



**Successor Agency of the Former
City of Santa Cruz 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

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Successor Agency of the
Former City of Santa Cruz Redevelopment Agency
City of Santa Cruz, 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 6, 2012

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

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.

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

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

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).

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

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

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

- 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.
- 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.

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

- 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.
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

ATTACHMENT B1

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

Asset	Balance at 2/1/2012
Cash	
Pooled cash	\$ 7,507,523
Debt proceeds held by City	2,889,454
Allowance for fair value of investments with City - current	72,118
Cash held by fiscal agent	
Cash held by fiscal agent	12,912,737
Reserve account - cash	724,828
Debt service payment account	3
Project account investments	11,689,391
Reserve account - investments	2,110,000
Allowance for FV of investments with fiscal agent - current	66,432
Interest Receivable	
Pooled cash interest receivable	17,827
Trustee account interest receivable	45,184
Taxes receivable - current	45,023
Accounts receivable	101,351
Grants receivable	465,700
Notes receivable	663,181
Allowance for uncollectible notes	(158,334)
Advances to other funds	208,623
	Total Assets transferred: \$ 39,361,041

**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)
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From former Redevelopment Agency to City for January 1, 2011 through January 31, 2012
 No transfers were made to the City during this time period or they were de minimus

From Successor Agency to City for February 1, 2012 through June 30, 2012
 No transfers were made to the City during this time period or they were de minimus

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)
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From former Redevelopment Agency to other public agencies or private parties for January 1, 2011 through January 31, 2012
 No transfers were made to the other public agencies or private parties during this time period or they were de minimus

From Successor Agency to other public agencies or private parties for February 1, 2012 through June 30, 2012
 No transfers were made to the other public agencies or private parties during this time period or they were de minimus

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 cash equivalents	\$ 10,901,436	\$ 13,913,970	\$ 11,878,732	\$ 11,427,740
Interest receivable	39,505	79,379	90,562	25,631
Taxes receivable	374,948	373,562	56,278	-
Accounts receivable	1,097	31,160	109,462	22,500
Grants receivable	144,601	1,608,718	465,700	69,482
Restricted cash and investments	2,853,428	35,663,068	38,632,677	28,470,619
Notes receivable	8,445,431	8,723,259	8,913,822	502,182
Advances to Other Funds	320,672	750,623	708,623	178,623
Total Assets	\$ 23,081,118	\$ 61,143,739	\$ 60,855,856	\$ 40,696,777
Liabilities (modified accrual basis):				
Accounts payable	\$ 300,967	\$ 1,553,778	\$ 434,369	\$ 3,528,338
Deferred revenue	140,486	803,928	743,455	5,962
Deposits	7,634	7,634	8,567	5,709
Total Liabilities	449,087	2,365,340	1,186,391	3,540,009
Equity	22,632,031	58,778,399	59,669,465	37,156,768
Total Revenues:	\$ 23,081,118	\$ 61,143,739	\$ 60,855,856	\$ 40,696,777
Total Expenditures:	\$ 12,981,775	\$ 53,502,304	\$ 8,346,833	\$ 15,273,981
Total Transfers:	12,829,122	16,523,037	7,455,768	17,093,178
Net change in equity	-	-	-	-
Beginning Equity:	152,653	36,979,267	891,065	(1,819,197)
Ending Equity:	\$ 21,646,479	\$ 21,799,132	\$ 58,778,399	\$ 59,669,464
	\$ 21,799,132	\$ 58,778,399	\$ 59,669,464	\$ 57,850,267
Other Information (show year end balances for all four periods presented):				
Capital assets as of end of year	\$ 15,394,109	\$ 21,578,573	\$ 21,945,473	\$ 11,532,028
Long-term debt as of end of year	5,563,327	40,284,585	39,255,215	39,260,000

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

		Amount
Assets		
Cash		
381-11101	Pooled cash	2,950,351
382-11101	Pooled cash	143,907
383-11101	Pooled cash	438,962
385-11101	Pooled cash	564,158
481-11101	Pooled cash	210,899
482-11101	Pooled cash	901,475
485-11101	Pooled cash	16,278
486-11101	Pooled cash	502
487-11101	Pooled cash	3,272,706
381-11116	Debt proceeds held by City	2,889,454
381-11901	Allowance for FV of invest with City	22,655
382-11901	Allowance for FV of invest with City	491
383-11901	Allowance for FV of invest with City	883
385-11901	Allowance for FV of invest with City	8,623
481-11901	Allowance for FV of invest with City	3,425
482-11901	Allowance for FV of invest with City	2,889
485-11901	Allowance for FV of invest with City	82
486-11901	Allowance for FV of invest with City	(1)
TOTAL CASH:		\$ 11,427,739
Cash with fiscal agent		
381-11150	Cash held by fiscal agent	18,370,686
381-18151	Project account - investments	6,289,391
381-11902	Allow for FV of invest with fiscal agent	35,701
481-11154	Reserve account - cash	2,823,841
481-11155	Debt service payment account - cash	1
483-11154	Reserve account - cash	950,998
TOTAL CASH WITH FISCAL AGENT:		28,470,618
Interest receivable		
381-12101	Pooled cash interest receivable	11,041
381-12103	Trustee account interest receivable	8,117
382-12101	Pooled cash interest receivable	263
383-12101	Pooled cash interest receivable	787
385-12101	Pooled cash interest receivable	1,419
481-12101	Pooled cash interest receivable	642
481-12103	Trustee account interest receivable	18
482-12101	Pooled cash interest receivable	1,666

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

Assets	Amount
483-12003 Trustee account interest receivable	8
485-12101 Pooled cash interest receivable	30
486-12101 Pooled cash interest receivable	1
487-12101 Pooled cash interest receivable	1,640
TOTAL INTEREST RECEIVABLE:	25,632
Accounts Receivable	
385-12301 Accounts receivable-CURRENT	22,500
TOTAL ACCOUNTS RECEIVABLE:	22,500
Notes Receivable	
382-15201 Notes receivable - noncurrent	98,334
382-15202 Allowance for uncollectible notes	(98,334)
383-15201 Notes receivable - noncurrent	98,772
481-15201 Notes receivable - noncurrent	463,410
481-15202 Allowance for uncollectible notes	(60,000)
481-16990 Advances to other funds	178,623
TOTAL NOTES RECEIVABLE:	680,805
Grants Receivable	
381-12501 Grants receivable	69,482
TOTAL GRANTS RECEIVABLE:	69,482
Capital Assets	
680-17110 Land	902,621
680-17310 Buildings	2,066,911
680-17320 Leasehold Improvements	240,267
680-17115 Land Improvements	66,637
680-17510 Machinery and Equipment	110,026
680-17710 Software	10,966
680-17910 Construction in Progress	8,134,600
TOTAL CAPITAL ASSETS:	11,532,028
TOTAL ASSETS AT 6/30/2012:	\$ 52,228,804

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	Cash with fiscal Agent				
	a) Reserve account	481-11154	\$ 2,823,841	Reserve requirement per trust indenture	Y
	b) Reserve account	483-11154	950,998	Reserve requirement per trust indenture	Y
	c) Debt service account	481-11155	1	Debt service payments per trust indenture	Y
	d) Trustee account interest receivable	481-12103	18	Interest receivable on trustee investments	Y
2	Unspent bond proceeds				
	a) Debt proceeds held by City	381-11116	2,889,454	2004 TABS	Y
	b) 2011 TABS, Series B & C	381-11150	18,370,686	Qualified non-housing projects per Coop Agmt	Y
	c) 2011 TABS, Series B & C	381-18151	6,289,391	Qualified non-housing projects per Coop Agmt	Y
	d) Allow for FV of invest with fiscal agent	381-11902	35,701	Fair market value adjustment of investments	Y
	e) Trustee account interest receivable	381-12103	8,117	Interest receivable on trustee investments	Y
		TOTAL:	\$ 31,368,207		

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) Land	680-17110	\$ 902,621	Cost	N
	b) Buildings	680-17310	2,066,911	Cost	N
	c) Leasehold Improvements	680-17320	240,267	Cost	N
	d) Land Improvements	680-17115	66,637	Cost	N
	e) Machinery and Equipment	680-17510	110,026	Cost	N
	f) Software	680-17710	10,966	Cost	N
	g) Construction in Progress	680-17910	8,134,600	Cost	N
2	Long-term receivable				
	a) North Bay Ford OPA	382-15201	98,334.00	Cost	N
	b) Allowance-North Bay Ford OPA	382-15202	(98,334.00)	Cost	N
	c) Del-Mar Nickelodeon Equipment Loan	383-15201	98,772.38	Cost	N
	d) Tannery Artspace Loan	481-15201	397,448.00	Cost	N
	e) Zero Motorcycle OPA	481-15201	60,000.00	Cost	N
	f) Zero Motorcycle OPA Allowance	481-15202	(60,000.00)	Cost	N
	g) Tannery Artspace Int	481-15201	5,961.72	Cost	N
	h) Advances to other funds	481-16990	178,623.00	Cost	N
TOTAL RESTRICTIONS OF NON-CASH ITEMS			\$ 12,212,833		

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

ATTACHMENT B8a

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	MBUAD-Powertrain R & D (Zero Motorcycles)	ROPS I, Page 2, line 1	\$ 17,791	\$ -	\$ 17,791	Y
2	MBUAD-Trolley Grant Agreement	ROPS I, Page 2, line 2	19,000	6,795	12,205	Y
3	Tannery Digital Media Center - Kron Construction-CRW	ROPS I, Page 2, line 3	300,000	-	300,000	Y
4	Tannery Digital Media Center - Kron Construction-CRW	ROPS I, Page 2, line 4	254,556	142,132	112,424	Y
5	Tannery Digital Media Center - Kron Construction-CRW	ROPS I, Page 2, line 5	386,535	-	386,535	Y
6	Tannery Digital Media Center - Kron wage monitoring	ROPS I, Page 2, line 6	16,800	7,500	9,300	Y
7	Tannery Digital Media Center - ifland	ROPS I, Page 2, line 7	2,000	1,050	950	Y
8	Tannery Digital Media Center - Express Fence	ROPS I, Page 2, line 8	1,000	651	349	Y
9	Tannery Digital Media Center - First Alarm	ROPS I, Page 2, line 9	2,300	1,692	608	Y
10	Tannery Digital Media Center - Labor Consultants	ROPS I, Page 2, line 10	1,200	-	1,200	Y
11	Tannery Digital Media Center - Kron architect-Carey & Co	ROPS I, Page 2, line 11	21,831	15,067	6,764	Y
12	Tannery Digital Media Center - Kron geotechnical svcs-TRC	ROPS I, Page 2, line 12	8,168	-	8,168	Y
13	Tannery Digital Media Center - ARC	ROPS I, Page 2, line 13	1,187	520	667	Y
14	Tannery Digital Media Center - Mark Cavagnero Assoc	ROPS I, Page 2, line 14	5,000	-	5,000	Y
15	Tannery Digital Media Center - Kron landscaping	ROPS I, Page 2, line 16	75,000	-	75,000	Y
16	Tannery Digital Media Center - Kron utilities	ROPS I, Page 2, line 17	6,837	-	6,837	Y
17	Tannery Digital Media Center - Kron House Const. Inspections	ROPS I, Page 2, line 18	10,000	1,421	8,579	Y
18	Tannery Digital Media Center Property Mgmt - John Stewart Co.	ROPS I, Page 2, line 19	3,475	2,475	1,000	Y
19	Tannery Digital Media Center - erosion control	ROPS I, Page 2, line 20	500	480	20	Y
20	Tannery Digital Media Center - Space 110 architectural services- Mark Primack	ROPS I, Page 2, line 22	25,000	-	25,000	Y
21	Tannery Digital Media Center-Space 110 Blue Print Dist	ROPS I, Page 2, line 23	3,000	-	3,000	Y
22	Tannery Digital Media Center-Space 110 Project Admin	ROPS I, Page 2, line 24	8,000	-	8,000	Y
23	Tannery Digital Media Center-Space 110 - permit fees	ROPS I, Page 2, line 25	5,000	-	5,000	Y
24	Tannery Digital Media Center-Space 110 - bid dependent	ROPS I, Page 2, line 26	392,210	-	392,210	Y
25	Tannery Digital Media Center-Space 110 Const. Inspections	ROPS I, Page 2, line 27	5,000	-	5,000	Y
26	Del Mar Property management - Various TBD	ROPS I, Page 3, line 4	19,890	12,823	7,067	Y
27	Del Mar Property management - exterior painting	ROPS I, Page 3, line 6	100,000	-	100,000	Y
28	Del Mar Property management - roof replacement	ROPS I, Page 3, line 7	100,000	-	100,000	Y
29	Del Mar Property management - parking lot reconstruction	ROPS I, Page 3, line 8	30,000	-	30,000	Y
30	Contract for professional / legal services ARC TCS 500	ROPS I, Page 3, line 11	900	-	900	Y
31	Contract for professional / legal services - Best, Best & Krieger LLP	ROPS I, Page 3, line 12	33,262	13,548	19,714	Y
32	Contract for professional services - Frazier & Assoc	ROPS I, Page 3, line 19	23,050	3,900	19,150	Y
33	Contract for professional services - Keyser marston	ROPS I, Page 3, line 22	36,220	15,628	20,592	Y
34	Contract for professional services - Work in Progress Coaching	ROPS I, Page 3, line 24	4,438	-	4,438	Y
35	Trolley Agreement - Kimley Horn	ROPS I, Page 3, line 25	15,473	407	15,066	Y
36	Trolley repairs-Santa Cruz Trolley Consortium	ROPS I, Page 3, line 26	16,950	-	16,950	Y
37	Lower Pacific Avenue Parking Study - Kimley	ROPS I, Page 3, line 28	82,362	45,313	37,049	Y
38	Lower Pacific Avenue Parking Study - Marquez	ROPS I, Page 3, line 29	4,310	2,670	1,640	Y

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)
39	Ocean Street Corridor Plan	ROPS I, Page 3, line 30	3,331	-	3,331	Y
40	Pacific Avenue (Beach Area) Streetscape	ROPS I, Page 3, line 31	88,472	-	88,472	Y
41	To repay portion of Tannery acquisition loan	ROPS I, Page 3, line 34	100,000	-	100,000	Y
42	Construct Refuse Collection Site	ROPS I, Page 4, line 2	69,550	69,482	68	Y
43	Downtown Directory Sign Program	ROPS I, Page 4, line 11	7,715	1,323	6,392	Y
44	Façade Improvement Program - Breakers Hotel	ROPS I, Page 4, line 21	20,000	-	20,000	Y
45	Façade Improvement Program - Garbriella (John C. Daly)	ROPS I, Page 4, line 22	12,368	10,061	2,307	Y
46	Façade Improvement Program - L Kershner Design	ROPS I, Page 4, line 23	3,000	-	3,000	Y
47	Façade Improvement Program - Mark Primack	ROPS I, Page 4, line 24	1,000	-	1,000	Y
48	Façade Improvement Program - Nielson Architects	ROPS I, Page 4, line 25	3,000	-	3,000	Y
49	Façade Improvement Program - Wayne Palmer Design	ROPS I, Page 4, line 26	3,800	-	3,800	Y
51	Graffiti Abatement Program	ROPS I, Page 4, line 28	30,000	9,795	30,205	Y
52	Branciforte Creek Bike/Ped Bridge Phase I (Design)	ROPS I, Page 5, line 5	79,437	48,208	31,229	Y
53	Highway 1/9 Intersection PHASE I - BKF Engineers	ROPS I, Page 5, line 7	155,058	32,509	122,549	Y
54	Highway 1/9 Intersection PHASE I - BKF Engineers (Environmental Review)	ROPS I, Page 5, line 8	2,178	1,154	1,024	Y
55	Highway 1/9 Intersection PHASE I - Various & City Public Works	ROPS I, Page 5, line 9	4,320	-	4,320	Y
56	San Lorenzo River Bridge Replacement-Phase I - AECOM Tech Services	ROPS I, Page 5, line 14	15,480	14,242	1,238	Y
57	Wharf Master Plan Phase I - Moffett & Nichol Engineers	ROPS I, Page 5, line 17	49,497	36,173	13,324	Y
58	Soquel Frederick Int. Improvement	ROPS I, Page 8, line 1	148,300	-	148,300	Y
59	Soquel/Park Way Int. Improvement	ROPS I, Page 8, line 2	214,515	-	214,515	Y
			<u>\$ 3,049,266</u>	<u>\$ 497,019</u>	<u>\$ 2,552,247</u>	

Footnotes:

- a) These obligations are based on a co-op agreements entered into on February 8, 2011 between the City and the Redevelopment Agency where the will contribute funding from existing and future available tax increment to complete projects on behalf of the City. The items listed in the co-op agreement are in line with the obligations on the approved ROPS. The contracts with third parties will be entered into with the City and they may or may not have been entered into by June 27, 2011 in accordance with AB 1484.
- b) This obligation is based on a professional services agreement between the City and the Redevelopment Agency entered into on March 2, 2011.
- c) These obligations are based on a funding agreement with the United States Department of Commerce dated September 22, 2009. The contracts with third parties may or may not have been entered into by June 27, 2011 in accordance with AB 1484.

ATTACHMENT B8b

**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**

No assets need to be retained due to insufficient funding for the funding of enforceable obligations

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

ATTACHMENT B8c

No assets need to be retained due to projected insufficient property tax revenues for bond debt payments

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	2004 Tax Allocation Bonds	ROPS II, Page 2, line 1	\$ 238,145	\$ -	RPITF	238,145	Yes
2	2011 A Housing Bonds	ROPS II, Page 2, line 2	674,589	-	RPITF	674,589	Yes
3	2011 B Non Housing Taxable	ROPS II, Page 2, line 3	1,460,025	-	RPITF	1,460,025	Yes
4	2011 C Non Housing Tax Exempt	ROPS II, Page 2, line 4	512,081	-	RPITF	512,081	Yes
5	1010 Pacific OPA	ROPS II, Page 2, line 6	78,431	-	RPITF	78,431	Yes
6	1280 Shaffer OPA	ROPS II, Page 2, line 7	122,981	-	RPITF	122,981	Yes
7	Chestnut LLC OPA	ROPS II, Page 2, line 8	58,130	-	RPITF	58,130	Yes
8	Administrative Allowance	ROPS II, Page 6, all lines	125,000	-	Admin	125,000	Yes
9	Del Mar Facility maintenance & mgmt	ROPS II, Page 3, Line 4 ROPS I, Page 3, Line 6 & ROPS II, Page 3, Line 6	24,320.00	-	Allowance Other	24,320	Yes
10	Del Mar Theater exterior painting	ROPS I, Page 3, Line 7 & ROPS II, Page 3, Line 7	50,000.00	-	Other	50,000	Yes
11	Del Mar Theater roof replacement	ROPS II, Page 3, Line 8	100,000.00	-	Other	100,000	Yes
12	Del Mar Parking Lot reconstruction	ROPS II, Page 4, Line 29	39,831.00	-	Other	39,831	Yes
13	Contract for graffiti removal	ROPS II, Page 2, Line 1	50,000.00	-	Other	50,000	Yes
14	Zero Motorcycles	ROPS II, Page 2, Line 2	20,000.00	-	Other	20,000	Yes
15	MNUAD - Trolley Agreement	ROPS II, Page 2, Line 2	69,205.00	-	Other	69,205	Yes
16	First Alarm	ROPS II, Page 2, Line 8	608.00	-	Other	608	Yes
			\$ 3,623,346	\$ -		\$ 3,623,346	

Procedure 10

ATTACHMENT B10

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)	\$	52,228,804
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)		(31,368,207)
Less assets that are not cash or cash equivalents (e.g., physical assets) - (procedure 7)		(12,212,833)
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)		(2,552,247)
Less balances needed to satisfy ROPS for the 2012-13 fiscal year (procedure 9)		(3,623,346)
20 Less the amount of payments made on July 12, 2012 to the County Auditor - Controller as directed by the California Department of Finance		(3,206,863)
	\$	<u>(734,692) a</u>

Footnotes:

(a) Amount to be remitted to County for disbursement to taxing entities is zero.



SUCCESSOR AGENCY OF THE FORMER CITY OF SANTA CRUZ REDEVELOPMENT AGENCY

337 Locust Street, Santa Cruz, CA 95060 • 831 420-5150 Fax: 831 420-5151 • www.cityofsantacruz.com

December 6, 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 City of Santa Cruz 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 City of Santa Cruz 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: *Cheryl Lynn*

Signed: _____

Title: *Asst Finance Dir*

Title: _____