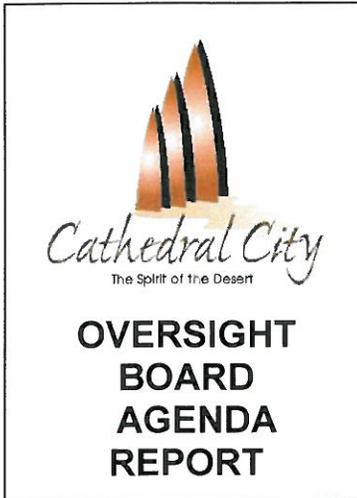


Public Comment Session  
ITEM # 4



**SUBJECT: Public Comment Session on “Other Funds” Redevelopment Agency Due Diligence Review**

**DEPARTMENT: Administrative Services**

**MEETING DATE: December 13, 2012**

**SUBMITTED BY: Successor Agency**

---

**RECOMMENDATION:** It is recommended that the Oversight Board hold a public comment session on the attached Due Diligence Review of Other Redevelopment Agency Funds pursuant to Sections 34179.5(c)(1) through 34179.5(c)(6) prepared by Lance, Soll & Lunghard, LLP, Certified Public Accountants, on behalf of the Successor Agency of the Former Cathedral City Redevelopment Agency

**BACKGROUND:** AB 1484 was adopted on June 27, 2012 as clean-up legislation to ABX1-26, which was the legislation that required the dissolution of all California Redevelopment Agencies. New dissolution requirements contained in AB 1484 included the preparation and submittal of due diligence reviews, to be prepared by County-Auditor Controllers or licensed accountants approved by County Auditor-Controllers, of former redevelopment agency’s housing funds and all other redevelopment funds. The law specified that the housing fund component of the due diligence review (the “DDR”) had to be completed and final actions taken transmitted to the California Department of Finance (“DOF”) and County Auditor Controllers prior to October 15, 2012 and that the DDR of all other former redevelopment agency funds had to be transmitted to the respective Oversight Boards, respective County Auditor-Controllers and to the State Controller’s Office and to DOF no later than December 15, 2012. Oversight Boards are then required to hold public comment sessions on the “Other Funds” DDR and to subsequently take action to confirm or reject the “Other Funds” DDR no sooner than five business days following the public comment session. Final action on the “Other Funds” DDR has to be transmitted to DOF and to the respective County Auditor-Controller the first time by December 15, 2012 and the second time no later than January 15, 2013. The purpose of the DDR is to identify any cash or cash equivalents that are available for disbursement to taxing entities.

**OTHER FUNDS DDR/FISCAL IMPACT:** LSL has now completed the DDR of all other former redevelopment agency funds in accordance with the list of procedures obtained from the DOF website which were agreed to by the California State Controller’s Office and DOF. The “Other Funds” DDR finds there are no cash or cash equivalents available for disbursement to taxing entities and further finds that the Successor Agency needs to retain \$1,949,983 from the June 30, 2012 balance in order to pay anticipated ROPS IV enforceable obligations (Attachment B9 to “Other Funds” DDR).

**ATTACHMENTS:** LSL Due Diligence Review



**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  
Temecula Valley

[www.lslcpas.com](http://www.lslcpas.com)

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 & Lunghard, 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
	<b>Total Assets transferred: \$ 93,726,701</b>

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)
<b><u>From former Redevelopment Agency to City for January 1, 2011 through January 31, 2012</u></b>			
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
2002 TAB A Payment transferred to Cathedral City Public Financing Authority	EO	3,962,822	Y
Transfer for SB211 pass through payments due	EO	1,956,270	Y
Pass through payments	EO	1,440,464	Y
Pass through payments	EO	505,218	Y
2005 TAB A Payment transferred to Cathedral City Public Financing Authority	EO	1,318,735	Y
2000 TAB A Payment transferred to Cathedral City Public Financing Authority	EO	1,370,000	Y
Transfer for City Urban Revitalization Corporation projects agreement with the City	LR		
	<b>Sub-total:</b>	<b>31,850,531</b>	
<b><u>From Successor Agency to City for February 1, 2012 through June 30, 2012</u></b>			
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
	<b>Sub-total:</b>	<b>7,812,274</b>	
	<b>Total Transfers to City for 1/1/2011 through 6/30/2012:</b>	<b>\$ 39,662,805</b>	

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)
<b><u>From former Redevelopment Agency to other public agencies or private parties for January 1, 2011 through January 31, 2012</u></b>			
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
	<b>Sub-total:</b>	<b>972,325</b>	
<b><u>From Successor Agency to other public agencies or private parties for February 1, 2012 through June 30, 2012</u></b>			
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
	<b>Sub-total:</b>	<b>5,350,000</b>	
	<b>Total Transfers to other public agencies or private parties for 1/1/2011 through 6/30/2012:</b>	<b>\$ 6,322,325</b>	

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
<b>Assets (modified accrual basis)</b>				
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	-	-	-
<b>Total Assets</b>	<b>\$ 155,280,062</b>	<b>\$ 137,954,975</b>	<b>\$ 121,816,023</b>	<b>\$ 78,769,946</b>
<b>Liabilities (modified accrual basis)</b>				
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
<b>Total Liabilities</b>	<b>1,197,935</b>	<b>1,924,696</b>	<b>3,912,961</b>	<b>285,490</b>
<b>Equity</b>	<b>154,082,127</b>	<b>136,030,279</b>	<b>117,903,062</b>	<b>78,484,456</b>
<b>Total Liabilities + Equity</b>	<b>\$ 155,280,062</b>	<b>\$ 137,954,975</b>	<b>\$ 121,816,023</b>	<b>\$ 78,769,946</b>
<b>Total Revenues:</b>	\$ 33,103,885	\$ 23,009,110	\$ 10,902,320	\$ 101,875,339
<b>Total Expenditures:</b>	48,106,313	39,104,688	29,029,537	23,390,883
<b>Total Transfers:</b>	(9,501,885)	(1,956,270)	-	-
<b>Net change in equity:</b>	<b>(24,504,313)</b>	<b>(18,051,848)</b>	<b>(18,127,217)</b>	<b>78,484,456</b>
<b>Beginning Equity:</b>	178,586,440	154,082,127	136,030,279	-
<b>Ending Equity:</b>	<b>\$ 154,082,127</b>	<b>\$ 136,030,279</b>	<b>\$ 117,903,062</b>	<b>\$ 78,484,456</b>
<b>Other Information (show year end balances for all four periods presented):</b>				
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

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

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

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

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

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
			<b>TOTAL:</b>	<b>\$35,035,105</b>	

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

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			\$ 40,575,161		

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
			<b>\$ 3,757,224</b>	<b>\$ -</b>	<b>\$ 3,757,224</b>	

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

ATTACHMENT B8b

Item #	Project Name	Reference	Approved Obligation Amount	Designated Amount Plus Estimated Future Revenues	Revenue Source	Amount Needed to be Retained from June 30, 2012 Balance	Legal Documentation Obtained? (Y/N)
--------	--------------	-----------	----------------------------------	--	-------------------	--	---

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

Item #	Project Name	Reference	Approved Obligation Amount	Estimated Future Revenues	Revenue Source	Amount Needed to be Retained from June 30, 2012 Balance	Legal Documentation Obtained? (Y/N)
--------	--------------	-----------	-------------------------------	---------------------------------	-------------------	--	---

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

Item #	Project Name	Reference	Approved Obligation Amount	Estimated Future Revenues	Revenue Source	Amount Needed to be Retained from June 30, 2012 Balance	Identified on the ROPS 2 or 3?
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

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.

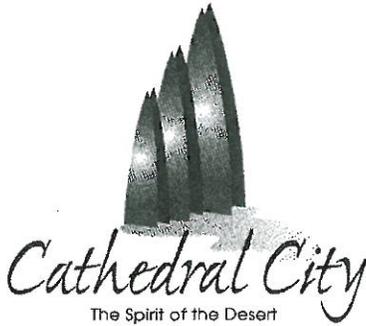
**Procedure 10**

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

**ATTACHMENT B10**

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)
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

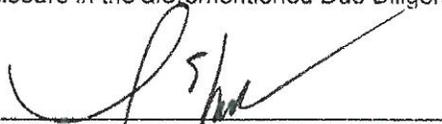
We are providing this letter in connection with your performance of the Due Diligence Review of the Other Redevelopment Agency Funds in accordance with Assembly Bill 1484 for the Successor Agency of the former Cathedral City Redevelopment Agency. We confirm that we are responsible for the complete and 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:

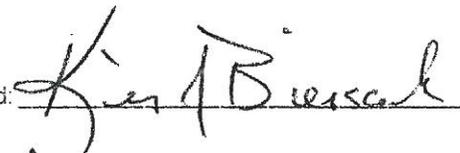
1. We have made available to you:
  - a. In accordance with 34179.5(c)(1), the dollar value of all assets transferred from the former redevelopment agency to the successor agency on or about February 1, 2012.
  - b. In accordance with 34179.5(c)(2), the dollar value of all assets and cash and cash equivalents 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: Adam Sves Dir

Signed: 

Title: Kent Bierck Mgr