

RESOLUTION NO. OB 2012-12

A RESOLUTION OF THE OVERSIGHT BOARD OF SUCCESSOR AGENCY TO THE INDUSTRY URBAN-DEVELOPMENT AGENCY, THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF INDUSTRY, APPROVING THE DUE DILIGENCE REVIEW OF THE LOW AND MODERATE INCOME HOUSING FUND PURSUANT TO HEALTH AND SAFETY CODE SECTIONS 34179.5 AND 34179.6

WHEREAS, the successor agency to the Industry Urban-Development Agency was formed in accordance with California Health and Safety Code Section 34173 (“Successor Agency”); and

WHEREAS, the Oversight Board (“Oversight Board”) of the Successor Agency was established pursuant to California Health and Safety Code Section 34179; and

WHEREAS, the Successor Agency must expeditiously wind down the affairs of the former redevelopment agency as directed by the Oversight Board in accordance with California Health and Safety Code Section 34177(h); and

WHEREAS, pursuant to Health and Safety Code Section 34179.5 the Successor Agency is required to employ a licensed accountant, approved by the Los Angeles County Auditor-Controller, to conduct a due diligence review to determine the unobligated balances of the low and moderate income housing fund (the “Housing Fund”) held by the Successor Agency available for transfer to taxing entities; and

WHEREAS, the Successor Agency hired an accountant to prepare the due diligence review for the Housing Fund (the “Housing Fund Due Diligence Review”) in conformance with Health and Safety Code Section 34179.5; and

WHEREAS, the Housing Fund Due Diligence Review, in substantially the form attached hereto as Exhibit A, and by this referenced incorporated herein, has been submitted by the Successor Agency to the Oversight Board for the Oversight Board’s review and approval, in accordance with Health and Safety Code Section 34179.6; and

WHEREAS, the Oversight Board scheduled and held a public comment session regarding the results of the Housing Fund Due Diligence Review on October 2, 2012, which public comment session was held at least five (5) business days prior to the October 10, 2012 meeting of the Oversight Board to consider approving the Housing Fund Due Diligence Review, in accordance with Section 34179.6(b); and

WHEREAS, the Successor Agency has requested that the Oversight Board review and approve the Housing Fund Due Diligence Review; and

WHEREAS, the Oversight Board has determined that the approval of the Housing Fund Due Diligence Review is consistent with the requirements of the Successor Agency to wind down the affairs of the former redevelopment agency in accordance with California Health and Safety Code Section 34177(h) and the requirement of the Oversight Board to approve the Housing Fund Due Diligence Report in accordance with California Health and Safety Code Section 34179.6(c); and

WHEREAS, California Health and Safety Code Section 34179(e) requires the Oversight Board to adopt resolutions for any action taken by the Oversight Board.

NOW, THEREFORE, BE IT RESOLVED by the Oversight Board as follows:

Section 1. Approval of Housing Fund Due Diligence Review. The Oversight Board hereby approves the Housing Fund Due Diligence Review, in the form attached hereto as Exhibit A.

Section 2. Authorization of Successor Agency. Upon approval of this resolution ("Resolution") by the California Department of Finance, the Oversight Board authorizes and directs the Chief Executive Officer of the Successor Agency to effectuate the purposes of this Resolution.

Section 3. Delivery to the California Department of Finance. The Oversight Board hereby authorizes and directs the Secretary of the Oversight Board to electronically deliver a copy of this Resolution to the California Department of Finance no later than October 15, 2012, in accordance with California Health and Safety Code Sections 34179(h) and 34179.6(c).

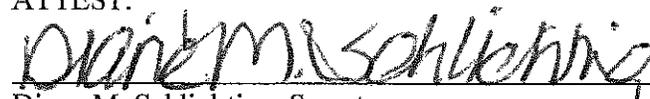
Section 4. Other Actions. The Oversight Board hereby authorizes and directs the Chairman, Vice-Chairman and/or Secretary or the Oversight Board, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to effectuate the purposes of this Resolution, and such actions previously taken by such officers are hereby ratified and confirmed.

Section 5. Effect. This Resolution shall take effect upon approval of the California Department of Finance in accordance with California Health and Safety Code Section 34179(h).

PASSED, APPROVED AND ADOPTED by the Oversight Board at a duly noticed meeting of the Oversight Board held on October 10, 2012, by the following vote:

Ayes: Board Member Frutos, Board Member Gregoryk, Board Member Radecki,
Vice Chairman Cipriani, Chairman Kreimann
Noes: None
Absent: Board Member Molina and Board Member Nunez
Abstain: None

By: 
Santos H. Kreimann, Chairman
Oversight Board of the Successor Agency to the
Industry Urban-Development Agency

ATTEST:

Diane M. Schlichting, Secretary
Oversight Board of the Successor Agency to the
Industry Urban-Development Agency

RESOLUTION NO. OB 2012-12

EXHIBIT A

HOUSING FUND DUE DILIGENCE REVIEW

**SUCCESSOR AGENCY TO THE INDUSTRY
URBAN-DEVELOPMENT AGENCY**

**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON DUE DILIGENCE
REVIEW PROCEDURES**

LOW AND MODERATE INCOME HOUSING FUND

SUCCESSOR AGENCY TO THE INDUSTRY URBAN-DEVELOPMENT AGENCY
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CERTIFIED
PUBLIC
ACCOUNTANTS
& BUSINESS
ADVISORS

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON DUE DILIGENCE REVIEW PROCEDURES**

Successor Agency to the Industry Urban-Development Agency
City of Industry, California

We have performed the due diligence review procedures enumerated below, which were agreed to by the Successor Agency to the Industry Urban-Development Agency, the California State Controller's Office, and the Department of Finance, solely to assist you in determining the unobligated balances in the Low and Moderate Income Housing Funds available to transfer to taxing entities pursuant to California Health and Safety Code Section 34179.5(c). Management of the Successor Agency is responsible for the accounting records pertaining to the unobligated balances. This engagement to apply agreed-upon procedures 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 the report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. Obtain from the Successor Agency a listing of all assets that were transferred from the former redevelopment agency to the Low and Moderate Income Housing Fund of 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.

Per the Successor Agency, the former redevelopment agency did not have a Low and Moderate Income Housing Fund because there are minimal residential areas in the former project areas. To fulfill its housing requirement, the former redevelopment agency signed an agreement with HACOLA on August 25, 1992 wherein the former redevelopment agency was obligated to transfer 20% of its property tax increment to HACOLA. The related transactions were reported under the Capital Project Fund of the former redevelopment agency.

The Successor Agency believes the agreement with HACOLA is an enforceable obligation of the former redevelopment agency. The Successor Agency included in its Recognized Obligations Payment Schedule (ROPS) for the period January 1, 2013 through June 30, 2013 an estimated obligation to HACOLA for the year 2011-2012 of \$18,755,000 noting, however, that the actual amount will be based on the calculations by the County Auditor-Controller pursuant to the HACOLA agreement and other appropriate regulations.

Pursuant to AB 1484, HACOLA, as the housing successor to former redevelopment agency, submitted a housing asset list to the Department of Finance (DOF), listing the estimated year 2011-2012 HACOLA payment as a housing asset. The DOF has objected to this item on the basis that the DOF believes the HACOLA agreement is no longer operative. HACOLA is disputing the DOF's finding and has requested a meet and confer with the DOF. Pending resolution of the issue, the Successor Agency has not remitted the HACOLA payment for year the 2011-2012 to HACOLA. In any event, because the HACOLA payment is booked against the Capital Project Fund, the assets and related transfer will be addressed in the due diligence report due on December 15, 2012.

The Department of Finance has objected to the inclusion of this item on the ROPS. HACOLA believes the obligation is enforceable. Pending resolution of the issue, the Successor Agency has not made any transfers or payments.

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 Low and Moderate Income Housing Fund of 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.

This procedure is not applicable.

- B. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Low and Moderate Income Housing Fund of 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.

This procedure is not applicable.

- 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.

This procedure is not applicable.

- 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 Low and Moderate Income Housing Fund of 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.

This procedure is not applicable.

- B. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Low and Moderate Income Housing Fund of 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.

This procedure is not applicable.

- 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.

This procedure is not applicable.

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 account fully for the changes in equity from the previous fiscal period.
- C. Compare amounts in the schedule relevant to the fiscal year ended June 30, 2010 to the State Controller's report filed for the redevelopment agency for that period.
- D. Compare amounts in the schedule for the other fiscal periods presented to account balances in the accounting records or other supporting schedules. Describe in the report the type of support provided for each fiscal period.

Because the procedures required by Section 34179.5(c)(4) pertain to the Successor Agency as a whole, these procedures will be addressed in the report that is due on December 15, 2012.

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. 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.

This procedure is not applicable.

6. Obtain from the Successor Agency a listing of Low and Moderate Income Housing Fund 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.

This procedure is not applicable.

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.

This procedure is not applicable.

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 Agency as restricted.

This procedure is not applicable.

- 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.

This procedure is not applicable.

7. Perform the following procedures:

- A. Obtain from the Successor Agency a listing of Low and Moderate Income Housing Fund 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.

This procedure is not applicable.

- B. If the assets listed at 6(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.

This procedure is not applicable.

- C. For any differences noted in 6(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.

This procedure is not applicable.

- D. If the assets listed at 6(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.

This procedure is not applicable.

8. Perform the following procedures:

- A. If the Successor Agency believes that Low and Moderate Income Housing Fund 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.

This procedure is not applicable.

- B. If the Successor Agency believes that future revenues together with balances dedicated or restricted to an enforceable obligation of the Low and Moderate Income Housing Fund 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.

This procedure is not applicable.

- C. If the Successor Agency believes that projected property tax revenues and other general purpose revenues to be received by the Low and Moderate Income Housing Fund of 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.

This procedure is not applicable.

- D. If procedures A, B, or C were performed, calculate the amount of current unrestricted balances necessary for retention in order to meet the enforceable obligations by performing the following procedures.
 - i. Combine the amount of identified current dedicated or restricted balances and the amount of forecasted annual revenues to arrive at the amount of total resources available to fund enforceable obligations.
 - ii. Reduce the amount of total resources available by the amount forecasted for the annual spending requirements. A negative result indicates the amount of current unrestricted balances that need to be retained.
 - iii. Include the calculation in the AUP report.

This procedure is not applicable.

9. If the Successor Agency believes that Low and Moderate Income Housing Fund cash balances as of June 30, 2012 need to be retained to satisfy obligations on the 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.

This procedure is not applicable.

10. Include (or present) a schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Entities from the Low and Moderate Income Housing Fund. Amounts included in the calculation should agree to the results of the procedures performed in each section above. The schedule should also include a deduction to recognize amounts already paid to the County Auditor-Controller on July 12, 2012 as directed by the California Department of Finance. The amount of this deduction presented should be agreed to evidence of payment. 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).

Refer to Exhibit 1.

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.

A representation letter was obtained from the Successor Agency.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the calculation of the unobligated balances in the Low and Moderate Income Housing Funds available to transfer to taxing entities pursuant to California Health and Safety Code Section 34179.5(c). Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Successor Agency, Oversight Board, County Auditor-Controller, 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.

Eadie and Payne, LLP

September 21, 2012
Redlands, California

**SUCCESSOR AGENCY TO THE INDUSTRY
URBAN-DEVELOPMENT AGENCY
SUMMARY OF BALANCES AVAILABLE FOR ALLOCATION TO
AFFECTED TAXING ENTITIES**

Total amount of assets held by the Successor Agency as of June 30, 2012	-
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	-
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments	-
Less assets that are not cash or cash equivalents (e.g., physical assets)	-
Less balances that are legally restricted for the funding of an enforceable obligation (net of projected annual revenues available to fund those obligations)	-
Less balances needed to satisfy ROPS for the 2012-2013 fiscal year	-
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments	-
Less balances needed to satisfy ROPS for the 2012-2013 fiscal year	-
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	\$ -

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) ss
CITY OF INDUSTRY) SECRETARY'S CERTIFICATION RE: ADOPTION
OF OVERSIGHT BOARD OF THE SUCCESSOR
AGENCY TO THE INDUSTRY URBAN-
DEVELOPMENT AGENCY RESOLUTION

I, Diane M. Schlichting, Secretary of the Oversight Board of the Successor Agency to the Industry Urban-Development Agency, do hereby certify that the foregoing Resolution No. OB 2012-12 was duly passed and adopted at an adjourned regular meeting of the Oversight Board of the Successor Agency to the Industry Urban-Development Agency on October 10, 2012, by the following vote, to wit:

AYES:	BOARD MEMBERS:	Frutos, Gregoryk, Radecki, VC/Cipriani, C/Kreimann
NOES:	BOARD MEMBERS:	None
ABSENT:	BOARD MEMBERS:	Molina, Nunez
ABSTAIN:	BOARD MEMBERS:	None


Diane M. Schlichting, Secretary
Oversight Board of the Successor Agency to
the Industry Urban-Development Agency