

City of Lawndale
(Successor Agency)

Low and Moderate Income Housing Fund

*Independent Accountants' Report
on Applying Agreed-Upon Procedures
with respect to AB 1484*

**CITY OF LAWNSDALE
(SUCCESSOR AGENCY)
LOW AND MODERATE INCOME HOUSING FUND**

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

County of Los Angeles
County Auditor-Controller
Los Angeles, California

Oversight Board
City of Lawndale (Successor Agency)
Lawndale, California

We have performed the agreed-upon procedures enumerated in Attachment A, which were agreed to by the California State Controller's Office, California Department of Finance ("State Agencies") and City of Lawndale solely to assist you in ensuring that the Low and Moderate Income Housing Fund of the City of Lawndale (acting as Successor Agency) is complying with its statutory requirements with respect to AB 1484. Management of the Lawndale Housing Authority and City of Lawndale are responsible for the accounting records pertaining to statutory compliance pursuant to Health and Safety Code Section 34179.5(c)(1) through 34179.5 (c)(3) and Sections 34179.5(c)(5) through 34179.5 (c)(6). This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures identified below either for the purpose for which this report has been requested or for any other purpose.

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

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion as to the appropriateness of the results summarized in Attachment A. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the City of Lawndale 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.

Marcum LLP

Irvine, California
October 1, 2012

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CITATION:

Section 34179.5(c)(1)-The dollar value of assets transferred from the former redevelopment agency to the successor agency on or about February 1, 2012.

Procedure 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 assets transferred to the Successor Agency as of that date.

Results/Findings:

This procedure is not applicable. All assets of the Low and Moderate Income Housing Fund were transferred from the former redevelopment agency to Lawndale Housing Authority in May 2011. On February 22, 2011, the Lawndale Redevelopment Agency and Lawndale Housing Authority approved a cooperation agreement in which the Lawndale Housing Authority agreed to develop affordable housing for Lawndale Redevelopment Agency. On January 12, 2012, the Lawndale City Council approved and adopted resolution no. CC-1201-007 making Lawndale Housing Authority the Housing Successor Agency.

CITATION:

Section 34179.5(c)(2)-The dollar value of assets and cash and cash equivalents transferred after January 1, 2011, through June 30, 2012, by the redevelopment agency or the successor agency to the city, county, or city and county that formed the redevelopment agency and the purpose of each transfer. The review shall provide documentation of any enforceable obligation that required the transfer.

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:

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- 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/Findings:

Procedure 2A

See Exhibit 2A-01 for the listing 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.

Procedure 2B

Based on the representation from the Successor Agency, there were no transfers 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.

Procedure 2C

For the transfers made for the period from January 1, 2011 through January 31, 2012 (Exhibit 2A-01), we were provided by the Successor Agency, the executed Cooperative Agreement for Advance and Reimbursement of Administrative and Overhead Expenses between the Lawndale Redevelopment Agency and Lawndale Housing Authority dated February 22, 2011. We also received a signed copy of the Lawndale City Council resolution no. CC-1201-007 that was passed, approved and adopted on January 12, 2012, that designates the Lawndale Housing Authority as the housing successor agency. In the opinion of the Successor Agency, this documentation forms the legal basis for the transfers.

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CITATION:

Section 34179.5(c)(3)-The dollar value of any cash or cash equivalents transferred after January 1, 2011, through June 30, 2012, by the redevelopment agency or the successor agency to any other public agency or private party and the purpose of each transfer. The review shall provide documentation of any enforceable obligation that required the transfer.

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.

Results/Findings:

Procedure 3A

See Exhibit 3A-01 for the listing 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. We noted that this transfer was paid out of the Lawndale Housing Authority since all assets of the Low and Moderate Income Housing Fund of the former redevelopment agency was transferred to Lawndale Housing Authority as noted in the results of Procedure 1.

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Procedure 3B

See Exhibit 3B-01 for the listing of transfers (excluding payments for goods and services) from the Successor Agency to any other public agency or to private parties for the period from February 1, 2012 through June 30, 2012.. We noted that this transfer was paid out of the Lawndale Housing Authority since all assets of the Low and Moderate Income Housing Fund of the former redevelopment agency were transferred to Lawndale Housing Authority as noted in the results of procedure 1.

Procedure 3C

For the transfer made for the period from January 1, 2011 through January 31, 2012 (Exhibit 3A-01), we were provided by the Successor Agency, the executed agreement for purchase and sale of real property and joint escrow instructions dated July 27, 2011 between Lawndale Housing Authority and The Georges Family Trust. In the opinion of the Successor Agency, this documentation forms the legal basis for the transfer. However, the City of Lawndale received a letter from the Department of Finance dated August 29, 2012 (Exhibit 3C-01) regarding their review of the Housing Assets Transfer Form, in which it disallows the transfer of the Firmona property to Lawndale Housing Authority. See Exhibit 3C-01 for the copy of the letter.

For the transfer made for the period from February 1, 2012 through June 30, 2012, we were provided by the Successor Agency, the executed disposition and development agreement dated May 6, 2010 between Lawndale Redevelopment Agency (dissolved agency) and Habitat for Humanity. In the opinion of the Successor Agency, this documentation forms the legal basis for the transfer.

CITATION:

Section 34179.5(c)(4)-The review shall provide expenditure and revenue accounting information and identify transfers and funding sources for the 2010-11 and 2011-12 fiscal years that reconciles balances, assets and liabilities of the successor agency on June 30, 2012 to those reported to the Controller for the 2009-10 fiscal year.

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.

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- (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/Findings:

Procedure 4A

The procedure required by Section 34179.5(c)(4) above pertains to the Successor Agency as a whole. Per the instructions provided by the California Department of Finance, these procedures will be addressed in the Agreed Upon Procedures report that is due on December 15, 2012.

Procedure 4B

The procedure required by Section 34179.5(c)(4) above pertains to the Successor Agency as a whole. Per the instructions provided by the California Department of Finance, these procedures will be addressed in the Agreed Upon Procedures report that is due on December 15, 2012.

Procedure 4C

The procedure required by Section 34179.5(c)(4) above pertains to the Successor Agency as a whole. Per the instructions provided by the California Department of Finance, these procedures will be addressed in the Agreed Upon Procedures report that is due on December 15, 2012.

Procedure 4D

The procedure required by Section 34179.5(c)(4) above pertains to the Successor Agency as a whole. Per the instructions provided by the California Department of Finance, these procedures will be addressed in the Agreed Upon Procedures report that is due on December 15, 2012.

CITATION:

Section 34179.5(c)(5)-A separate accounting for the balance for the Low and Moderate Income Housing Fund for all other funds and accounts combined shall be made as follows:

- (A) *A Statement of the total value of each fund as of June 30, 2012.*

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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. When this procedure is applied to the Low and Moderate Income Housing Fund, the schedule attached as an exhibit will only include those assets of the Low and Moderate 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/Findings:

See Exhibit 5-01 for a listing of all assets of the Low and Moderate Income Housing Fund as of June 30, 2012. No exceptions noted.

CITATION:

Section 34179.5(c)(5)(B)-An itemized statement listing any amounts that are legally restricted as to purpose and cannot be provided to taxing entities. This could include the proceeds of any bonds, grant funds, or funds provided by other governmental entities that place conditions on their use.

Procedure 6:

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

A. Unspent bond proceeds:

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

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- 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 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.
- D. Attach the above mentioned Successor Agency prepared schedule (s) as an exhibit to the AUP in 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/Findings:

Procedure 6A

Based on the representation of the Successor Agency, there are no asset balances held on June 30, 2012 that are restricted because the assets were unspent bond proceeds.

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Procedure 6B

Based on the representation of the Successor Agency, there are no asset balances held on June 30, 2012 that are restricted because the assets were from grant proceeds or program income that are restricted by third parties.

Procedure 6C

Based on the representation of the Successor Agency, there are no asset balances held on June 30, 2012 that are considered to be legally restricted.

Procedure 6D

Not applicable. See results/findings of procedures 6A through 6C above.

CITATION:

Section 34179.5(c)(5)(C)-An itemized statement of the values of any assets that are not cash or cash equivalents. This may include physical assets, land, records, and equipment. For the purpose of this accounting, physical assets may be valued at purchase cost or at any recently estimated market value. The statement shall list separately housing-related assets.

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 previously audited financial statements (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.

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- 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/Findings:

Procedure 7A

See Exhibit 7A-01 for a listing of assets as of June 30, 2012 that are not liquid or otherwise available for distribution. Based on representation of the Successor Agency, the values are listed at purchase cost or book value.

Procedure 7B

We traced the asset listed on Exhibit 7A-01 to the accounting records of the Successor Agency and we noted the purchase of a real property (Firmona property) in September 2011 in the amount of \$256,504.54. This amount was not recorded as an asset on the Successor Agency's books but rather as an expenditure for the year ended June 30, 2012. Lawndale Housing Authority entered into an agreement for purchase and sale of real property and joint escrow instruction with The Georges Family Trust in July 27, 2011. Lawndale Housing Authority used Low and Moderate Income Housing Fund monies to purchase this real estate with the intention to rehabilitate it and use it for affordable housing.

Procedure 7C

We inspected a copy of the executed agreement for purchase and sale of real property and joint escrow instructions dated July 27, 2011 between Lawndale Housing Authority and The Georges Family Trust.

Procedure 7D

This procedure is not applicable. The asset listing on the Exhibit 7A-01 is listed at purchase cost or book value and not at recently estimated market value.

CITATION:

Section 34179.5(c)(5)(D)-An itemized listing of any current balances that are legally or contractually dedicated or restricted for the funding of an enforceable obligation that identifies the nature of the dedication or restriction and the specific enforceable obligation. In addition, the successor agency shall provide a listing of all approved enforceable obligations that includes a projection of annual spending requirements to satisfy each obligation and a projection of annual revenues available to fund those requirements. If a review finds that future revenues together with dedicated balances are insufficient to fund future obligations and thus retention of current balance is required, it shall identify the amount of current balances necessary for retention. The review shall also detail the projected property tax revenues and other general purpose revenues to be received by the Successor Agency, together with both the

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amount and timing of the bond debt service payments of the successor agency, for the period in which the oversight board anticipates the successor agency will have insufficient property tax revenue to pay the specified obligations.

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 balance 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:

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- 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 the 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.

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- 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/Findings:

Procedure 8A

No exception noted. See Exhibit 8A-01 for the itemized schedule of asset balances (resources) as of June 30, 2012 that are dedicated or restricted for the funding of enforceable obligations.

Procedure 8B

This procedure is not applicable. The Successor Agency does not believe that future revenues together with balances dedicated or restricted to an enforceable obligation are insufficient to fund future obligation payments and retention of current balances is required.

Procedure 8C

There are no outstanding bond obligations. Therefore, this procedure is not applicable.

Procedure 8D

The calculation of the amount of current unrestricted balances necessary for retention in order to meet the enforceable obligations is as follows:

Identified current dedicated or restricted balances	\$ (23,000)
Forecasted annual revenues	_____ --
Total resources available to fund enforceable obligations	(23,000)
Forecasted annual spending requirements	_____ --
Amount of current unrestricted balances necessary for retention	\$ <u>(23,000)</u>

CITATION:

Section 34179.5(c)(5)(E)-An itemized list and analysis of any amounts of current balances that are needed to satisfy obligations that will be placed on the Recognized Obligation Payment Schedules for the current fiscal year.

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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/Findings:

The Successor Agency does not believe that cash balances as of June 30, 2012 need to be retained to satisfy obligations on the ROPS other than the \$23,000 identified in procedure 8A. We noted that this obligation was not included either in the ROPS for the period July 1, 2012 through December 31, 2012 or in the ROPS for the period January 1, 2013 through June 30, 2013. The enforceable obligation for MDG Associates, Inc. in the amount of \$72,902 was included in the ROPS for the period January 1, 2012 through June 30, 2012 since the contract ends on June 30, 2012. State of California Department of Finance (DOF) contacted the Successor Agency and required them to submit the ROPS for the period July 1, 2012 through December 31, 2012 on May 22, 2012 and at that time, the Successor Agency still believed that MDG Associates would submit its final invoices before June 30, 2012 and did not include the MDG Associates obligations on the ROPS for the period July 1, 2012 through December 31, 2012. MDG Associates submitted its final invoices later than expected and by that time, the ROPS for the period July 1, 2012 through December 31, 2012 have been submitted and DOF took the position that amendments were not allowed.

CITATION:

Section 34179.5(c)(6)-The review shall total the net balances available after deducting the total amounts described in subparagraphs (B) to (E), inclusive, of paragraph (5). The review shall add any amounts that were transferred as identified in paragraphs (2) and (3) of subdivision (c) if an enforceable obligation to make that transfer did not exist. The resulting sum shall be available for allocation to affected taxing authorities pursuant to Section 34179.6. It shall be a rebuttable presumption that cash and cash equivalent balances available to the Successor Agency are available and sufficient to disburse the amount determined in this paragraph to taxing entities. If the review finds that there are insufficient cash balances to transfer or that cash or cash equivalents are specifically obligated to the purposes described in subparagraphs (B), (D), and (E) of paragraph (5) in such amounts that there is insufficient cash to provide the full amount determined pursuant to this paragraph, that amount shall be demonstrated in an additional itemized schedule.

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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/Findings:

See attached Exhibit 10-01 for the schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Entities.

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 acknowledgement 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 period from January 1, 2011 through June 30, 2012 that may not have 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.

Result/Findings:

Said management representation letter was received. No exceptions noted.

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Low Mod Transfers

Transferred 05/31/2011

Cash	Investments	Land Held for Resale	Loans Rec	Total
\$ 3,612,955.30	\$ 345,222.48	\$ 492,083.37	\$ 592,931.40	\$ 5,043,192.55

Purpose
<p>On February 22 , 2011, the Lawndale Redevelopment Agency and Lawndale Housing Authority approved a cooperation agreement in which the Housing Authority agreed to develop affordable housing for the Redevelopment Agency and the Agency agreed to provide its low and moderate income housing funds to the Housing Authority. On January 12, 2012, the Lawndale City Council approved a resolution making the Housing Authority the Successor Housing Agency. With the approval of the resolution, any remaining housing assets were transferred to the Housing Authority as a matter of law.</p>

CITY OF LAWDALE (SUCCESSOR AGENCY)

Transfers 01/01/11 through 01/31/2012

Date	Description	Amount	Purpose
9/30/2011	Housing Purchased Firmona	\$ 256,504.54	The Housing Authority purchased a single family house with the LMIHF intending to rehabilitate it and use it for affordable housing. The purchase agreement was executed in July of 2011. The house was included on the Housing Assets List but not allowed by the DOF due to the date of the agreement.

CITY OF LAWDALE (SUCCESSOR AGENCY)
02/01/2012 through 06/30/12
Habitat for Humanity

<u>Date</u>	<u>Description</u>	<u>Amount</u>	<u>Purpose</u>
2/6/2012	2nd Installment	\$ 131,695.39	The Redevelopment Agency entered into a disposition and development agreement (DDA) with Habitat for Humanity in 2010. In the DDA, Habitat agrees to build two, owner occupied, housing units for low income households. The units were to be deed restricted to ensure affordability. The Redevelopment Agency agreed to sell Habitat a residential parcel the Agency owned and provide Habitat with a loan for construction and other costs. The loan proceeds were to be provided to Habitat in several installments as construction proceeded. The payment described here is the second installment.



August 29, 2012

Mr. Otis Ginoza, Deputy City Manager
City of Lawndale
14717 Burin Avenue
Lawndale, CA 90260

Dear Mr. Ginoza:

Subject: Housing Assets Transfer Form

Pursuant to Health and Safety Code (HSC) section 34176 (a) (2), the Lawndale Housing Agency submitted a Housing Assets Transfer Form (Form) to the California Department of Finance (Finance) on July 31, 2012 for the period February 1, 2012 through July 31, 2012.

HSC section 34176 (e) defines a housing asset. Assets transferred deemed not to be a housing asset shall be returned to the successor agency. Finance has completed its review of your Form, which may have included obtaining clarification for various items. Based on a sample of line items reviewed and the application of law, Finance is objecting to the following asset or transfer of asset identified on your Form.

- Exhibit A, line 1 – a single family home. The cooperative agreement in which the former redevelopment agency agreed to provide the Housing Authority with low mod housing funds was entered into on February 22, 2011. In substance, this is transferring unencumbered low mod housing funds to the Housing Authority. HSC section 34176 prohibits a redevelopment agency from transferring any amounts on deposit in the Low and Moderate Income Housing Funds.

Except for items disallowed as noted above, Finance is not objecting to the remaining items, if any, listed on your Form. If you disagree with our determination with respect to any items on the Form, you may request a Meet and Confer within five business days of receiving this letter.

Please direct inquiries to Kylie Le, Supervisor or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: On following page

Mr. Ginoza
August 29, 2012
Page 2

cc: Mr. Steven Mandoki, City Manager, City of Lawndale
Mr. Ken Louie, Finance Director, City of Lawndale
Ms. Kristina Burns, Program Specialist III, Los Angeles County
California State Controller's Office

CITY OF LAWDALE (SUCCESSOR AGENCY)

Low Mod Assets

June 30, 2012

	<u>Cash</u>	<u>Investments</u>	<u>Firmona House Purchase</u>	<u>Land Held for Resale</u>	<u>Loans Rec</u>	<u>Total</u>
Total assets in Lawndale Housing Authority at June 30, 2012	\$ 3,404,951.20	\$ 359,429.37	\$ 256,504.54	\$ 492,083.37	\$ 661,689.90	\$ 5,174,658.38
Less: approved transfers of housing assets to Lawndale Housing Authority by DOF	(55,866.55)			(492,083.37)	(661,689.90)	(1,209,639.82)
Less: Cash at June 30, 2012 belonging to Lawndale Housing Authority	<u>(1,434.39)</u>					<u>(1,434.39)</u>
Total assets of Low and Moderate Income Housing Fund at June 30, 2012	<u>\$ 3,347,650.26</u>	<u>\$ 359,429.37</u>	<u>\$ 256,504.54</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,963,584.17</u>

Note:

Lawndale Redevelopment Agency transferred all of the assets of the Low and Moderate Income Housing Fund to Lawndale Housing Authority (see results of procedure 1 in attachment A). The above schedule includes housing assets that were approved for transfer to the Lawndale Housing Authority as the Housing Successor Agency by the California Department of Finance. The above schedule also includes cash arising from the collection of loans receivable that belongs to Lawndale Housing Authority as the Housing Successor Agency.

CITY OF LAWNSDALE (SUCCESSOR AGENCY)
LISTING OF NON-LIQUID ASSETS
JUNE 30, 2012

<u>Purchase Date</u>	<u>Description</u>	<u>Land Held for Resale</u>	<u>Totals</u>
Sep-11	Firmona Property	256,504.54	256,504.54
	Totals	<u>\$ 256,504.54</u>	<u>\$ 256,504.54</u>

**CITY OF LAWDALE (SUCCESSOR AGENCY)
ASSETS RESTRICTED FOR FUNDING OF ENFORCEABLE OBLIGATIONS
AS OF JUNE 30, 2012**

Habitat for Humanity	\$	55,866.55
Great Neighborhoods Program (MDG Associates)		<u>23,000.00</u>
		78,866.55
Less: Cash transferred to Lawndale Housing Authority to satisfy an enforceable obligation		<u>(55,866.55)</u>
Total	\$	<u><u>23,000.00</u></u>

Note 1: Description of the Habitat for Humanity Project

During its existence, the Redevelopment Agency had an obligation to create affordable housing. The Agency provided funds to the Lawndale Housing Authority to purchase a vacant parcel of land on 163rd Street in Lawndale. The Agency subsequently entered into a disposition and development agreement (DDA) with Habitat for Humanity to develop two units of housing for sale to low income households. In the DDA, the Agency agreed to sell the land to Habitat for Humanity and provide funds for the construction of two housing units. The construction funds were to be provided to Habitat in several draws as construction proceeded. The land was transferred to Habitat for Humanity and the organization constructed two units and sold them to low income families. The units are deed restricted to ensure their continued affordability. The Housing Authority has sleeping second mortgages on each of the two units that require no principal or interest payments. Some principal is due to the Housing Authority each time that the units are transferred to new low income households. See attached excerpt from the DDA.
One final payment to Habitat for Humanity remains.

Excerpt from DDA:

2. Promissory Loan Amount.

The principal amount of the Loan shall not exceed Four Hundred Twenty-Eight Thousand Dollars (\$428,000.00). Maker shall make no interest payments on the Note for the term of the Promissory Note except as set forth in Section 5.3 herein. Payment of the Promissory Note shall be as described in Section 4.

**CITY OF LAWDALE (SUCCESSOR AGENCY)
ASSETS RESTRICTED FOR FUNDING OF ENFORCEABLE OBLIGATIONS
AS OF JUNE 30, 2012**

Note 2: Description of Great Neighborhoods Program

The Lawndale Redevelopment Agency had a housing rehabilitation program called the "Great Neighborhoods Program" which provided loans and grants to low income home owners so that they could rehabilitate their homes. The Redevelopment Agency entered into a three year contract with MDG and Associates in May of 2009 to manage the Great Neighborhoods Program. The contract end date was June 30, 2012. In August of 2011 following the State Supreme Court stay on redevelopment activities the Great Neighborhoods Program was halted. MDG helped the Redevelopment Agency close down the program and complete projects for which funds were committed before June of 2011. MDG Associates stopped working on the Great Neighborhoods Program on June 30, 2012. The enforceable obligation created by the MDG Agreement was listed on the 1st ROPS (as Great Neighborhoods Program) and approved by the DOF. This expenditure was not listed on the 2nd ROPS since the enforceable obligation ended on June 30, 2012 at the end of the 1st ROPS Period. However, the invoice from MDG for their work prior to June 30, 2012 was received and paid after June 30 and therefore should be include as a restricted asset.

V. 8-27-12

SUMMARY OF BALANCES AVAILABLE FOR ALLOCATION TO AFFECTED TAXING ENTITIES

Total amount of assets held by the successor agency as of June 30, 2012 (procedure 5) (Exhibit 5-01)	\$ 3,963,584
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) (Exhibit 7A-01)	(256,505)
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) (Exhibit 8A-01)	(23,000)
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>\$ 3,684,079</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.