 that is 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.)

**ATTACHMENT A**  
**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON**  
**PROCEDURES DATED JANUARY 8, 2013**  
**SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY**

*All Procedures were only applied against the Low and Moderate Income Housing Funds of the former redevelopment agency, the Successor Agency of the Scotts Valley Redevelopment Agency ("Successor Agency") and the Successor Housing Agency (the City of Scotts Valley), as applicable.*

---

ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).

iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.

B. Grant proceeds and program income that are restricted by third parties:

i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).

ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).

iii. Obtain from the Successor Agency a copy of the grant agreement that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.

C. Other assets considered to be legally restricted:

i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).

ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).

iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by Successor the Agency as restricted.

D. Attach the above mentioned Successor Agency prepared schedule(s) as an exhibit to the AUP report. For each restriction identified on these schedules, indicate in the report the period of time for which the restrictions are in effect. If the restrictions are in effect until the related assets are expended for their intended purpose, this should be indicated in the report.

**Results of Procedure 6:** Procedure 6 is not applicable.

**Procedure 7:** Perform the following procedures:

A. Obtain from the Successor Agency a listing of assets as of June 30, 2012 that are not liquid or otherwise available for distribution (such as capital assets, land held for resale, long-term

**ATTACHMENT A**  
**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON**  
**PROCEDURES DATED JANUARY 8, 2013**  
**SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY**

*All Procedures were only applied against the Low and Moderate Income Housing Funds of the former redevelopment agency, the Successor Agency of the Scotts Valley Redevelopment Agency ("Successor Agency") and the Successor Housing Agency (the City of Scotts Valley), as applicable.*

---

receivables, etc.) and ascertain if the values are listed at either purchase cost (based on book value reflected in the accounting records of the Successor Agency) or market value as recently estimated by the Successor Agency.

B. If the assets listed at 7(A) are listed at purchase cost, trace the amounts to a previously audited financial statement (or to the accounting records of the Successor Agency) and note any differences.

C. For any differences noted in 7(B), inspect evidence of disposal of the asset and ascertain that the proceeds were deposited into the Successor Agency trust fund. If the differences are due to additions (this generally is not expected to occur), inspect the supporting documentation and note the circumstances.

D. If the assets listed at 7(A) are listed at recently estimated market value, inspect the evidence (if any) supporting the value and note the methodology used. If no evidence is available to support the value and/or methodology, note the lack of evidence.

**Results of Procedure 7:** Procedure 7 is not applicable.

**Procedure 8:** Perform the following procedures:

A. If the Successor Agency believes that asset balances need to be retained to satisfy enforceable obligations, obtain from the Successor Agency an itemized schedule of asset balances (resources) as of June 30, 2012 that are dedicated or restricted for the funding of enforceable obligations and perform the following procedures. The schedule should identify the amount dedicated or restricted, the nature of the dedication or restriction, the specific enforceable obligation to which the dedication or restriction relates, and the language in the legal document that is associated with the enforceable obligation that specifies the dedication of existing asset balances toward payment of that obligation.

i. Compare all information on the schedule to the legal documents that form the basis for the dedication or restriction of the resource balance in question.

ii. Compare all current balances to the amounts reported in the accounting records of the Successor Agency or to an alternative computation.

iii. Compare the specified enforceable obligations to those that were included in the final Recognized Obligation Payment Schedule approved by the California Department of Finance.

iv. Attach as an exhibit to the report the listing obtained from the Successor Agency.

Identify in the report any listed balances for which the Successor Agency was unable to provide appropriate restricting language in the legal document associated with the enforceable obligation.

**ATTACHMENT A**  
**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON**  
**PROCEDURES DATED JANUARY 8, 2013**  
**SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY**

*All Procedures were only applied against the Low and Moderate Income Housing Funds of the former redevelopment agency, the Successor Agency of the Scotts Valley Redevelopment Agency ("Successor Agency") and the Successor Housing Agency (the City of Scotts Valley), as applicable.*

---

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

**ATTACHMENT A**  
**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON**  
**PROCEDURES DATED JANUARY 8, 2013**  
**SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY**

*All Procedures were only applied against the Low and Moderate Income Housing Funds of the former redevelopment agency, the Successor Agency of the Scotts Valley Redevelopment Agency ("Successor Agency") and the Successor Housing Agency (the City of Scotts Valley), as applicable.*

---

spending requirements. A negative result indicates the amount of current unrestricted balances that needs to be retained.

iii. Include the calculation in the AUP report.

**Results of Procedure 8:** Procedure 8 is not applicable.

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

**Results of Procedure 9:** Per the Successor Agency, it had a deficit in its "other than low and moderate income" funds in the amount of \$727,922. The Department of Finance denied the use of low and moderate income funds for this deficit. The Successor Agency appealed this decision. In the appeal, the Department of Finance upheld its original ruling to disallow the use of low and moderate income funds for this deficit. In the Department of Finance's determination letter it stated: "To the extent this adjustment causes cash flow issues, the Agency may request a loan from the city to cover valid enforceable obligations pursuant to HSC section 34173 (h)."

**Procedure 10:** Include (or present) a schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Entities. Amounts included in the calculation should agree to the results of the procedures performed in each section above. The schedule should also include a deduction to recognize amounts already paid to the County Auditor-Controller on July 12, 2012 as directed by the California Department of Finance. The amount of this deduction presented should be agreed to evidence of payment. The attached example summary schedule may be considered for this purpose. Separate schedules should be completed for the Low and Moderate Income Housing Fund and for all other funds combined (excluding the Low and Moderate Income Housing Fund).

**Results of Procedure 10:** Attachment 4, prepared by the Successor Agency, has been included. No exceptions were found as a result of applying the procedure.

**ATTACHMENT A**  
**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON**  
**PROCEDURES DATED JANUARY 8, 2013**  
**SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY**

*All Procedures were only applied against the Low and Moderate Income Housing Funds of the former redevelopment agency, the Successor Agency of the Scotts Valley Redevelopment Agency ("Successor Agency") and the Successor Housing Agency (the City of Scotts Valley), as applicable.*

---

**Procedure 11:** Obtain a representation letter from Successor Agency management acknowledging their responsibility for the data provided to the practitioner and the data presented in the report or in any attachments to the report. Included in the representations should be an acknowledgment that management is not aware of any transfers (as defined by Section 34179.5) from either the former redevelopment agency or the Successor Agency to other parties for the period from January 1, 2011 through June 30, 2012 that have not been properly identified in the AUP report and its related exhibits. Management's refusal to sign the representation letter should be noted in the AUP report as required by attestation standards.

**Results of Procedure 11:** No exceptions were found as a result of applying this procedure.

**Successor Agency of the Scotts Valley Redevelopment Agency**  
**Procedure 2 - Low Moderate Income Housing Funds Transfers to the City of Scotts Valley**

<u>Transfer</u>	<u>Amount</u>	<u>Purpose of Transfer</u>	<u>Legal Description</u>
<b>Procedure 2A - January 1, 2011 to January 31, 2012</b>			
1 Land Purchase - From the City of Scotts Valley	\$ (725,000.00)	Purchase of land for affordable housing.	The decision to purchase land held by the City to the Redevelopment Agency was approved by the City Council on February 16, 2011. There is no legal document that required the transfer.

**Procedure 2B - February 1, 2012 to June 30, 2012**

No transfers during this time period

Successor Agency of the Scotts Valley Redevelopment Agency

Procedure 3 - Low Moderate Income Housing Funds Transfers to Any Other Public Agency or to Private Parties

<u>Transfer</u>	<u>Amount</u>	<u>Purpose of Transfer</u>	<u>Legal Description</u>
<b>Procedure 3A - January 1, 2011 to January 31, 2012</b>			
1 Habitat for Humanity Loan - ROPS	\$ (300,000.00)	Assist with affordable housing project.	Agreement for Redevelopment Assistance is dated July 29, 2010. Loan Agreement is dated October 11, 2011
2 Security Deposit Program	\$ (8,170.00)	Provide Security Deposit Assistance	The Security Deposit Program is described in the Affordable Housing Action Plan of the Scotts Valley Redevelopment Agency Updated 07/27/10. There is no legal document that required the transfer. Management has stated that at the time the payments were made (between January 1, 2011 to June 30, 2011) providing these amounts was part of the Low and Moderate Income Housing Fund operations.
3 Rent Guarantees - ROPS	\$ (124,460.42)	Low Income Rent Subsidies	Affordable Housing Agreement June 7, 2000 Signed with the developer Henco, LLC; Affordable Housing Agreement October 20, 1999, First Amendment November 4, 2005, Second Amendment 7/18/2007 signed with various owners of the property; Affordable Housing Agreement July 20, 2005 signed with Rob Markell -- See Attachment A for additional explanation (1k)
4 SERAF Loan - ROPS	\$ (305,791.00)	Required by law.	Demand Letter from the California Department of Finance dated November 12, 2010
5 Habitat for Humanity Loan - ROPS	\$ (300,000.00)	Assist with affordable housing project.	Loan Agreement Dated March 2, 2011

**Procedure 3B - February 1, 2012 to June 30, 2012**

No transfers during this time period.

**Successor Agency of the Scotts Valley Redevelopment Agency**  
**Procedure 5 - Low Moderate Income Housing Funds List of all assets**

<u>Name of the asset</u>	<u>Ending Balance</u>
<b>Balance as of June 30, 2012</b>	
Cash and Investment	\$ 2,405,395.22

**Successor Agency of the Scotts Valley Redevelopment Agency  
 Procedure 10 - Balance Available for Allocation to Affected Taxing Entities  
 Low and Moderate Income Housing Funds**

**SUMMARY OF BALANCES AVAILABLE FOR ALLOCATION TO AFFECTED TAXING ENTITIES**

Total amount of assets held by the successor agency as of June 30, 2012 (procedure 5)	\$ 2,405,395
Add the amount of any assets transferred to the city or other parties for which an enforceable obligation with a third party requiring such transfer and obligating the use of the transferred assets did not exist (procedures 2 and 3)	-
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments (procedure 6)	-
Less assets that are not cash or cash equivalents (e.g., physical assets) - (procedure 7)	-
Less balances that are legally restricted for the funding of an enforceable obligation (net of projected annual revenues available to fund those obligations) - (procedure 8)	-
Less balances needed to satisfy ROPS for the 2012-13 fiscal year (procedure 9)	-
Less the amount of payments made on July 12, 2012 to the County Auditor-Controller as directed by the California Department of Finance	(748,601)
Amount to be remitted to county for disbursement to taxing entities	<u>\$ 1,656,794</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.