

PURSUANT TO THE STATE OF CALIFORNIA
HEALTH AND SAFETY CODE SECTION 34179.5

CITY OF GRAND TERRACE AS THE SUCCESSOR AGENCY OF THE
COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF GRAND TERRACE

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

**COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF GRAND TERRACE
DUE DILIGENCE REVIEW PURSUANT H&S CODE SECTION 34179.5
LOW AND MODERATE INCOME HOUSING FUND AGREED-UPON PROCEDURES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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We have performed the minimum required agreed-upon procedures enumerated in Attachment "A", which were agreed to by the Oversight Board of the Successor Agency for the Community Redevelopment Agency of the City of Grand Terrace, the California State Controller's Office and the State of California Department of Finance (Agencies) solely to assist you to determine the Low and Moderate Income Housing Fund unobligated balances available for transfer to taxing entities complying with statutory requirements pursuant to the California Health and Safety Code section 34179.5. Management of the Successor Agency is responsible for the accounting records pertaining to statutory compliance pursuant to Health and Safety Code section 34182(a)(1).

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 minimum required agreed-upon procedures as set forth in Attachment "A" along with 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 after each procedure 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 applicable 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.

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Rogers Anderson Malody & Scott, LLP

September 26, 2012

**COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF GRAND TERRACE
DUE DILIGENCE REVIEW PURSUANT H&S CODE SECTION 34179.5
LOW AND MODERATE INCOME HOUSING FUND AGREED-UPON PROCEDURES**

Attachment A

Purpose: To determine the unobligated balances available for transfer to taxing entities of the Low and Moderate Income Housing Fund. [Health and Safety Code section 34179.5]

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

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.

Results:

We obtained from the Successor Agency a listing of all assets that were transferred from the former redevelopment agency (Low and Moderate Income Housing Fund) to the Successor Agency on February 1, 2012. We agreed the amounts on this listing to account balances established in the accounting records of the Successor Agency.

We noted that \$312,822 in Low and Moderate Income Housing Fund assets were transferred from the former redevelopment agency to the Low and Moderate Income Housing Fund of the Successor Agency as of February 1, 2012.

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Attachment A

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

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.

Results:

We obtained 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 described the purpose of the transfer and described in what sense the transfer was required by one of the Successor Agency's enforceable obligations or other legal requirements. The State Controller's Office has not completed its review of transfers required under both Sections 34176.5 and 34178.8. Based on the listing of transfers from the Low and Moderate Income Housing Fund of the former redevelopment agency to the City of Grand Terrace for the period January 1, 2011 through January 31, 2012, we noted one transfer totaling \$300,000.

See Attachment 2.A. for listing of transfers.

- 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.

Results:

According to Successor Agency, there were no transfers from the Low and Moderate Income Fund of the former redevelopment agency to the City or County for the period from February 1, 2012 through June 30, 2012.

- 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:

We obtained, from the Successor Agency, a copy of the "Low and Moderate Income Senior Housing Residual Receipts Security Agreement" between the City of Grand Terrace and the Community Redevelopment Agency of the City of Grand Terrace. This document was signed on February 29, 2009.

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Attachment A

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

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.

Results:

Based on the listing of transfers from the Low and Moderate Income Housing Fund of the former redevelopment agency to any other public agency or private for the period January 1, 2011 through January 31, 2012, we noted one transfer, totaling \$132,000, to a private party and none to any other public agency.

See Attachment 3.A for listing obtained from the Successor Agency.

- 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.

Results:

Based on the listing of transfers from the Low and Moderate Income Housing Fund of the former redevelopment agency to any other public agency or private for the period February 1, 2012 through June 30, 2012, we noted 16 transfers, totaling \$1,946,909, to the Grand Terrace Housing Authority.

See Attachment 3.B for listing obtained from the Successor Agency.

- 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:

We obtained, from the Successor Agency, a copy of the "Purchase and Sale Agreement" between the Community Redevelopment Agency of the City of Grand Terrace and Habitat for Humanity San Bernardino Area, Inc. This Agreement is dated May 24, 2011.

We obtained, from the Successor Agency, a copy of the "Housing Assets List" submitted to the State of California, Department of Finance (DOF). This Housing Asset List contains certain land assets that were disallowed by the DOF. The Successor Agency has requested a "Meet and Confer" related to these land assets.

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Attachment A

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

4. Perform the following procedures:

- A. Obtain from the Successor Agency a summary of the financial transactions of the Redevelopment Agency and the Successor Agency in the format set forth in the attached schedule for the fiscal periods indicated in the schedule. For purposes of this summary, the financial transactions should be presented using the modified accrual basis of accounting. End of year balances for capital assets (in total) and long-term liabilities (in total) should be presented at the bottom of this summary schedule for information purposes.
- B. Ascertain that for each period presented the total of revenues, expenditures, and transfers accounts fully for the changes in equity from the previous fiscal period.
- C. Compare amounts in the schedule relevant to the fiscal year ended June 30, 2010 to the state controller's report filed for the Redevelopment Agency for that period.
- D. Compare amounts in the schedule for the other fiscal periods presented to account balances in the accounting records or other supporting schedules. Describe in the report the type of support provided for each fiscal period.

Results:

Procedure 4 pertains to the Successor Agency as a whole, these procedures are to be addressed and presented in the report due on December 15, 2012.

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Attachment A

Citation: 34179.5(c)(5) A separate accounting for the balance for the Low and Moderate Income Housing Fund for all other funds and accounts combined shall be made as follows:
(A) A statement of the total value of each fund as of June 30, 2012.

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:

We obtained from the Successor Agency a listing of all assets of the Low and Moderate Income Housing Asset Fund as of June 30, 2012 for the report that is due October 1, 2012. The listing includes only those assets of the Low and Moderate Income Housing Fund that were held by the Successor Agency as of June 30, 2012 and excludes all assets held by the entity that assumed the housing function previously performed by the former redevelopment agency. We agreed the assets so listed to recorded balances reflected in the accounting records of the Successor Agency.

See Attachment 5 for the listing, obtained from the Successor Agency, of assets of the Low and Moderate Income Housing Fund that were held by the Successor Agency as of June 30, 2012.

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Attachment A

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

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.

Results:

According to the Successor Agency, there were no unspent bond proceeds contained in the Low and Moderate Income Fund of the Successor Agency June 30, 2012

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.

Results:

According to Successor Agency, there were no Grants Proceeds or Program Income held by the Low and Moderate Income Fund of the Successor Agency at June 30, 2012.

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.

Results:

According to Successor Agency, there were no other assets considered to be legally restricted held by the Low and Moderate Income Fund of the Successor Agency at June 30, 2012.

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Attachment A

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:

The Successor Agency did not prepare schedules related to procedures 6.A, 6.B, and 6.C, as there are no assets held that June 30, 2012 that meet the criteria stated in these procedures.

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Attachment A

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

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.

Results:

We obtained from the Successor Agency a listing of assets as of June 30, 2012 that are not liquid or otherwise available for distribution. We noted that \$63,566 of assets at June 30, 2012 were not liquid or otherwise available for distribution. The assets as stated are based on book value as reflected in the accounting records of the Successor Agency.

See Attachment 7.A for listing of assets obtained from 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.

Results:

We traced the amount to the Successor Agency's records noting no 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.

Results:

We noted no differences in Procedure 7.(B).

- 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:

Procedure 7.(D) is not applicable since the assets identified in procedure 7.(A) are not listed at estimated market value.

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Attachment A

Citation: 34179.5(c)(5)(D) An itemized listing of any current balances that are legally or contractually dedicated or restricted for the funding of an enforceable obligation that identifies the nature of the dedication or restriction and the specific enforceable obligation. In addition, the successor agency shall provide a listing of all approved enforceable obligations that includes a projection of annual spending requirements to satisfy each obligation and a projection of annual revenues available to fund those requirements. If a review finds that future revenues together with dedicated or restricted balances are insufficient to fund future obligations and thus retention of current balances is required, it shall identify the amount of current balances necessary for retention. The review shall also detail the projected property tax revenues and other general purpose revenues to be received by the successor agency, together with both the amount and timing of the bond debt service payments of the successor agency, for the period in which the oversight board anticipates the successor agency will have insufficient property tax revenue to pay the specified obligations.

8. Perform the following procedures:

- 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.

The Successor Agency could not provide a legal document with regard to the overpayment of property tax by the County of San Bernardino to the former Community Development Agency of the City of Grand Terrace. The County of San Bernardino, in 2010-2011, remitted to the former Community Redevelopment Agency of the City of Grand Terrace a portion of the San Bernardino Valley Municipal Water District's debt service tax receipts in error. The \$21,165 on Attachment 8.A is the Successor Agency's best estimate of the amount due. The County of San Bernardino is still researching the matter. The remaining \$64 stated on the schedule is for accounts payable at June 30, 2012. There are no legal documents related to these accounts payable items, only current invoices.

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

The balances as stated agree to the Successor Agency's accounting record

- 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.

No items were listed on the final Recognized Obligation Payment Schedule ROPS-2 approved by the California Department of Finance for the period July 1, 2012 to December 31, 2012.

- 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.

See Attachment 8.A for itemized schedule obtained from the Successor Agency.

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Attachment A

- 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:

Results:

The Successor Agency believes that future revenues together with balances dedicated or restricted to an enforceable obligation are sufficient to fund future Low and Moderate Income Housing Fund obligations.

- 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.

Results:

The procedure is not applicable as there are no Low and Moderate Income Housing Bonds issued and outstanding at June 30, 2012

- 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.

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Attachment A

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.

\$21,229 of the Successor Agency's Investment balance will need to be retained in order to meet the obligations on Schedule 8.A. The Successor Agency estimated future annual revenue to be received by the Low and Moderate Income Housing fund of the Successor Agency is \$0.

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.

As stated in above 8.D.i, \$21,229 of the Successor Agency's Investment balance will need to be retained in order to meet the obligations on Schedule 8.A.

iii. Include the calculation in the AUP report.

According to the Successor Agency, estimated future annual revenue to be received by the Low and Moderate Income Housing fund of the Successor Agency is \$0, thus \$21,229 of investment balances at June 30, 2012 will need to be retained to meet the obligations listed on Attachment 8.A.

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Attachment A

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

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:

The Successor Agency believes that remaining cash and investment balances as of June 30, 2012 in the amount of \$228,092 need to be retained to satisfy obligations in the Recognized Obligation Payment Schedule for the period January 1, 2013 to June 30, 2013.

See Attachment 9 for listing and explanations from the Successor Agency of cash balances needed to be retained and its corresponding enforceable obligation in the ROPS 2 (July 1, 2012 to December 31, 2012) and in the ROPS 3 (January 1, 2013 to June 30, 2013).

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Attachment A

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

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:

We have included (prepared by the Successor Agency) a schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Entities from the Low and Moderate Income Housing Fund. We agreed amounts included in the calculation to the results of the procedures performed in each section of the report referenced in the calculation. The schedule does not contain a payment to the County Auditor-Controller on July 12, 2012 as directed by the California Department of Finance because the Low and Moderate Income Housing Fund of the Successor Agency was not required to make such payment.

See Attachment 10 for the complete calculation obtained from Management of the Successor Agency.

**COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF GRAND TERRACE
DUE DILIGENCE REVIEW PURSUANT H&S CODE SECTION 34179.5
LOW AND MODERATE INCOME HOUSING FUND AGREED-UPON PROCEDURES**

Attachment A

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:

We obtained a representation letter dated September 26, 2012 from the Successor Agency's management acknowledging their responsibility for the data provided to us and the data presented in the report and in all attachments to the report. Included in the representations there is 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 Agreed-upon procedures report and its related exhibits.

COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF GRAND TERRACE
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LOW AND MODERATE INCOME HOUSING FUND AGREED-UPON PROCEDURES
Attachment 2.A

2.A - Transfers from the former CRA to City/County for the period from January 1, 2011 through January 31, 2012

TRANSFER DESCRIPTION	TRANSFER AMOUNT	TRANSFER DATE	CITY/COUNTY	ENFORCEABLE OBLIGATION	
				Required by	IF YES, DATE
Residual Residual Receipts Agreement	\$ 300,000	12/31/2011	City of Grand Terrace	Agreement with City	12/24/2009
Total	\$ 300,000				

**COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF GRAND TERRACE
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Attachment 3.A & 3.B**

3.A - Transfers from former CRA to Other Public Agency/Private Parties for the period from January 1, 2011 through January 31, 2012

TRANSFER DESCRIPTION	TRANSFER AMOUNT	TRANSFER DATE	OTHER PUBLIC AGENCY OR PRIVATE PARTIES	ENFORCEABLE OBLIGATION	
				Required by	IF YES, DATE
Sale of 12569 Michigan Street to Habitat for Humanity for \$1.00 for Low Income Project	\$ 132,000	05/24/2011	Habitat for Humanity	Purchase and Sale Agreement	05/24/2011
Total	\$ 132,000				

3.B - Transfers from former CRA to Other Public Agency/Private Parties for the period from February 1, 2012 through June 30, 2012

TRANSFER DESCRIPTION	TRANSFER AMOUNT	TRANSFER DATE	CITY/COUNTY	ENFORCEABLE OBLIGATION	
				Required by	IF YES, DATE
Advances Due from City General Fund	\$ 168,205	02/01/2012	GT Housing Authority	Housing Asset TSF-HSC 34176	-
Loans Receivable-Home Improv Loans- Ybarra	20,903	02/01/2012	GT Housing Authority	Housing Asset TSF-HSC 34176	-
2nd Mortgage on LMIF house sale-Morgan	20,000	02/01/2012	GT Housing Authority	Housing Asset TSF-HSC 34176	-
2nd Mortgage on LMIF house sale-Farrar	29,000	02/01/2012	GT Housing Authority	Housing Asset TSF-HSC 34176	-
2nd Mortgage on LMIF house sale-Gardner	28,000	02/01/2012	GT Housing Authority	Housing Asset TSF-HSC 34176	-
2nd Mortgage on LMIF house sale-Cook	33,000	02/01/2012	GT Housing Authority	Housing Asset TSF-HSC 34176	-
2nd Mortgage on LMIF house sale-Kimble	39,000	02/01/2012	GT Housing Authority	Housing Asset TSF-HSC 34176	-
2nd Mortgage on LMIF house sale-Raymer	69,000	02/01/2012	GT Housing Authority	Housing Asset TSF-HSC 34176	-
2nd Mortgage on LMIF house sale-Boustedt	44,000	02/01/2012	GT Housing Authority	Housing Asset TSF-HSC 34176	-
2nd Mortgage on LMIF house sale-Flann	62,000	02/01/2012	GT Housing Authority	Housing Asset TSF-HSC 34176	-
2nd Mortgage on LMIF house sale-Biorkman	190,000	02/01/2012	GT Housing Authority	Housing Asset TSF-HSC 34176	-
2nd Mortgage on LMIF house sale-Heilman	155,000	02/01/2012	GT Housing Authority	Housing Asset TSF-HSC 34176	-
SERAF Loan - H&S 33690C(1)	448,636	02/01/2012	GT Housing Authority	Housing Asset TSF-HSC 34176	-
22293 Barton Road - Vacant Land *Note 1	240,226	02/01/2012	GT Housing Authority	Housing Asset TSF-HSC 34176	-
22317 Barton Road - Vacant Land *Note 1	222,939	02/01/2012	GT Housing Authority	Housing Asset TSF-HSC 34176	-
11695 Canal St. - Vacant Land *Note1	177,000	02/01/2012	GT Housing Authority	Housing Asset TSF-HSC 34176	-
*Note 1- Objected by DOF on Determination Letter, Aug. 25, 2012.	-	-	-	-	-
Contested by Authority; Meet and Confer Requested.	-	-	-	-	-
Total	\$ 1,946,909				

COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF GRAND TERRACE
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LOW AND MODERATE INCOME HOUSING FUND AGREED-UPON PROCEDURES
Attachment 5

5 - Listing of Assets of Low and Moderate Income Housing Fund and Successor Agency Funds as of June 30,2012

Asset Information			Successor Agency Fund 34	
ID#	Account Name	Description	GL	LMIHF
-	CASH	Bank of America, other Pooled Cash	xx-010-00-00	\$ (278,379)
-	PETTY CASH	Petty Cash	xx-010-01-00	(15)
-	INVESTMENTS	LAIF, Other Pooled Cash	xx-010-10-00	527,715
12790012	Berryman, John	Loans Receivable-Home Improv Loans	xx-015-00-00	11,378
12790027	Cooper, Monte	Loans Receivable-Home Improv Loans	xx-015-00-00	31,379
12790017	Jay, Henry	Loans Receivable-Home Improv Loans	xx-015-00-00	8,931
12790007	White, Carma	Loans Receivable-Home Improv Loans	xx-015-00-00	5,565
12790020	White, Pamela	Loans Receivable-Home Improv Loans	xx-015-00-00	5,931
-	ACCRUED INVESTMENT EARNINGS	Accrued Interest	xx-016-00-00	478
-	ACCRUED REVENUE	Other	xx-016-50-00	(96)
Total				\$ 312,887

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LOW AND MODERATE INCOME HOUSING FUND AGREED-UPON PROCEDURES
Attachment 7.A

7.A - Listing of Assets of the Low and Moderate Income Housing Fund that are not Cash or Cash Equivalents at June 30,2012

Asset Information			Successor Agency Fund 34	
ID#	Account Name	Description	GL	LMIHF
-	Accrued Investment Earnings	-	34-016-00-00	\$ 479
-	Accrued Revenue	-	34-016-50-00	(97)
12790012	Berryman, John	Loans Receivable-Home Improv Loans	34-015-00-00	11,378
12790027	Cooper, Monte	Loans Receivable-Home Improv Loans	34-015-00-00	31,379
12790017	Jay, Henry	Loans Receivable-Home Improv Loans	34-015-00-00	8,931
12790007	White, Carma	Loans Receivable-Home Improv Loans	34-015-00-00	5,565
12790020	White, Pamela	Loans Receivable-Home Improv Loans	34-015-00-00	5,931
Total				\$ 63,566

COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF GRAND TERRACE
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LOW AND MODERATE INCOME HOUSING FUND AGREED-UPON PROCEDURES
Attachment 8.A

8.A - Listing of Assets of the Low and Moderate Housing Fund Balances that are Legally Restricted for funding of an Enforceable Obligation at June 30,2012

Asset Information			Successor Agency Fund 34	
ID#	Account Name	Description	GL	LMIHF
-	Investments	SB County ATC-TI Overpayment-FY 2010-11	34-010-10-00	\$ 21,165
-	-	Unidentified Tax Increment Received		
-	Investments	Chevron Fuel Card-Admin- Accounts Payable	34-010-10-00	30
-	Investments	SoCal Gas Co.-Admin Alloc- Accounts Payable	34-010-10-00	2
-	Investments	Office Depot.-Admin Alloc- Accounts Payable	34-010-10-00	32
Total				\$ 21,229

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LOW AND MODERATE INCOME HOUSING FUND AGREED-UPON PROCEDURES
Attachment 9

9. Cash and Investment Balances needed to be retained as of June 30, 2012: for ROPS
2 (July 1, 2012 through December 31, 2012) and ROPS 3- (Jan. 1, 2013 through June 30, 2013)

GL account/ROPS Ln#	Description	Successor Agency Funds Unencumbered LMIHF Fund
ROPS-3, Form B, Ln 18	Residual Receipts, Housing Agreement	\$ 300,000
Total cash balances to be retained		\$ 300,000

Explanation from Successor Agency	
ROPS-3, Form B, Ln 18	Residual Receipts/Housing Agreement - On February 24, 2009, the City and former CRA entered into a Residual Receipts Agreement. Funds need to be retained to pay the Enforceable obligation for FY 2012-13.

COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF GRAND TERRACE
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LOW AND MODERATE INCOME HOUSING FUND AGREED-UPON PROCEDURES
Attachment 10

SUMMARY OF BALANCES AVAILABLE FOR ALLOCATION TO AFFECTED TAXING ENTITIES	S/A LMIHF Fund 34
Total amount of assets held by the successor agency as of June 30, 2012 (Procedure 5)	\$ 312,887
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)	(63,566)
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)	(21,229)
Less: balances needed to satisfy ROPS for the 2012-13 fiscal year (Procedure 9)	(228,092)
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	\$ -