



**OVERSIGHT
BOARD
AGENDA
REPORT**

**SUBJECT: Due Diligence Review of the Other
Redevelopment Agency Funds Pursuant to
Sections HSC 34179.5(c) through 34179.5(c)(6)**

DEPARTMENT: Administrative Services

MEETING DATE: January 10, 2013

SUBMITTED BY: Successor Agency

EXECUTIVE SUMMARY

Staff of the Successor Agency ("Successor Agency") of the dissolved Redevelopment Agency of the City of Cathedral City ("Redevelopment Agency") recommends that the Successor Agency's Oversight Board approve the enclosed Non-Housing Fund Due Diligence Review and provide certain determinations, authorizations and directions (as described below) in connection with the Non-Housing Fund Due Diligence Review and in accordance with the requirements of AB 1484. These actions by the Oversight Board will facilitate the timely unwinding of the affairs of the Redevelopment Agency by the Successor Agency and the distribution to the affected taxing entities of the unobligated non-Low and Moderate Income Housing Funds of the Redevelopment Agency that are now held by the Successor Agency.

BACKGROUND AND PREVIOUS ACTIONS

On December 29, 2011, the California Supreme Court delivered its decision in the *California Redevelopment Association v. Matosantos* case, finding ABx1 26 ("Dissolution Act") largely constitutional. The Court's decision means that all California redevelopment agencies, including the Redevelopment Agency, were dissolved on February 1, 2012.

On May 25, 2011, Resolution No R-496, the Board of the Redevelopment Agency of Cathedral City elected to designate the City of Cathedral City as the Successor Agency in the event of dissolution of the Redevelopment Agency of Cathedral City. On May 25, 2011, Resolution No. 2011-133, the City Council of the City of Cathedral City elected to accept the designation as the Successor Agency, in a separate legal capacity, for the Redevelopment Agency. The Successor Agency now holds the former Redevelopment Agency's non-housing funds and assets and is charged with the responsibility of paying off the former Redevelopment Agency's existing debts, disposing of the former Redevelopment Agency's properties and assets to help pay off debts and return revenues to the local government entities that receive property taxes ("Taxing Entities"), and unwinding the affairs of the former Redevelopment Agency. An Oversight Board, consisting of members representing the County of Riverside, the City of Cathedral City, and various education and special districts, was formed to approve and direct certain actions of the Successor Agency. The actions of the Oversight Board are subject to review and objection by the California Department of Finance ("DOF").

On June 27, 2012, Assembly Bill 1484 became effective. AB 1484 makes clean-up amendments to the Dissolution Act, and adds several new procedures to the process of winding-down the affairs of the former Redevelopment Agency. Specifically, Health and Safety Code Section 34179.5 provides new procedures for reviewing the available cash assets of the former Redevelopment Agency. One review (the "Housing Fund Due Diligence Review") is required for the unobligated Low and Moderate Income Housing Funds (the "Housing Funds"), and another review (the "Non-Housing Fund Due Diligence Review") is required for all other funds (the "Non-Housing Funds"). The two reviews are to be conducted by the Successor Agency with the goal of distributing what are determined to be available cash assets to the Taxing Entities during FY 2012-13. At the conclusion of the both reviews, if the Successor Agency remits the cash assets to the Riverside County Auditor-Controller (the "Auditor-Controller"), and if the Successor Agency has also made any "true-up payment" due July 12, 2012, the DOF will issue a finding of completion for the Successor Agency.

The Successor Agency's Housing Fund Due Diligence Review was fully completed and approved by the Oversight Board on October 11, 2012. The DOF approved the Housing Fund Due Diligence Review on November 9, 2012, and the Successor Agency had no unobligated funds therefore was not required to make a distribution made to the Riverside County Auditor-Controller.

The Successor Agency's Non-Housing Fund Due Diligence Review has been prepared by Lance Soll & Lunghard LLP, the licensed accountant retained by the Successor Agency and approved by the Riverside County Auditor-Controller. The Non-Housing Fund Due Diligence Review was transmitted on December 14, 2012 to Riverside County Auditor-Controller, the Riverside County Administrative Officer, the DOF, and the State Controller's Office, thereby meeting the statutory deadline for such transmittal by December 15, 2012.

The Oversight Board convened a noticed public comment session on the Non-Housing Fund Due Diligence Review on December 13, 2012 at least five business days before the Oversight Board was scheduled to vote on approval of the Non-Housing Fund Due Diligence Review. There were not public comments received.

The Oversight Board is to review, approve the Non-Housing Fund Due Diligence Review at its regularly scheduled meeting on January 10, 2012 and transmit by January 15, 2013. As part of its consideration of the Non-Housing Fund Due Diligence Review, the Oversight Board can adjust amounts provided in the Non-Housing Fund Due Diligence Review to reflect additional information and analysis. The Oversight Board can also authorize the Successor Agency to retain specified restricted Non-Housing Funds, the non-cash assets, and the cash balances that are contractually committed or needed for Non-Housing Fund-related items on the Recognized Obligation Payment Schedules ("ROPS") during Fiscal Year 2012-13.

The DOF may adjust the amounts determined to be available for allocation to the Taxing Entities in the Non-Housing Fund Due Diligence Review based on its analysis and information provided by the Successor Agency and others. The DOF is to complete its review of the Non-Housing Fund Due Diligence Review by April 1, 2013. The DOF is required to provide the Successor Agency and the Oversight Board with an explanation of the basis for overturning or modifying any findings or determinations of the Oversight Board.

The Successor Agency and the City can request a meet and confer with the DOF after the DOF has made its determination of the amounts available for allocation to the Taxing Entities within five business days of receipt of the DOF's determination. The request to meet and confer must include an explanation and documentation of the basis for the dispute. The DOF is required to meet and confer with the requesting party and make a decision within 30 days of the request to meet and confer.

If the DOF determines that the full payment of the amounts determined to be available for allocation to the Taxing Entities is not feasible or would jeopardize a Successor Agency's ability to pay enforceable obligations, the DOF can agree to an installment payment plan.

Successor Agencies are required to transmit the funds determined to be available for allocation to the Taxing Entities within five business days of receipt of the notification of the amount determined by the DOF. Successor Agencies are required to make diligent efforts to recover money determined to be transferred without an enforceable obligation. If the Successor Agency fails to transmit the funds determined to be available for allocation to the taxing entities, there are a variety of remedies set forth in AB 1484.

ANALYSIS

The Non-Housing Fund Due Diligence Review indicates that:

- As of June 30, 2012, the Successor Agency held \$81,020,998 of Non-Housing Funds of the former Redevelopment Agency (the "Non-Housing Funds Gross Balance");
- Of the Non-Housing Funds Gross Balance, the Successor Agency is authorized to retain \$35,035,105, representing amounts that are legally restricted as to purpose and cannot be provided to Taxing Entities;
- Of the Non-Housing Funds Gross Balance, the Successor Agency is authorized to retain \$40,575,161, representing the value of the Non-Housing Funds real property assets;
- Of the Non-Housing Funds Gross Balance, the Successor Agency is authorized to retain \$3,757,224 of Non-Housing Funds, representing the amount required to be retained by the Successor Agency to pay future enforceable obligations because anticipated future revenues are not deemed sufficient for that purpose after considering anticipated future required payments for enforceable obligations and other statutorily designated factors;
- Of the Non-Housing Funds Gross Balance, the Successor Agency is authorized to retain \$1,949,983 of Non-Housing Funds to pay items on the ROPS's for Fiscal Year 2012-13 that have been fully approved by the Oversight Board and the DOF;
- Of the Non-Housing Funds Gross Balance, the Successor Agency paid an additional \$62,238.45 on July 12, 2012 to the Auditor-Controller as directed by the DOF in compliance with Health and Safety Code Section 34183.5; and
- Subtracting the above-described retentions and payments from the Non-Housing Funds Gross Balance, there remains an unobligated Non-Housing Funds cash balance of

\$(358,713) to be remitted by the Successor Agency to the Auditor-Controller for distribution to the Taxing Entities.

The Successor Agency staff concurs with these results of the Non-Housing Fund Due Diligence Review and therefore has determined there are no unencumbered cash balances to be distributed. Based on this information, the Successor Agency staff recommends that the Oversight Board approve the accompanying resolution that:

- Approves the Non-Housing Fund Due Diligence Review;
- Authorizes the Successor Agency to retain the various amounts of Non-Housing Funds for the various purposes described above in this Analysis section and in the accompanying resolution;
- Determines that there are no unobligated Non-Housing Funds available to be remitted by the Successor Agency to the Auditor-Controller for distribution to the Taxing Entities; and
- Authorizes the Successor Agency to take all actions to notice, distribute and complete the process under AB 1484 for the Non-Housing Fund Due Diligence Review, and recognizes the Successor Agency's right to request a meet and confer session with the DOF to resolve any disputes.

ENCLOSURES

1. Oversight Board Action Resolution Related To Non-Housing Fund Due Diligence
2. Review Non-Housing Fund Due Diligence Review

RECOMMENDATION

For the reasons set forth above, Successor Agency staff recommends that the Oversight Board hear any further public testimony on this matter and adopt the enclosed resolution taking the actions summarized above in accordance with AB 1484.

RESOLUTION NO. _____

**RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR
AGENCY OF THE REDEVELOPMENT AGENCY OF THE CATHEDRAL
CITY TAKING SPECIFIED ACTIONS WITH RESPECT TO THE NON-
HOUSING FUND DUE DILIGENCE REVIEW PURSUANT TO HEALTH
AND SAFETY CODE SECTIONS 34179.5 AND 34179.6**

WHEREAS, the California state legislature enacted Assembly Bill x1 26 (the "Dissolution Act") to dissolve redevelopment agencies formed under the Community Redevelopment Law (Health and Safety Code Section 33000 et seq.); and

WHEREAS, pursuant to Health and Safety Code Section 34173, the City Council of the City of Cathedral City ("City Council") declared that the City of Cathedral City ("City") would act as successor agency (the "Successor Agency") for the dissolved Redevelopment Agency of the City of Cathedral City (the "Dissolved RDA") effective February 1, 2012; and

WHEREAS, pursuant to AB 1484 ("AB 1484"), enacted June 27, 2012 to amend various provisions of the Dissolution Act, the Successor Agency is now declared to be a separate legal entity from the City; and

WHEREAS, the Dissolution Act provides for the appointment of an oversight board (the "Oversight Board") with specific duties to approve certain Successor Agency actions pursuant to Health and Safety Code Section 34180 and to direct the Successor Agency in certain other actions pursuant to Health and Safety Code Section 34181; and

WHEREAS, pursuant to Health and Safety Code Section 34179.5 (as added by AB 1484) the Successor Agency is required to employ a licensed accountant, approved by the County Auditor- Controller for the County of Riverside (the "Auditor-Controller"), to conduct a due diligence review (the "Non-Housing Fund Due Diligence Review") to determine the unobligated balances from the Dissolved RDA's funds and accounts (exclusive of the Low and Moderate Income Housing Fund) held by the Successor Agency available for transfer to taxing entities as required under AB 1484 and the Dissolution Act; and

WHEREAS, the Successor Agency hired a licensed accountant, approved by the Auditor-Controller, to prepare the Non-Housing Fund Due Diligence Review in conformance with Health and Safety Code Section 34179.5; and

WHEREAS, in compliance with Health and Safety Code Section 34179.6, the Non-Housing Fund Due Diligence Review has been submitted by the Successor Agency to the Oversight Board for the Oversight Board's approval, and has also been submitted to the Riverside County Administrative Officer, the Riverside County Auditor-Controller, the State Controller, and the State Department of Finance (the "DOF"), along with copies of the Successor Agency's recognized obligation payment schedules for the Fiscal Year 2012-13, as approved by the Oversight Board (the "FY 2012-13 ROPS's"); and

WHEREAS, the Oversight Board must review, approve and transmit the Non-Housing Fund Due Diligence Review by January 15, 2013.

NOW, THEREFORE, BE IT RESOLVED that the Oversight Board hereby finds and determines that the foregoing recitals are true and correct, and together with the following documents and information form the basis for the approvals, authorizations, findings, and determinations set forth in this Resolution: (1) the Non-Housing Fund Due Diligence Review; (2) the FY 2012-13 ROPS's; (3) information provided by the Successor Agency staff; (4) information provided by the public at the public comment session held by the Oversight Board on December 13, 2012 as required under Health and Safety Code Section 34179.6(b); and (5) the opinions offered by the Auditor-Controller on the Non-Housing Fund Due Diligence Review.

BE IT FURTHER RESOLVED that in accordance with the Dissolution Act and AB 1484, the Oversight Board hereby approves the Non-Housing Fund Due Diligence Review in the form on file with the Oversight Board's designated communication official.

BE IT FURTHER RESOLVED that the Oversight Board hereby authorizes the Successor Agency to retain assets or funds, legally restricted as to their purpose, including but not limited bond proceeds, grant funds or other governmentally restricted funds, under Health and Safety Code Section 34179.5(c)(5)(B) in the amount of \$35,035,105 from the funding source and for the purposes identified in Procedure 6 (Attachment B6) and summarized in Procedure 10 (Attachment B10) of the Due Diligence Review, incorporated herein by this reference.

BE IT FURTHER RESOLVED that the Oversight Board hereby authorizes the Successor Agency to retain assets or funds, that are not cash or cash equivalent, under Health and Safety Code Section 34179.5(c)(5)(C) in the amount \$40,575,161 from the funding source and for the purposes identified in Procedure 7 (attachment B7) and summarized in Procedure 10 (Attachment B10) of the Due Diligence Review, incorporated herein by this reference.

BE IT FURTHER RESOLVED that the Oversight Board hereby authorizes the Successor Agency to retain assets or funds, including any current balances that are legally or contractually dedicated or restricted for the funding of an enforceable obligation, under Health and Safety Code Section 34179.5(c)(5)(D) in the amount of \$3,757,224 from the funding source and for the purposes identified in Procedure 8a (Attachment B8a) and summarized in Procedure 10 (Attachment B10) of the Due Diligence Review, incorporated herein by this reference;

BE IT FURTHER RESOLVED that the Oversight Board hereby authorizes the Successor Agency to retain assets or funds, including any current balances needed to satisfy obligations placed on the FY 2012-13 ROPS's, under Health and Safety Code Section 34179.5(c)(5)(E) in the amount of \$1,949,983 from the funding source and for the purposes identified in Procedure 9 (Attachment B9) and summarized in Procedure 10 (Attachment B10) of the Due Diligence Review, incorporated herein by this reference.

BE IT FURTHER RESOLVED that there is no amount of cash and cash equivalents available for disbursement to taxing entities as determined according to the method provided in Section 34179.5 and as set forth in the Non-Housing Fund Due Diligence Review. Therefore,

there will be no cash or cash equivalents distributed/transmitted to the Riverside County Auditor Controller pursuant to the terms of AB 1484 and the Dissolution Act.

BE IT FURTHER RESOLVED, that the Oversight Board hereby authorizes and directs the Successor Agency staff to take all actions necessary under the Dissolution Act and AB 1484 to file, post, mail or otherwise deliver via electronic mail, internet posting, and/or hardcopy, all notices and transmittals necessary or convenient in connection with the approval of the Non-Housing Fund Due Diligence Review and to take any other actions necessary to ensure the validity of the Housing Fund Due Diligence Review and the validity of the retention of the funds specified to be retained by this Resolution. The Oversight Board acknowledges and agrees that the Successor Agency may invoke the meet and confer process identified in Health and Safety Code Section 34179.6(e) to resolve any disputes regarding the amounts or sources of funds identified by the DOF as eligible to be retained. In addition, the Oversight Board authorizes and directs the Successor Agency staff to make the Non-Housing Fund Due Diligence Review Payment as required under Health and Safety Code Section 34179.6 and pursuant to the terms of this Resolution.

BE IT FURTHER RESOLVED that this Resolution shall take effect at the time and in the manner prescribed in Health and Safety Code Section 34179(h).

The above and foregoing Resolution was duly and regularly passed and adopted at a meeting by the Oversight Board for the Successor Agency of the Redevelopment Agency of the City of Cathedral City at a regular meeting thereof held on January 10, 2013, by the following vote:

AYES:	BOARD MEMBERS:
NOES:	BOARD MEMBERS:
ABSTAIN:	BOARD MEMBERS:
ABSENT:	BOARD MEMBERS:

Chairperson

ATTEST:

Oversight Board Designated
Communication Official



**Successor Agency of the Former
Cathedral City Redevelopment Agency**

**Due Diligence Review
of the Other Redevelopment Agency Funds
Pursuant to Sections 34179.5(c)(1) through 34179.5(c)(6)
of Assembly Bill No. 1484 of 2012**

Lance Soll & Lunghard, LLP

Orange County
Silicon Valley
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Successor Agency of the Former
Cathedral City Redevelopment Agency

Due Diligence Review
of the Other Redevelopment Agency Funds
Pursuant to Sections 34179.5(c)(1) through 34179.5(c)(6)
of Assembly Bill No. 1484 of 2012

- Brandon W. Burrows, CPA
- David E. Hale, CPA, CFP
A Professional Corporation
- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA
- Bryan S. Gruber, CPA
- Deborah A. Harper, CPA

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES

To the Successor Agency of the
Former Cathedral City Redevelopment Agency
Cathedral City, California

We have performed the procedures enumerated in Attachment A for the Other Redevelopment Agency Funds, which were agreed to by the California State Controller's Office and the State of California Department of Finance (State Agencies) solely to assist you in ensuring that the dissolved redevelopment agency is complying with Assembly Bill 1484, Chapter 26, Section 17's amendment to health and safety code 34179.5. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Management of the successor agency is responsible for providing all the information obtained in performing these procedures. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

As stated above, the scope of this engagement was limited to performing the procedures identified in Attachment A, which specified the "List of Procedures for the Due Diligence Review" obtained from the California Department of Finance Website.

The results of the procedures performed are identified in Attachment B1 through B11.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of a certified opinion as to the appropriateness of the results of the procedures performed. 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 the Successor Agency.

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

Lance, Soll & Lughard, LLP

Brea, California
December 3, 2012

List of Procedures for Due Diligence Review for the Other Redevelopment Agency Funds (Continued)

1. Obtain from the Successor Agency a listing of all assets that were transferred from the former redevelopment agency to the Successor Agency on February 1, 2012. Agree the amounts on this listing to account balances established in the accounting records of the Successor Agency. Identify in the Agreed-Upon Procedures (AUP) report the amount of the assets transferred to the Successor Agency as of that date.
2. If the State Controller's Office has completed its review of transfers required under both sections 34167.5 and 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the AUP report. If this has not yet occurred, perform the following procedures:
 - a. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the former redevelopment agency to the city, county, or city and county that formed the redevelopment agency for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
 - b. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Successor Agency to the city, county, or city and county that formed the redevelopment agency for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
 - c. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.
3. If the State Controller's Office has completed its review of transfers required under both Sections 34167.5 and 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the AUP report. If this has not yet occurred, perform the following procedures:
 - a. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the former redevelopment agency to any other public agency or to private parties for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
 - b. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Successor Agency to any other public agency or private parties for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
 - c. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.
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.

List of Procedures for Due Diligence Review for the Other Redevelopment Agency Funds (Continued)

- b. Ascertain that for each period presented, the total of revenues, expenditures, and transfers accounts fully for the changes in equity from the previous fiscal period.
 - c. Compare amounts in the schedule relevant to the fiscal year ended June 30, 2010 to the state controller's report filed for the Redevelopment Agency for that period.
 - d. Compare amounts in the schedule for the other fiscal periods presented to account balances in the accounting records or other supporting schedules. Describe in the report the type of support provided for each fiscal period.
5. Obtain from the Successor Agency a listing of all assets of the Low and Moderate Income Housing Fund as of June 30, 2012 for the report that is due October 1, 2012 and a listing of all assets of all other funds of the Successor Agency as of June 30, 2012 (excluding the previously reported assets of the Low and Moderate Income Housing Fund) for the report that is due December 15, 2012. When this procedure is applied to the Low and Moderate Income Housing Fund, the schedule attached as an exhibit will include only those assets of the Low and Moderate Income Housing Fund that were held by the Successor Agency as of June 30, 2012 and will exclude all assets held by the entity that assumed the housing function previously performed by the former redevelopment agency. Agree the assets so listed to recorded balances reflected in the accounting records of the Successor Agency. The listing should be attached as an exhibit to the appropriate AUP report.
6. Obtain from the Successor Agency a listing of asset balances held on June 30, 2012 that are restricted for the following purposes:
- a. Unspent bond proceeds:
 - i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures, amounts set aside for debt service payments, etc.).
 - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
 - iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.
 - b. Grant proceeds and program income that are restricted by third parties:
 - i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).
 - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
 - 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).

List of Procedures for Due Diligence Review for the Other Redevelopment Agency Funds (Continued)

- ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
 - iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by Successor the Agency as restricted.
 - d. Attach the above mentioned Successor Agency prepared schedule(s) as an exhibit to the AUP report. For each restriction identified on these schedules, indicate in the report the period of time for which the restrictions are in effect. If the restrictions are in effect until the related assets are expended for their intended purpose, this should be indicated in the report.
7. Perform the following:
- a. Obtain from the Successor Agency a listing of assets as of June 30, 2012 that are **not** liquid or otherwise available for distribution (such as capital assets, land held for resale, long-term receivables, etc.) and ascertain if the values are listed at either purchase cost (based on book value reflected in the accounting records of the Successor Agency) or market value as recently estimated by the Successor Agency.
 - b. If the assets listed at 7(A) are listed at purchase cost, trace the amounts to a previously audited financial statement (or to the accounting records of the Successor Agency) and note any differences.
 - c. For any differences noted in 7(B), inspect evidence of disposal of the asset and ascertain that the proceeds were deposited into the Successor Agency trust fund. If the differences are due to additions (this generally is not expected to occur), inspect the supporting documentation and note the circumstances.
 - d. If the assets listed at 7(A) are listed at recently estimated market value, inspect the evidence (if any) supporting the value and note the methodology used. If no evidence is available to support the value and/or methodology, note the lack of evidence.
8. Perform the following:
- a. If the Successor Agency believes that asset balances need to be retained to satisfy enforceable obligations, obtain from the Successor Agency an itemized schedule of asset balances (resources) as of June 30, 2012 that are dedicated or restricted for the funding of enforceable obligations and perform the following procedures. The schedule should identify the amount dedicated or restricted, the nature of the dedication or restriction, the specific enforceable obligation to which the dedication or restriction relates, and the language in the legal document that is associated with the enforceable obligation that specifies the dedication of existing asset balances toward payment of that obligation.
 - i. Compare all information on the schedule to the legal documents that form the basis for the dedication or restriction of the resource balance in question.
 - 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.

List of Procedures for Due Diligence Review for the Other Redevelopment Agency Funds (Continued)

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

List of Procedures for Due Diligence Review for the Other Redevelopment Agency Funds (Continued)

9. If the Successor Agency believes that cash balances as of June 30, 2012 need to be retained to satisfy obligations on the Recognized Obligation Payment Schedule (ROPS) for the period of July 1, 2012 through June 30, 2013, obtain a copy of the final ROPS for the period of July 1, 2012 through December 31, 2012 and a copy of the final ROPS for the period January 1, 2013 through June 30, 2013. For each obligation listed on the ROPS, the Successor Agency should add columns identifying (1) any dollar amounts of existing cash that are needed to satisfy that obligation and (2) the Successor Agency's explanation as to why the Successor Agency believes that such balances are needed to satisfy the obligation. Include this schedule as an attachment to the AUP report.
10. Include (or present) a schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Entities. Amounts included in the calculation should agree to the results of the procedures performed in each section above. The schedule should also include a deduction to recognize amounts already paid to the County Auditor-Controller on July 12, 2012 as directed by the California Department of Finance. The amount of this deduction presented should be agreed to evidence of payment. The attached example summary schedule may be considered for this purpose. Separate schedules should be completed for the Low and Moderate Income Housing Fund and for all other funds combined (excluding the Low and Moderate Income Housing Fund).
11. Obtain a representation letter from Successor Agency management acknowledging their responsibility for the data provided to the practitioner and the data presented in the report or in any attachments to the report. Included in the representations should be an acknowledgment that management is not aware of any transfers (as defined by Section 34179.5) from either the former redevelopment agency or the Successor Agency to other parties for the period from January 1, 2011 through June 30, 2012 that have not been properly identified in the AUP report and its related exhibits. Management's refusal to sign the representation letter should be noted in the AUP report as required by attestation standards.

Procedure 1
List of Assets Transferred from the Former Redevelopment Agency to the Successor Agency
Other Redevelopment Agency Funds
As of February 1, 2012

ATTACHMENT B1

<u>Asset</u>	<u>Balance at 2/1/2012</u>
Cash	\$ 12,635,331
LAIF Investment	33,661,510
Accounts Receivable	11,142
Notes Receivable	7,936,936
Interest Receivable	731,297
Prepaid Expense	7,020
Deposits Payable	350,000
Land Held for Resale	38,393,465
	<hr/>
Total Assets transferred:	\$ 93,726,701

Procedure 2

**Listing of Transfers (Excluding Payments for Goods and Services) to the City
Other Redevelopment Agency Funds
For the Period from January 1, 2011 through June 30, 2012**

Describe Purpose of Transfer	Enforceable Obligation (EO)/ Other Legal Requirement (LR)	Amount	Legal Documentation Obtained? (Y/N)
<u>From former Redevelopment Agency to City for January 1, 2011 through January 31, 2012</u>			
Transfer for City Area-wide Capital Projects per Reimbursement Agreement	LR	\$ 6,771,675	Y
2007 TAB C Payment transferred to Cathedral City Public Financing Authority	EO	2,851,411	Y
2004 TAB A Payment transferred to Cathedral City Public Financing Authority	EO	1,918,464	Y
2004 TAB B Payment transferred to Cathedral City Public Financing Authority	EO	593,894	Y
2005 TAB B Payment transferred to Cathedral City Public Financing Authority	EO	447,331	Y
2007 TAB B Payment transferred to Cathedral City Public Financing Authority	EO	5,341,720	Y
2007 TAB A Payment transferred to Cathedral City Public Financing Authority	EO	1,407,447	Y
2002 TAB A Payment transferred to Cathedral City Public Financing Authority	EO	1,965,080	Y
Transfer for SB211 pass through payments due	EO	3,962,822	Y
Pass through payments	EO	1,956,270	Y
∞ Pass through payments	EO	1,440,464	Y
2005 TAB A Payment transferred to Cathedral City Public Financing Authority	EO	505,218	Y
2000 TAB A Payment transferred to Cathedral City Public Financing Authority	EO	1,318,735	Y
Transfer for City Urban Revitalization Corporation projects agreement with the City	LR	1,370,000	Y
	Sub-total:	<u>31,850,531</u>	
<u>From Successor Agency to City for February 1, 2012 through June 30, 2012</u>			
Transfer of parcel APN 687-170-018 for future fire station	EO	1,516,500	Y
Transfer of parcel APN 687-170-020 for future fire station	EO	1,050,000	Y
2007 TAB B Payment transferred to Cathedral City Public Financing Authority	EO	2,769,667	Y
2002 TAB A Payment transferred to Cathedral City Public Financing Authority	EO	1,034,910	Y
2007 TAB C Payment transferred to Cathedral City Public Financing Authority	EO	1,441,197	Y
	Sub-total:	<u>7,812,274</u>	
Total Transfers to City for 1/1/2011 through 6/30/2012:		<u>\$ 39,662,805</u>	

Procedure 3

**Listing of Transfers (Excluding Payments for Goods and Services) to Other Public Agencies or Private Parties
Other Redevelopment Agency Funds
For the Period from January 1, 2011 through June 30, 2012**

Describe Purpose of Transfer	Enforceable Obligation (EO)/ Other Legal Requirement (LR)	Amount	Legal Documentation Obtained? (Y/N)
<u>From former Redevelopment Agency to other public agencies or private parties for January 1, 2011 through January 31, 2012</u>			
Cash transfer from RDA to Downtown Foundation per Grant Agreement	EO	\$ 473,825	Y
Transfer to Downtown Foundation for purchase of digital projection equipment	LR	498,500	Y
	Sub-total:	<u>972,325</u>	
<u>From Successor Agency to other public agencies or private parties for February 1, 2012 through June 30, 2012</u>			
Transfer of M&M Property Co. 687-030-039 per DDA	EO	1,450,000	Y
Transfer of M&M Property Co. 687-030-040 per DDA	EO	2,810,000	Y
Transfer of M&M Property Co. 687-030-091 per DDA	EO	1,090,000	Y
	Sub-total:	<u>5,350,000</u>	
Total Transfers to other public agencies or private parties for 1/1/2011 through 6/30/2012:		<u>\$ 6,322,325</u>	

Procedure 4

Summary of the Financial Transactions of Redevelopment Agency and Successor Agency

All Funds

Per schedule attached to List of Procedures for Due Diligence Review

	Redevelopment Agency 12 Months Ended 6/30/2010	Redevelopment Agency 12 Months Ended 6/30/2011	Redevelopment Agency 7 Months Ended 1/31/2012	Successor Agency 5 Months Ended 6/30/2012
Assets (modified accrual basis)				
Cash and investments	\$ 29,169,687	\$ 27,543,284	\$ 14,465,416	\$ 21,718,303
Interest receivable	146,659	83,998	-	48,494
Accounts receivable	444,371	276,419	11,142	1,990
Loans receivable	22,185,657	20,773,685	20,870,620	9,115,760
Prepaid assets	10,692	25,475	7,020	8,600
Deposits	1,996,000	350,000	350,000	-
Land held for resale	51,024,966	53,350,850	52,450,315	29,166,538
Restricted cash/investments: RDA	50,301,903	35,551,264	33,661,510	18,710,261
Restricted cash/investments: Fiscal Agent	127	-	-	-
Total Assets	\$ 155,280,062	\$ 137,954,975	\$ 121,816,023	\$ 78,769,946
Liabilities (modified accrual basis)				
Accounts payable	\$ 176,201	\$ 127,615	\$ 2,122,946	\$ 259,400
Deposits from others	18,582	19,257	19,257	18,757
Deferred revenue	1,003,152	1,777,824	1,770,758	7,333
Total Liabilities	1,197,935	1,924,696	3,912,961	285,490
Equity	154,082,127	136,030,279	117,903,062	78,484,456
Total Liabilities + Equity	\$ 155,280,062	\$ 137,954,975	\$ 121,816,023	\$ 78,769,946
Total Revenues:	\$ 33,103,885	\$ 23,009,110	\$ 10,902,320	\$ 101,875,339
Total Expenditures:	48,106,313	39,104,688	29,029,537	23,390,883
Total Transfers:	(9,501,885)	(1,956,270)	-	-
Net change in equity:	(24,504,313)	(18,051,848)	(18,127,217)	78,484,456
Beginning Equity:	178,586,440	154,082,127	136,030,279	-
Ending Equity:	\$ 154,082,127	\$ 136,030,279	\$ 117,903,062	\$ 78,484,456
Other Information (show year end balances for all four periods presented):				
Capital assets as of end of year	\$ 27,491,142	\$ 26,404,783	\$ 26,404,783	\$ 3,781,341
Long-term debt as of end of year	227,348,228	222,831,897	205,621,000	205,621,000

Procedure 5
Listing of All Assets
Other Redevelopment Agency Funds
As of June 30, 2012

ATTACHMENT B5

Assets		Amount
Cash		
531-1121	Cash Interfund Control	\$ 641,727
532-1121	Cash Interfund Control	1,090,329
533-1121	Cash Interfund Control	2,946,793
540-1121	Cash Interfund Control	304,683
541-1121	Cash Interfund Control	417,717
543-1121	Cash Interfund Control	930,378
546-1121	Cash Interfund Control	222,778
548-1121	Cash Interfund Control	268,173
550-1121	Cash Interfund Control	2,367,792
551-1121	Cash Interfund Control	5,381,633
552-1121	Cash Interfund Control	7,113,133
TOTAL CASH:		\$ 21,685,136
Investments		
550-1131	LAIF - Local Agency Investment Fund	4,554,822
551-1131	LAIF - Local Agency Investment Fund	9,113,224
552-1131	LAIF - Local Agency Investment Fund	5,042,215
TOTAL INVESTEMENTS:		18,710,261
Interest receivable		
531-1211	Interest Receivable	888
532-1211	Interest Receivable	1,509
533-1211	Interest Receivable	4,418
540-1211	Interest Receivable	191
541-1211	Interest Receivable	578
543-1211	Interest Receivable	1,232
546-1211	Interest Receivable	308
548-1211	Interest Receivable	371
550-1211	Interest Receivable	7,310
551-1211	Interest Receivable	17,313
552-1211	Interest Receivable	14,332
TOTAL INTEREST RECEIVABLE:		48,450
Accounts Receivable		
541-1222	Accounts Receivable	1,403
541-6017-1222	IMAX Bldg/Site Accts Rec	497
550-1222	Accounts Receivable	90
TOTAL ACCOUNTS RECEIVABLE:		1,990

Procedure 5
Listing of All Assets
Other Redevelopment Agency Funds
As of June 30, 2012

ATTACHMENT B5

<u>Assets</u>		<u>Amount</u>
Notes Receivable		
543-8658-1293	Big League Dreams Note Receivable	35,160
543-8658-1211	Big League Dreams Interest Receivable	1,395
550-8111-1283	Comm Façade Agency Note Rec	801,776
550-8111-1211	Comm Façade Int Receivable	116,401
551-4012-1293	Staybridge Notes Receivable	7,000,000
551-4012-1211	Staybridge Interest Receivable	1,161,028
TOTAL NOTES RECEIVABLE:		<u>9,115,760</u>
Land Held for Resale		
541-2131	Land Held for Resale	230,807
543-2131	Land Held for Resale	7,617,683
548-2131	Land Held for Resale	1,687,328
550-2131	Land Held for Resale	4,000,000
551-2131	Land Held for Resale	15,165,732
552-2131	Land Held for Resale	464,988
TOTAL LAND HELD FOR RESALE:		<u>29,166,538</u>
Capital Assets		
541-2141	Land	61,043
541-2142	Buildings	3,781,341
541-2152	Accum Depr - Buildings	(1,558,121)
TOTAL CAPITAL ASSETS:		<u>2,284,263</u>
Prepaid Assets		
541-2124	Prepaid Other	8,600
TOTAL PREPAID ASSETS:		<u>8,600</u>
TOTAL ASSETS AT 6/30/2012:		<u><u>\$ 81,020,998</u></u>

Procedure 6
 Listing of Assets that are Restricted
 Other Redevelopment Agency Funds
 As of June 30, 2012

ATTACHMENT B6

Item #	Description	Documentation Referenced	Amount	Purpose	Legal Documentation Obtained? (Y/N)
1	Unspent Bond Proceeds				
	a) 2002 TAB A	ROPS II	\$ 931,610	Funding of various non-housing projects per developer and operating agreements	Y
	b) 2004 TAB A	ROPS II	223,086	Funding of various non-housing projects per developer and operating agreements	Y
	c) 2005 TAB A	ROPS II	268,545	Funding of various non-housing projects per developer and operating agreements	Y
	d) 2007 TAB A	ROPS II	6,930,014	Funding of various non-housing projects per developer and operating agreements	Y
	e) 2007 TAB B	ROPS II	14,512,170	Funding of various non-housing projects per developer and operating agreements	Y
	f) 2007 TAB C	ROPS II	12,169,680	Funding of various non-housing projects per developer and operating agreements	Y
		TOTAL:	<u>\$35,035,105</u>		

Procedure 7
Listing of Assets That Are Not Liquid or Otherwise Available for Distribution
Other Redevelopment Agency Funds
As of June 30, 2012

ATTACHMENT B7

Item #	Description	Reference	Amount	Value Method	Variance Noted? (Y/N)
1	Capital Assets				
	a) Buildings	541-2142	\$ 3,781,341	Cost	N
	b) Accumulated depreciation	541-2152	(1,558,121)	Straight line depreciation	N
	c) Land	541-2141	61,043	Cost	N
2	Land Held for Resale				
	a) Land Held for Resale	541-2131	230,807	Cost	N
	b) Land Held for Resale	543-2131	7,617,683	Cost	N
	c) Land Held for Resale	548-2131	1,687,328	Cost	N
	d) Land Held for Resale	550-2131	4,000,000	Cost	N
	e) Land Held for Resale	551-2131	15,165,732	Cost	N
	f) Land Held for Resale	552-2131	464,988	Cost	N
3	Long-term receivable				
	a) Big League Dreams - note	543-8658-1293	35,160	Cost	N
	b) Big League Dreams - interest	543-8658-1211	1,395	Cost	N
	c) Commercial Façade - notes	550-8111-1283	801,776	Cost	N
	d) Commercial Façade - interest	550-8111-1211	116,401	j	N
	e) Staybridge - note	551-4012-1293	7,000,000	Cost	N
	f) Staybridge - interest	551-4012-1211	1,161,028	Cost	N
4	Prepaid Other				
	a) Conneaut Partners	540-2124	8,600	Cost	N
TOTAL RESTRICTIONS OF NON-CASH ITEMS			<u>\$ 40,575,161</u>		

Procedure 8a

Listing of Assets (resources) that are dedicated or restricted for the funding of enforceable obligations

Other Redevelopment Agency Funds

As of June 30, 2012

Item #	Project Name	Reference	Approved Obligation Amount	Amount Paid in Period Ending June 30, 2012	Amount Restricted for Obligation for June 30, 2012 Balance	Legal Documentation Obtained? (Y/N)
1	Personnel - salaries/benefits	ROPS II - Admin - Line 1	\$ 120,000	\$ -	\$ 120,000	Y
2	Materials and supplies	ROPS II - Admin - Line 2	1,500	-	1,500	Y
3	Maintenance and ops	ROPS II - Admin - Line 3	3,000	-	3,000	Y
4	Utilities	ROPS II - Admin - Line 4	3,000	-	3,000	Y
5	Professional/technical services	ROPS II - Admin - Line 5	21,711	-	21,711	Y
6	Legal Services	ROPS II - Admin - Line 6	21,710	-	21,710	Y
7	Asset mgt-prop/liability insurance	ROPS II - Admin - Line 7	51,379	-	51,379	Y
8	2004 TAB B	ROPS II - Other - Line 4	377,553	-	377,553	Y
9	2007 TAB B	ROPS II - Other - Line 5	2,769,667	-	2,769,667	Y
10	2000 & 2002 TABs	ROPS II - RPTTF - Line 11	4,476	-	4,476	Y
11	2000 & 2002 TABs	ROPS II - RPTTF - Line 12	3,060	-	3,060	Y
12	2004, 2005, 2007 TABs	ROPS II - RPTTF - Line 14	6,120	-	6,120	Y
13	Eastside Downtown	ROPS II - RPTTF - Line 16	170,000	-	170,000	Y
14	Southside	ROPS II - RPTTF - Line 17	96,000	-	96,000	Y
15	OPEB	ROPS II - RPTTF - Line 19	36,048	-	36,048	Y
16	ADFAP	ROPS II - RPTTF - Line 24	72,000	-	72,000	Y
			<u>\$ 3,757,224</u>	<u>\$ -</u>	<u>\$ 3,757,224</u>	

Procedure 8b

Listing of Assets (resources) that need to be retained due to insufficient funding for the funding of enforceable obligations
Other Redevelopment Agency Funds
As of June 30, 2012

<u>Item #</u>	<u>Project Name</u>	<u>Reference</u>	<u>Approved Obligation Amount</u>	<u>Designated Amount Plus Estimated Future Revenues</u>	<u>Revenue Source</u>	<u>Amount Needed to be Retained from June 30, 2012 Balance</u>	<u>Legal Documentation Obtained? (Y/N)</u>
None							

Procedure 8c

Listing of Assets (resources) that need to be retained due to projected insufficient property tax revenues for bond debt payments
Other Redevelopment Agency Funds
As of June 30, 2012

<u>Item #</u>	<u>Project Name</u>	<u>Reference</u>	<u>Approved Obligation Amount</u>	<u>Estimated Future Revenues</u>	<u>Revenue Source</u>	<u>Amount Needed to be Retained from June 30, 2012 Balance</u>	<u>Legal Documentation Obtained? (Y/N)</u>
None							

Procedure 9

**Listing of Assets (resources) that need to be retained due to projected insufficient property tax revenues for future ROPS
Other Redevelopment Agency Funds
As of June 30, 2012**

<u>Item #</u>	<u>Project Name</u>	<u>Reference</u>	<u>Approved Obligation Amount</u>	<u>Estimated Future Revenues</u>	<u>Revenue Source</u>	<u>Amount Needed to be Retained from June 30, 2012 Balance</u>	<u>Identified on the ROPS 2 or 3?</u>
1	Enforceable obligations/admin allowance	ROPS III	\$ 8,053,637	\$ 6,713,991	RPTTF	\$ 1,339,646	Y
2	Enforceable obligations/admin allowance	ROPS IV - (Projected)	10,591,924	9,981,587	RPTTF	610,337	N
			<u>\$ 18,645,561</u>	<u>\$ 16,695,578</u>		<u>\$ 1,949,983</u>	

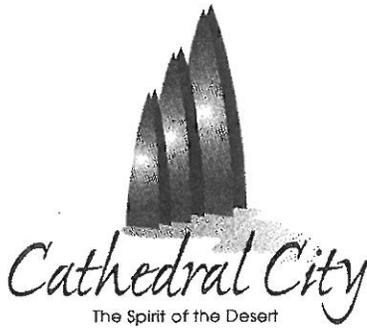
a. The Successor Agency is projecting a shortfall on ROPS IV which is projected and currently not approved. The Successor Agency is requesting to retain funds in order to fund enforceable obligations/admin allowance for ROPS IV.

Procedure 10

Summary of Other Redevelopment Agency Funds Available for Allocation to Affected Taxing Entities

Total amount of assets held by the successor agency as of June 30, 2012 (procedure 5)	\$ 81,020,998
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)	
	To City -
	To other parties -
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments (procedure 6)	(35,035,105)
Less assets that are not cash or cash equivalents (e.g., physical assets) - (procedure 7)	(40,575,161)
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)	(3,757,224)
Less balances needed to satisfy ROPS for the 2012-13 fiscal year (procedure 9)	(1,949,983)
61 Less the amount of payments made on July 12, 2012 to the County Auditor-Controller as directed by the California Department of Finance	<u>(62,238)</u>
Amount to be remitted to county for disbursement to taxing entities	<u>\$ (358,713) a</u>

a. Amount to be remitted to County for distribution to taxing entities is zero.



December 3, 2012

Lance, Soll & Lunghard, LLP
 Certified Public Accountants
 203 North Brea Boulevard, Suite 203
 Brea, CA 92821-4056

We are providing this letter in connection with your performance of the Due Diligence Review of the Other Redevelopment Agency Funds in accordance with Assembly Bill 1484 for the Successor Agency of the former Cathedral City Redevelopment Agency. We confirm that we are responsible for the complete and fair presentation of the previously mentioned review in conformity with the listed procedures of the Assembly Bill 1484 Due Diligence Review as published by the State Department of Finance on August 27, 2012. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your review:

1. We have made available to you:
 - a. In accordance with 34179.5(c)(1), the dollar value of all assets transferred from the former redevelopment agency to the successor agency on or about February 1, 2012.
 - b. In accordance with 34179.5(c)(2), the dollar value of all 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. We have also provided the documentation of any enforceable obligation that required the transfer.
 - c. In accordance with 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. We have also provided documentation of any enforceable obligation that required the transfer.
 - d. In accordance with 34179.5(c)(4), the expenditure and revenue accounting information and have identified 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.
 - e. In accordance with 34179.5(c)(5), 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.

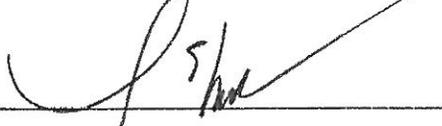
- f. In accordance with 34179.5(c)(5)(B), an itemized statement listing any amounts that are legally restricted as to purpose and cannot be provided to taxing entities. This could include the proceeds of any bonds, grant funds, or funds provided by other governmental entities that place conditions on their use.
 - g. In accordance with 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.
 - h. In accordance with 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, we have provided 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.
 - i. In accordance with 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.
2. There are no material transactions that have not been properly recorded in the accounting records underlying this Due Diligence Review.
 3. Management is not aware of any transfers (as defined by Section 34179.5) from either the former Redevelopment Agency or the Successor Agency to the City, other agencies or private parties for the period January 1, 2011 through June 30, 2012 that have not been identified in this report and related exhibits.
 4. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
 5. We have no knowledge of any fraud or suspected fraud affecting this Due Diligence Review involving:
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on this Due Diligence Review.
 6. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
 7. When applicable, we have taken timely and appropriate steps to remedy fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that you have reported to us.
 8. We have identified to you any previous audits, attestation engagements, performance audits, state controller reports or other studies related to the objectives of this Due Diligence Review and whether related recommendations have been implemented.
 9. The Successor Agency of the former Cathedral City Redevelopment Agency has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or fund equity.
 10. We are responsible for compliance with the laws, regulations, provisions of contracts and grant agreements applicable to us, and all provisions related to the dissolution of the Redevelopment Agency in accordance with AB 1X 26 and AB 1484.

11. There are no known violations of:

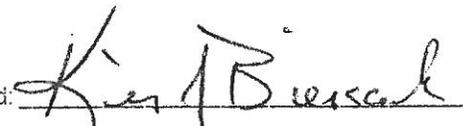
- a. Laws and regulations,
- b. Provisions of contracts and grant agreements,
- c. Provisions related to the dissolution of the Redevelopment Agency in AB 1X 26 and AB 1484 whose effects should be considered for disclosure in this Due Diligence Review.

12. All bank accounts and investments associated with this review have been properly reflected in the general ledger accounting records.

13. No events, including instances of noncompliance, have occurred subsequent to the performance of this Due Diligence Review and through the date of this letter that would require adjustment to or disclosure in the aforementioned Due Diligence Review

Signed: 

Title: Andrew Sves Dir

Signed: 

Title: Kent Bierck Mgr