

RESOLUTION NO. OB-2013-02

A RESOLUTION OF THE OVERSIGHT BOARD TO THE SUCCESSOR AGENCY OF THE FORMER GONZALES REDEVELOPMENT AGENCY APPROVING THE DUE DILIGENCE REVIEW REPORT ON THE CITY OF GONZALES SUCCESSOR AGENCY'S ALL OTHER FUNDS (NON-HOUSING) AS REQUIRED BY HEALTH AND SAFETY CODE SECTION 34179.5

WHEREAS, pursuant to Health and Safety Code Section 34179.5, each Successor Agency must employ a licensed accountant, approved by the County Auditor-Controller and with experience and expertise in local government accounting, to conduct a Due Diligence Review ('DDR') of the Agency's all other funds (non-housing) to determine the unobligated balances available for transfer to taxing entities; and

WHEREAS, the Gonzales Successor Agency retained Vavrinek, Trine, Day & Co., LLP, Certified Public Accountants (VTD), to prepare the DDR; and

WHEREAS, while the Successor Agency and VTD exercised due diligence in the preparation and completion of the DDR by the required date of December 15, 2012, preparation and processing of the same was delayed by circumstances not under the control of the Gonzales Successor Agency; and

WHEREAS, pursuant to Health and Safety Code Section 34179.6, the Gonzales Successor Agency Oversight Board is charged with review, approval and transmission of the DDR, and any modifications thereto, to the State Department of Finance and the Monterey County Auditor-Controller; and

WHEREAS, the Oversight Board received a copy of the DDR for its review, and convened a public comment session as required by Health and Safety Code Section 34179.5 at a regular meeting held on March 11, 2013; and

WHEREAS, in accordance with Health and Safety Code Section 34179.6, the Oversight Board could not approve the DDR until at least five business days after the public comment session was convened on March 11, 2013; and

WHEREAS, the Oversight Board considered all public and agency comments before taking action on this resolution.

NOW THEREFORE, BE IT HEREBY RESOLVED by the Oversight Board of the Successor Agency of the former Gonzales Redevelopment Agency, as follows:

Section 1. The above recitals are true and correct and are a substantive part of this Resolution.

Section 2. The Due Diligence Review Report for all other Agency funds (Non-housing) prepared by Vavrinek, Trine, Day & Co., LLP, for the City of Gonzales Successor Agency, attached hereto as Attachment '1' and by this reference incorporated herein, is hereby approved.

Section 3. The Oversight Board Secretary is directed to forward a copy of the DDR and this Resolution to all parties set forth in Health and Safety Code Section 34179.6, including the State Department of Finance and the Monterey County Auditor-Controller.


PASSED AND ADOPTED by the Oversight Board of the Successor Agency of the former Gonzales Redevelopment Agency at a special meeting duly held on the 18th day of March, 2013 by the following vote:

AYES: **BOARD MEMBERS:** Chair Simon Salinas, Vice Chair Matt Gourley, Scott Funk, Rene Mendez, and Alfred Munoz

NOES: **BOARD MEMBERS:** None


ABSENT: **BOARD MEMBERS:** Jayanti Addleman and Sara Perez

ABSTAIN: **BOARD MEMBERS:** None



Simon Salinas, The Honorable Chair

ATTEST:



René L. Mendez, Secretary

ATTACHMENT '1'

**City of Gonzales
Redevelopment Successor Agency**

**Independent Accountants' Report on Applying
Agreed-Upon Procedures pursuant to
AB 1484 (All Other Funds)**

June 30, 2012



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

Oversight Board of the
City of Gonzales Redevelopment Successor Agency
Gonzales, California

We have performed the Agreed-Upon Procedures enumerated in Exhibit A, which were agreed to by the California State Controller's Office, the California Department of Finance, the County Auditor-Controller, and the City of Gonzales Redevelopment Successor Agency (Successor Agency) to determine the Successor Agency's Redevelopment Fund's ("All Other Funds") unobligated balances that are available for transfer to taxing entities, solely to assist you in ensuring that the Successor Agency is complying with its statutory requirements with respect to *Health and Safety Code* Section 34179.5. Management of the Successor Agency is responsible for the accounting records pertaining to statutory compliance pursuant to *Health and Safety Code* Section 34179.5. This Agreed-Upon Procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Exhibit A, Exhibit B, Exhibits C-1 through C-4 and Exhibit D identify the procedures and findings.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion as to the appropriateness of the results summarized in Exhibit A, Exhibit B, Exhibits C-1 through C-4, and Exhibit D. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Successor Agency Oversight Board, the Successor Agency, the California State Controller's Office, the California Department of Finance, and the County Auditor-Controller, 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.

Rancho Cucamonga, California,
February 13, 2013

**EXHIBIT A
CITY OF GONZALES REDEVELOPMENT SUCCESSOR AGENCY
AGREED UPON PROCEDURES
PURSUANT TO AB 1484 – ALL OTHER FUNDS**

Our findings and procedures are as follows:

A. All Other Funds of the Successor Agency

For the All Other Funds of the Successor Agency, the following procedures were performed:

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.

Findings – We obtained from the Successor Agency a listing of all assets that were transferred from the former redevelopment agency (RDA) to the Successor Agency on February 1, 2012. Management stated that the balances of the former RDA Admin Fund (Fund 125), RDA Capital Projects Fund (Fund 170), and the RDA Debt Service Fund (Fund 425) were transferred to Fund 426, the Successor Agency Trust Fund. We agreed the amounts on this listing to the January 31, 2012 trial balance of Fund 125, Fund 170, and Fund 425 noting the total balance of all assets that were transferred to the Successor Agency on February 1, 2012, was \$1,512,963 and consisted of a negative operating cash balance of \$(752,223), restricted cash of \$1,354,434, \$440,526 of notes receivables and \$470,226 of due from other funds.

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.

Findings – The State Controller's Office has completed its review of transfers required under Health and Safety Code (HSC) Section 34167.5 cover the period January 1, 2011 through January 31, 2012, however the State Controller's Office has not completed its review under Health and Safety Code (HSC) Section 34178.8 covering the period February 1, 2012 through June 30, 2012. Their report dated January 13, 2013 is included as Exhibit D of this report. Through inquiry and discussion with management and review of accounting records, no transfers were identified from the Successor Agency to the City for the period February 1, 2012 through June 30, 2012.

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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.

Findings – The State Controller's Office has completed its review of transfers required under Health and Safety Code (HSC) Section 34167.5 cover the period January 1, 2011 through January 31, 2012, however the State Controller's Office has not completed its review under Health and Safety Code (HSC) Section 34178.8 covering the period February 1, 2012 through June 30, 2012. Their report dated January 13, 2013 is included as Exhibit D of this report. During fiscal year 2010-11, a transfer in the amount of \$7,240,000 was made to the bond fiscal agent for the purpose of refunding the 2006 Tax Allocation Notes. The transfer of \$7,240,000 included \$2,309,851 previously transferred to the RDA debt service fund from the Low and Moderate Income Housing Fund. Through inquiry and discussion with management and review of accounting records, no other transfers were identified from the Successor Agency to any other public agency or private parties for the period January 1, 2011 through January 31, 2012 and the period February 1, 2012 through June 30, 2012, respectively.

4. Perform the following procedures:
 - A. Obtain from the Successor Agency a summary of the financial transactions of the Redevelopment Agency and the Successor Agency in the format set forth in the attached schedule for the fiscal periods indicated in the schedule. For purposes of this summary, the financial transactions should be presented using the modified accrual basis of accounting. End of year balances for capital assets (in total) and long-term liabilities (in total) should be presented at the bottom of this summary schedule for information purposes.
 - B. Ascertain that for each period presented, the total of revenues, expenditures, and transfers accounts fully for the changes in equity from the previous fiscal period.
 - C. Compare amounts in the schedule relevant to the fiscal year ended June 30, 2010, to the State Controller's Report filed for the Redevelopment Agency for that period.

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- 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.

Findings – We obtained from the Successor Agency a summary of the financial transactions. We determined through recalculation that the total of revenues, expenditures, and transfers fully account for the changes in equity from the previous fiscal periods. The amounts in the schedule for June 30, 2010, were agreed to the State Controller’s Report filed by the former Redevelopment Agency without exception. We agreed the fiscal year ended June 30, 2011, per the schedule to the former Redevelopment Agency’s audited financial statements and agreed the periods ended January 31, 2012, and June 30, 2012, to the accounting records of the former Redevelopment Agency and the Successor Agency, respectively without exception. The summary of financial transactions is included as Exhibit B of the AUP Report.

5. Obtain from the Successor Agency a listing of all assets of the Low and Moderate Income Housing Fund as of June 30, 2012 for the report that is due October 1, 2012 and a listing of all assets of all other funds of the Successor Agency as of June 30, 2012 (excluding the previously reported assets of the Low and Moderate Income Housing Fund) for the report that is due December 15, 2012. When this procedure is applied to the Low and Moderate Income Housing Fund, the schedule attached as an exhibit will include only those assets of the Low and Moderate Income Housing Fund that were held by the Successor Agency as of June 30, 2012 and will exclude all assets held by the entity that assumed the housing function previously performed by the former redevelopment agency. Agree the assets so listed to recorded balances reflected in the accounting records of the Successor Agency. The listings should be attached as an exhibit to the appropriate AUP report.

Findings – We obtained from the Successor Agency, a listing of all assets as of June 30, 2012. We noted the total asset balance of the All Other Funds of the Successor Agency as of June 30, 2012 was \$7,803,376 and consisted of negative cash balance and cash equivalents, cash with fiscal agent, current and long-term receivables, deferred financing costs, and capital assets. We traced the recorded balances to the accounting records of the Successor Agency noting no exceptions. See Exhibit C-1 for the listing of assets of the “All Other Funds” as of June 30, 2012.

6. Obtain from the Successor Agency a listing of asset balances held on June 30, 2012, that are restricted for the following purposes:
- A. Unspent bond proceeds:
- i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures, amounts set aside for debt service payments, etc.).
 - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
 - iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.

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- B. Grant proceeds and program income that are restricted by third parties:
 - i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).
 - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
 - iii. Obtain from the Successor Agency a copy of the grant agreement that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.

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

- 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.

Findings – As of June 30, 2012, the Successor Agency has classified assets totaling \$1,354,465 as restricted cash and investments which are made up of bond debt service reserve accounts held by fiscal agent. We traced these amounts to the Successor Agency's accounting records, including the general ledger and trustee statements, noting no exceptions. See listing of restricted assets at Exhibit C-2.

- 7. Perform the following procedures:
 - A. Obtain from the Successor Agency a listing of assets as of June 30, 2012, that are **not** liquid or otherwise available for distribution (such as capital assets, land held for resale, long-term receivables, etc.) and ascertain if the values are listed at either purchase cost (based on book value reflected in the accounting records of the Successor Agency) or market value as recently estimated by the Successor Agency.

 - B. If the assets listed at 7(A) are listed at purchase cost, trace the amounts to 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.

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- D. If the assets listed at 7(A) are listed at recently estimated market value, inspect the evidence (if any) supporting the value and note the methodology used. If no evidence is available to support the value and/or methodology, note the lack of evidence.

Findings – We obtained from the Successor Agency a listing of assets as of June 30, 2012 that are not liquid, noting long-term receivables totaling \$431,746, deferred financing costs totaling \$806,500, gross investment in lease receivable totaling \$4,400,000 and capital assets totaling \$1,363,791 (net of depreciation). We traced each balance to the general ledger noting no exceptions. See Exhibit C-3 for the listing of Non Liquid Assets of the Successor Agency as of June 30, 2012.

8. Perform the following procedures:

- A. If the Successor Agency believes that asset balances need to be retained to satisfy enforceable obligations, obtain from the Successor Agency an itemized schedule of asset balances (resources) as of June 30, 2012 that are dedicated or restricted for the funding of enforceable obligations and perform the following procedures. The schedule should identify the amount dedicated or restricted, the nature of the dedication or restriction, the specific enforceable obligation to which the dedication or restriction relates, and the language in the legal document that is associated with the enforceable obligation that specifies the dedication of existing asset balances toward payment of that obligation.
- i. Compare all information on the schedule to the legal documents that form the basis for the dedication or restriction of the resource balance in question.
 - ii. Compare all current balances to the amounts reported in the accounting records of the Successor Agency or to an alternative computation.
 - iii. Compare the specified enforceable obligations to those that were included in the final Recognized Obligation Payment Schedule approved by the California Department of Finance.
 - iv. Attach as an exhibit to the report the listing obtained from the Successor Agency. Identify in the report any listed balances for which the Successor Agency was unable to provide appropriate restricting language in the legal document associated with the enforceable obligation.
- B. If the Successor Agency believes that future revenues together with balances dedicated or restricted to an enforceable obligation are insufficient to fund future obligation payments and thus retention of current balances is required, obtain from the Successor Agency a schedule of approved enforceable obligations that includes a projection of the annual spending requirements to satisfy each obligation and a projection of the annual revenues available to fund those requirements and perform the following procedures:
- 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.

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- 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.

Findings – The Successor Agency on February 1, 2012, opened in a deficit cash position in the operating cash accounts and has been paying for its obligations using the City’s cash pool. The ROPS II allocation of \$624,453 received in June 2012 reduced the Successor Agency’s deficit cash position in the City pool at June 30, 2012. Therefore, as the Successor Agency maintains a deficit cash position in the operating cash accounts, no amounts have been retained to satisfy obligations on the ROPS. As a result, the procedures noted above were not performed.

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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.

Findings – The Successor Agency on February 1, 2012, opened in a deficit cash position in the operating cash accounts and has been paying for its obligations using the City's cash pool. The ROPS II allocation of \$624,453 received in June 2012 reduced the Successor Agency's deficit cash position in the City pool at June 30, 2012. Therefore, as the Successor Agency maintains a deficit cash position in the operating cash accounts, no amounts have been retained to satisfy obligations on the ROPS. As a result, the procedures noted above were not performed.

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).

Findings – We have included a schedule detailing the computation of the Summary of Balance Available for Allocation to Affected Taxing Entities. The Successor Agency identified that a payment was not required to be transferred to the Auditor Controller's office. See Exhibit C-4.

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.

Findings – The Successor Agency provided a management representation letter. No exceptions were noted.

City of Gonzales Redevelopment Successor Agency
Pursuant To AB 1484 - All Other Funds
Summary of Financial Transactions - Procedure 4

Exhibit B

	Redevelopment Agency 12 Months Ended 6/30/2010 (Modified)	Redevelopment Agency 12 Months Ended 6/30/2011 (Modified)	Unaudited Redevelopment Agency 7 Months Ended 1/31/2012 (Modified)	Unaudited Successor Agency 5 Months Ended 6/30/2012 (Accrual)
Assets				
Cash and investments <1>	\$ 3,313,400	\$ 695,933	\$ (715,915)	\$ (553,170)
Restricted cash and investments	1,039,766	1,413,673	1,354,434	1,354,465
Accounts receivable	325	-	-	-
Interest receivable	11,269	153	-	45
Due from other funds	2,952,482	349,037	240,227	-
Loans receivable	907,304	883,392	866,615	431,746
Advances to other funds	233,340	233,340	230,000	-
Deferred Financing Costs, net of accumulated amortization	-	-	-	806,500
Gross Investment in Lease Receivable <4>	-	-	-	4,400,000
Land	-	-	-	461,051
Buildings	-	-	-	1,035,776
Accum Depr - Buildings	-	-	-	(200,677)
Machinery and Equipment	-	-	-	99,093
Accum Depr - Mach & Equip	-	-	-	(31,452)
Total Assets	\$ 8,457,886	\$ 3,575,528	\$ 1,975,361	\$ 7,803,376
Liabilities				
Accounts payable	\$ 436,366	\$ 76,731	\$ -	\$ 13,400
Accrued wages	3,896	1,610	-	2,001
Due to other funds	2,952,482	349,037	240,227	-
Due to City of Gonzales <3>	469,142	1,931,166	-	125,000
Advances from other funds <5>	233,340	233,340	230,000	230,000
Advances payable to the City of Gonzales	-	1,000,000	1,000,000	1,000,000
Deposits payable	1,000	1,000	1,000	1,000
Interest payable	-	-	-	69,157
Unearned revenue <4>	-	-	-	973,429
Deferred revenue	907,304	883,392	866,615	-
Long-Term Bonds payable	-	-	-	14,191,866
Total Liabilities	\$ 5,003,530	\$ 4,476,276	\$ 2,337,842	\$ 16,605,852
Equity	3,454,356	(900,748)	(362,481)	(8,802,476)
Total Liabilities + Equity	\$ 8,457,886	\$ 3,575,528	\$ 1,975,361	\$ 7,803,376
Total Revenues:	\$ 1,336,809	\$ 1,155,956	\$ 725,442	\$ 642,434
Total Expenditures:	\$ 6,489,081	\$ 4,232,084	\$ 687,175	\$ 652,920
Other Financing Sources and Uses <2>	\$ (175,000)	\$ (1,278,976)	\$ 500,000	\$ 125,000
Extraordinary Gain (Loss)	\$ -	\$ -	\$ -	(8,916,990)
Net change in equity	\$ (5,327,272)	\$ (4,355,104)	\$ 538,267	\$ (8,802,476)
Beginning Equity:	\$ 8,781,628	\$ 3,454,356	\$ (900,748)	\$ -
Ending Equity:	\$ 3,454,356	\$ (900,748)	\$ (362,481)	\$ (8,802,476)
Other Information (show year end balances for all three years presented):				
Capital assets as of end of year, net	\$ 5,033,042	\$ 4,919,159	\$ 1,310,540	\$ 4,790,362
Long-term debt as of end of year, net	\$ 17,460,557	\$ 13,826,024	\$ 13,641,024	\$ 15,191,866

<1> As a standard practice and for purposes of appropriately classifying negative cash amounts in accordance with accounting principles generally accepted in the United States of America, the former Redevelopment Agency classified negative cash balances as "Due to the Other Funds" or "Due to the City of Gonzales" on June 30th of each fiscal year, and on July 1 of each fiscal year, the balances are presented as negative once again.

<2> Other Financing Sources and Uses include the net amount of transfers in and out, proceeds from long-term debt and related premiums or discounts on the issuance of debt.

<3> The \$125,000 Due to the City of Gonzales at June 30, 2012 by the Successor Agency is the amount reimbursable to the City by the Agency per reimbursement agreement entered into in June of 2012 and directly related to the 2011 Lease Revenue Bonds and related Lease Agreement. Also refer to Note <4> below.

<4> The Agency entered into an agreement with the City of Gonzales in June of 2011 in connection with the issuance of the 2011 Lease Revenue Bonds whereby the Agency leased property to the City for lease payments that are equal to the debt service due on the 2011 Lease Revenue Bonds. The asset leased by the City is carried on the City's books.

<5> The \$230,000 Advance Due to the Housing Successor Fund is related to a loan the former Agency's Debt Service Fund borrowed from the former Low and Moderate Income Fund for the purpose of paying the SERAF amount due to County.

City of Gonzales Redevelopment Successor Agency

Exhibit C-1

All Other Funds - Listing of Assets

As of June 30, 2012 - Unaudited - Procedure 5

Note: Excludes all assets held by the entity that assumed the housing function of the former RDA

Assets

Cash and investments

<i>Acct</i>	<i>Acct name</i>		
1100	Cash in Rabobank	\$	(1,512,095)
1124	Cash in Rabobank		908,385
1140	Cash in LAIF		50,539
	Total		<u>\$ (553,171)</u>

Interest receivable

<i>Acct</i>	<i>Acct name</i>		
1260	Interest Receivable - LAIF	\$	45
	Total		<u>\$ 45</u>

Cash/investments w/ Fiscal Agent

<i>Acct</i>	<i>Acct name</i>		
1147	Cash with US Bank - Debt Service Reserves	\$	1,354,465
	Total		<u>\$ 1,354,465</u>

Other

<i>Acct</i>	<i>Acct name</i>		
1244	Notes Receivable	\$	431,746
1635	Deferred Financing Costs		806,500
1700	Gross Investment in Lease Receivable		4,400,000
1610	Land		461,051
1620	Building (net of depreciation)		835,099
1630	Machinery & Equipment		67,641
	Total		<u>\$ 7,002,037</u>

TOTAL ASSETS AT 6/30/2012: \$ 7,803,376

City of Gonzales Redevelopment Successor Agency
 All Other Funds
 Legally Restricted Amounts - Procedure 6

Exhibit C-2

ITEM	DESCRIPTION	ACCOUNT	AMOUNT	PURPOSE/DOC SOURCE/LEGAL DOCUMENT	PERIOD OF RESTRICTION
A	Unspent Bond Proceeds				
	a US Bank Bond Debt Service Reserves		\$ 1,354,465	As identified in the trust indenture, reserve amounts are required to be maintained until such time the bonds are retired.	In accordance with the trust indenture, until bonds are paid in full.
		Total	<u>\$ 1,354,465</u>		

City of Gonzales Redevelopment Successor Agency
 All Other Funds
 Non Liquid Assets - All Other Funds - Procedure 7

Exhibit C-3

ITEM	DESCRIPTION	GL ACCT NO	AMOUNT	VALUE METHOD (COST OR MARKET)
A	Capital Assets			
a	Buildings	426-000-1620	\$ 1,035,776	Cost/Book value
b	Accumulated Depr - Buildings	426-000-1621	(200,677)	Cost/Book value
c	Machinery & Equipment	426-000-1630	99,093	Cost/Book value
d	Accumulated Depr - Mach & Equip	426-000-1631	(31,452)	Cost/Book value
e	Land	426-000-1610	461,051	Cost/Book value
B	Long Term Receivables			
	Notes Receivable	426-000-1244	431,746	Cost/Book value
C	Deferred Financing Costs	426-000-1635	806,500	Cost/Book value
D	Gross Investment in Lease Receivable	426-000-1700	4,400,000	Cost/Book value
	Total		<u>\$ 7,002,037</u>	

City of Gonzales Redevelopment Successor Agency

Exhibit C-4

All Other Funds

Summary of Balances Available for Allocation to Affected Taxing Entities - Procedure 10

		<u>Reference:</u>
Total amount of assets held by the successor agency as of June 30, 2012 (procedure 5)	\$ 7,803,376	Exhibit C-1
Add the amount of any assets transferred to the city or other parties for which an enforceable obligation with a third party requiring such transfer and obligating the use of the transferred assets did not exist (procedures 2 and 3)	-	
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments (procedure 6)	(1,354,465)	Exhibit C-2
Less assets that are not cash or cash equivalents (e.g., physical assets) - (procedure 7)	(7,002,037)	Exhibit C-3
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)	-	
Less balances needed to satisfy ROPS for the 2012-13 fiscal year (procedure 9)	-	
Less the amount of payments made on July 12, 2012 to the County Auditor-Controller as directed by the California Department of Finance	-	
Amount to be remitted to county for disbursement to taxing entities	<u>\$ (553,126)</u>	

GONZALES REDEVELOPMENT AGENCY

ASSET TRANSFER REVIEW

Review Report

January 1, 2011, through January 31, 2012



JOHN CHIANG
California State Controller

January 2013



JOHN CHIANG
California State Controller

January 11, 2013

Rene Mendez, City Manager
City of Gonzalez
Gonzales Redevelopment/Successor Agency
147 Fourth Street
Gonzales, CA 93926

Dear Mr. Mendez:

Pursuant to Health and Safety (H&S) code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the Gonzales Redevelopment Agency to the City of Gonzalez or any other public agency after January 1, 2011. As you know, this statutory provision explicitly states that, "The Legislature hereby finds that a transfer of assets by a redevelopment agency during the period covered in this section is deemed not to be in furtherance of the Community Redevelopment Law and is thereby unauthorized." Therefore, our review included an assessment of whether each asset transfer was allowable and whether it should be returned to the Gonzales Redevelopment Successor Agency.

Our review applied to all assets, including but not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights and any rights to payment of any kind. We also reviewed and determined whether any unallowable transfers of assets to the City of Gonzalez or any other public agencies have been reversed.

Our review found that the Gonzales Redevelopment Agency (RDA) appropriately transferred \$5,905,384 to the Gonzales Successor Agency. These assets consisted of \$462,398 in housing assets and \$5,442,986 in non-housing assets. We did not identify any transfers of assets that occurred during the audit period between the RDA, the City of Gonzales, and/or other public agencies.

If you have any questions, please contact Mr. Steven Mar, Bureau Chief, Local Government Audits Bureau, at (916) 324-7226.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/vb

Attachment

Rene Mendez, City Manager

-2-

January 11, 2013

cc: Michael J. Miller, Auditor-Controller

Monterey County

Steve Szalay, Local Government Consultant

Department of Finance

Mike Howard, Consultant

Green's Accounting

Betty Moya, Audit Manager

Division of Audits, State Controller's Office

Mathew Rios, Auditor-in-Charge

Division of Audits, State Controller's Office

Daniel Tobia, Auditor

Division of Audits, State Controller's Office

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Asset Transfer Assessment Review Report

Summary

The State Controller's Office (SCO) reviewed the asset transfers made by the Gonzales Redevelopment Agency (RDA) after January 1, 2011. Our review included, but was not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and any rights to payments of any kind from any source.

Our review found that the Gonzales RDA appropriately transferred \$5,905,384 in assets to the Gonzales Successor Agency. No unallowable transfers of assets were identified.

Background

In January of 2011, the Governor of the State of California proposed statewide elimination of RDAs beginning with the fiscal year (FY) 2011-12 State budget. The Governor's proposal was incorporated into Assembly Bill 26 (ABX1 26, Chapter 5, Statutes of 2011, First Extraordinary Session), which was passed by the Legislature, and signed into law by the Governor on June 28, 2011.

ABX1 26 prohibited RDAs from engaging in new business, established mechanisms and timelines for dissolution of the RDAs, and created RDA Successor Agencies to oversee dissolution of the RDAs and redistribution of RDA assets.

A California Supreme Court decision on December 28, 2011 (*California Redevelopment Association et al. v. Matosantos*) upheld ABX1 26 and the Legislature's constitutional authority to dissolve the RDAs.

ABX1 26 was codified in the Health and Safety Code (H&S Code) beginning with section 34161.

In accordance with the requirements of H&S Code section 34167.5, the State Controller is required to review the activities of redevelopment agencies (RDAs), "to determine whether an asset transfer has occurred after January 1, 2011, between the city or county, or city and county that created a redevelopment agency, or any other public agency, and the redevelopment agency," and the date at which the RDA ceases to operate, or January 31, 2012, whichever is earlier.

The SCO has not identified transfers of assets that occurred after January 1, 2011, between the Gonzales RDA, the City of Gonzales, and/or other public agencies.

Objectives, Scope, and Methodology

Our review objective was to determine whether asset transfers that occurred after January 1, 2011, and the date upon which the RDA ceased to operate, or January 31, 2012, whichever was earlier, between the city or county, or city and county that created an RDA, or any other public agency, and the RDA, were appropriate.

We performed the following procedures:

- Interviewed Successor Agency personnel to gain an understanding of the Successor Agency operations and procedures.
- Reviewed meeting minutes, resolutions, and ordinances of the Gonzales City Council and the Gonzales RDA.
- Reviewed accounting records relating to the recording of assets.
- Verified the accuracy of the Asset Transfer Assessment Form. This form was sent to all former RDAs to provide a list of all assets transferred between January 1, 2011, and January 31, 2012.
- Reviewed applicable financial reports to verify assets (capital, cash, property, etc.).

Conclusion

Our review found that the Gonzales RDA appropriately transferred \$5,905,384 to the Gonzales Successor Agency. These assets consisted of \$462,398 in housing assets and \$5,442,986 in non-housing assets. We did not identify any transfers of assets that occurred during the audit period between the RDA, the City of Gonzales, and/or other public agencies.

Views of Responsible Officials

At an exit conference on November 28, 2012, we discussed the review results with Rene Mendez, City Manager, and Mike Howard, Consultant, who agreed with the audit results. They further agreed that a draft audit report was not necessary and that the report could be issued as final.

Restricted Use

This report is solely for the information and use of the City of Gonzales, the Gonzales Redevelopment Successor Agency, the Gonzales Successor Agency Oversight Board, the Gonzales Housing Successor Agency, and the SCO; it 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 when issued final.

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

January 11, 2013

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874**

<http://www.sco.ca.gov>