

OVERSIGHT BOARD RESOLUTION NO. 2013-01

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF SOUTH GATE APPROVING THE NON-HOUSING DUE DILIGENCE REVIEW REPORT PREPARED PURSUANT TO SECTIONS 34179.5 AND 34179.6; AND, DIRECTING THE SUCCESSOR AGENCY TO TRANSMIT THE FINAL REPORT TO THE CAC AND THE DOF

WHEREAS, the Community Development Commission of the City of South Gate ("former CDC") previously was a public body, corporate and politic formed, organized, existing and exercising its powers pursuant to Section 34100, *et seq.* of the California Health and Safety Code, and exercised the powers, authority, functions, and jurisdiction of a community redevelopment agency formed, organized, existing and exercising its powers pursuant to the California Community Redevelopment Law, Health and Safety Code, Section 33000, *et seq.* ("CRL"), and specifically formed by the City Council ("City Council") of the City of South Gate ("City"); and

WHEREAS, Assembly Bill x1 26 chaptered and effective on June 27, 2011 added Parts 1.8 and 1.85 to Division 24 of the California Health & Safety Code, which caused the dissolution of all redevelopment agencies and winding down of the affairs of former agencies, including as such laws were amended by Assembly Bill 1484 chaptered and effective on June 27, 2012 (together, the "Dissolution Act"); and

WHEREAS, as of February 1, 2012 the CDC was dissolved pursuant to the Dissolution Act and as a separate legal entity the City serves as the Successor Agency to the Community Development Commission of the City of South Gate ("Successor Agency"); and

WHEREAS, the Successor Agency administers the enforceable obligations of the former CDC and otherwise unwinds the CDC's affairs, all subject to the review and approval by a seven-member oversight board ("Oversight Board"); and

WHEREAS, pursuant to Section 34179 the Successor Agency's Oversight Board has been formed and the initial meeting has occurred on March 29, 2012 and

WHEREAS, Section 34179 provides that the Oversight Board has fiduciary responsibilities to holders of enforceable obligations and the taxing entities that benefit from distributions of property tax and other revenues pursuant to Section 34188 of Part 1.85 of the Dissolution Act; and

WHEREAS, Section 34179.5 requires the Successor Agency to employ a licensed accountant approved by the Los Angeles County Auditor-Controller to perform a due diligence review and report on the amount of funds transferred from the former CDC; and

WHEREAS, on July 19, 2012, the Los Angeles County Auditor-Controller provided written approval to Successor Agency staff of their selection of Lance Soll and Lunghard LLP as the licensed accountant to perform the due diligence review for the Successor Agency; and

WHEREAS, on August 30, 2012, the Department of Finance posted on its official website the agreed-upon procedures to conduct the due diligence reviews; and

WHEREAS, in accordance with the provisions of the agreed-upon procedures and provisions of Section 34179.5, Lance Soll and Lunghard LLP completed the non-housing due diligence review and by action on November 27, 2012 the Successor Agency received the report and transmitted such report to the Oversight Board; and

WHEREAS, on December 10, 2012 the Oversight Board convened a public comment session and has made such report available to the public for a period of not less than five business days; and

WHEREAS, the Successor Agency transmitted such due diligence report to the County Administrative Officer (CAO), County Auditor-Controller (CAC), State Controller's Office (SCO), and Department of Finance (DOF); and

WHEREAS, the Oversight Board has reviewed and considered the public comments, if any, received after convening the public comment session; and

WHEREAS, the Oversight Board has reviewed and considered the results/opinions, if any, offered by the CAC; and

WHEREAS, pursuant to Section 34179(h) as amended by Assembly Bill 1484 effective June 27, 2012, written notice and information about all actions taken by the Oversight Board shall be provided to the DOF by electronic means and in a manner of DOF's choosing. Generally, an oversight board's action shall become effective five (5) business days after notice in the manner specified by the DOF unless the DOF requests a review provided however the subject report will be considered and acted on pursuant to the process and timing of Sections 34179.5 and 34179.6.

NOW, THEREFORE, BE IT RESOLVED BY THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF SOUTH GATE:

Section 1. The foregoing recitals are incorporated into this Resolution by this reference, and constitute a material part of this Resolution.

Section 2. Pursuant to the Dissolution Act, the Oversight Board: (a) having taken into consideration the public comments, if any, received and the results/opinions, if any, offered by the CAC, hereby (a) approves the Non-Housing Due Diligence Review Report (Attachment 1), and (b) directs Successor Agency staff to transmit the final report to the CAC and DOF.

Section 3. The Assistant City Manager/Finance Director or his authorized designee is directed to post this Resolution on the Successor Agency website pursuant to the Dissolution Act.

Section 4. Pursuant to Section 34179(h) as amended by Assembly Bill 1484 effective June 27, 2012, written notice and information about all actions taken by the Oversight Board shall be provided to the DOF by electronic means and in a manner of DOF's choosing. Generally, an oversight board's action shall become effective five (5)

business days after notice in the manner specified by the DOF unless the DOF requests a review provided however the subject report will be considered and acted on pursuant to the process and timing of Sections 34179.5 and 34179.6.

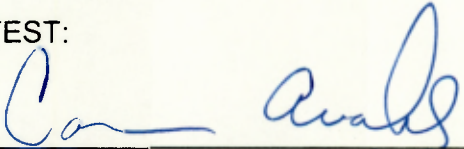
Section 5. The Secretary of the Oversight Board shall certify to the adoption of this Resolution.

APPROVED AND ADOPTED this 14th day of January 2013.



W. H. (Bill) De Witt, Chair
Oversight Board of the Successor Agency to the
Community Development Commission of the
City of South Gate

ATTEST:



Carmen Avalos, Secretary
Oversight Board of the Successor Agency to the
Community Development Commission of the
City of South Gate

(SEAL)

ATTACHMENT 1

Non-Housing Due Diligence Review Report

(attached)



**Successor Agency of the Former
South Gate Community Development Commission**

**Due Diligence Review
of the Other Redevelopment Agencies 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

Successor Agency of the Former
South Gate Community Development Commission

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

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Successor Agency of the
Former South Gate Community Development Commission
City of South Gate, 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
November 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

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

<u>Asset</u>	<u>Balance at 2/1/2012</u>
Cash and investments	\$ 7,847,863
Cash and investments with trustee	4,976,285
Accounts receivable	65,964
Loans receivable	9,388,023
Land held for resale	1,463,492
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Total Assets transferred:	\$ 23,741,627

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

ATTACHMENT B2

Describe Purpose of Transfer	Enforceable Obligation (EO)/ Other Legal Requirement (LR)	Amount	Legal Documentation Obtained? (Y/N)	
<u>From former Redevelopment Agency to City for January 1, 2011 through January 31, 2012</u>				
Repayment of advances to the City to pay 2000A Section 108 HUD Note Principal	EO	\$ 190,000	Y	a
Repayment of advances to the City to pay 2002 Series A and B Certificates of Participation - Interest March 2011	EO	493,281	Y	b
Repayment of advances to the City to pay 2002 Series A and B Certificates of Participation - Principal September 2011	EO	825,000	Y	b
Repayment of advances to the City to pay 2002 Series A and B Certificates of Participation - Interest September 2011	EO	493,281	Y	b
Repayment of \$12,000,000 advances to the City of South Gate - Principal from July 2010 through June 2011	EO	612,072	Y	a
Repayment of \$12,000,000 advances to the City of South Gate - Interest from June 2010 through June 2011	EO	118,583	Y	a
Repayment of \$12,000,000 advances to the City of South Gate - Principal from July 2011 through January 2012	EO	367,046	Y	a
∞ Repayment of \$12,000,000 advances to the City of South Gate - Interest from July 2011 through January 2012	EO	56,677	Y	a
	Sub-total:	<u>3,155,940</u>		

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 diminimus

Total Transfers to City for 1/1/2011 through 6/30/2012: \$ 3,155,940

Footnotes:

a) The former redevelopment agency repaid advances made in prior years with the City. The City believes this meets the definition of an enforceable obligation as defined in Health and Safety (H&S) Code Section 34167(d) effective June 28, 2011. It is the position of the City that the definition of enforceable obligation in H&S Code Section 34171(d) which specifically excludes agreements, contracts or arrangements between the City that created the redevelopment agency and the former redevelopment agency as an enforceable obligation was not effective until February 1, 2012. The City also does not believe this constitutes a transfer of assets subject to H&S Code 34167.5 or is applicable to this section.

b) These were determined to be enforceable obligations by the Department of Finance.

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

Describe Purpose of Transfer	Enforceable Obligation (EO)/ Other Legal Requirement (LR)	Amount	Legal Documentation Obtained? (Y/N)
<u>From former Redevelopment Agency to other public agencies or private parties for January 1, 2011 through January 31, 2012</u>			
SERAF payment to County of LA	LR	\$ 753,714	Y
2002 Tax Allocation Bonds Principal - September 2011	EO	655,000	Y
2002 Tax Allocation Bonds Interest - March 2011	EO	340,278	Y
2002 Tax Allocation Bonds Interest - September 2011	EO	340,278	Y
2003 Tax Allocation Bonds Principal - September 2011	EO	1,245,000	Y
2003 Tax Allocation Bonds Interest - March 2011	EO	580,078	Y
2003 Tax Allocation Bonds Interest - September 2011	EO	580,078	Y
Pass through payments through 6/30/11	LR	581,703	Y
Pass through payments through 1/31/12	LR	296,475	Y
Transfer of land to Housing Authority - 97111 S. Gabriel	N/A	205,000	N
	Sub-total:	<u>5,577,604</u>	a
<u>From Successor Agency to other public agencies or private parties for February 1, 2012 through June 30, 2012</u>			
2002 Tax Allocation Bonds Interest - March 2012	EO	323,903	Y
2003 Tax Allocation Bonds Interest - March 2012	EO	558,291	Y
2002 Series A and B Certificates of Participation - Interest March 2012	EO	470,350	Y
	Sub-total:	<u>1,352,544</u>	
Total Transfers to other public agencies or private parties for 1/1/2011 through 6/30/2012:		<u>\$ 6,930,148</u>	

Footnotes:

a) This transfer was approved by City Council but was not confirmed by the Oversight Board. The transfer of this parcel will be disallowed until the Oversight Board takes action to transfer the asset.

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

ATTACHMENT B4

	Redevelopment Agency 12 Months Ended 6/30/2010	Redevelopment Agency 12 Months Ended 6/30/2011	Redevelopment Agency 7 Months Ended 1/31/2012	Successor Agency 5 Months Ended 6/30/2012
Assets (modified accrual basis)				
Cash and investments	\$ 12,101,049	\$ 12,484,602	\$ 12,293,391	\$ 9,858,375
Cash and investments with trustee	5,369,803	5,475,768	4,976,285	5,312,905
Receivables:				
Accounts	337,243	40,298	66,782	66,785
Interest	18,227	13,366	164	286,796
Loans	4,217,374	10,063,352	10,049,352	9,040,005
Due from other governments	-	360,421	-	-
Due from City	142,526	50,000	50,000	-
Land Held for resale	3,858,492	1,723,492	1,723,492	1,463,492
Total Assets	\$ 26,044,714	\$ 30,211,299	\$ 29,159,466	\$ 26,028,358
Liabilities (modified accrual basis)				
Accounts payable	\$ 97,648	\$ 366,227	\$ 74,199	\$ 2,852,674
Accrued liabilities	16,372	17,374	18,313	-
Deposits from others	-	52,236	52,236	50,036
Due to other governments	307,911	54,235	33,544	264,249
Deferred revenue	3,105,175	9,026,375	9,026,375	8,390,925
Total Liabilities	3,527,106	9,516,447	9,204,667	11,557,884
Equity	22,517,608	20,694,852	19,954,799	14,470,474
Total Liabilities + Equity	\$ 26,044,714	\$ 30,211,299	\$ 29,159,466	\$ 26,028,358
Total Revenues:	\$ 12,826,687	\$ 9,909,161	\$ 5,270,235	\$ 11,626,137
Total Expenditures:	12,719,028	11,731,917	6,010,288	9,427,876
Total Transfers:	-	-	-	12,272,213
Net change in equity	107,659	(1,822,756)	(740,053)	14,470,474
Beginning Equity:	22,409,949	22,517,608	20,694,852	-
Ending Equity:	\$ 22,517,608	\$ 20,694,852	\$ 19,954,799	\$ 14,470,474
Other Information (show year end balances for all four periods presented):				
Capital assets as of end of year	\$ 2,087,144	\$ 401,144	\$ 2,087,144	\$ 2,087,144
Long-term debt as of end of year	62,143,080	58,741,008	55,458,960	55,458,960

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

ATTACHMENT B5

Assets				Amount
Cash	321-1109	Cash - Successor Agency to the RDA-Operating Fund	\$ 50,036	
	611-1109	Cash - Successor Agency to the RDA-Debt Service Fund	5,775,043	
		TOTAL CASH:		\$ 5,825,079
Account Receivable	321-1200	Misc. Receivables-Property Rentals	66,785	
		TOTAL ACCOUNTS RECEIVABLE:		66,785
Notes Receivable	321-1220	Notes Receivables	1,932,155	
	321-1222	Notes Receivables-Towne Center Plaza	7,159,072	
	321-1244	Allowance for Doubtfull Accounts	(66,785)	
		TOTAL NOTES RECEIVABLE:		9,024,442
Cash with fiscal agent	611-1160	2003 Tax Allocation bond	2,408,847	
	611-1163	2002 COP A & B	2,904,058	
		TOTAL CASH WITH FISCAL AGENT:		5,312,905
Interest receivable	321-1202	Accrued interest for a Loan-SG Family Trust	286,796	
		TOTAL INTEREST RECEIVABLE:		286,796
Land Held for Resale	321-1802	Land Held for Resale	1,463,492	
		TOTAL LAND HELD FOR RESALE:		1,463,492
Capital Assets	815-1801	Fixed Asset - Land	1,686,000	
	815-1840	Structures and Improvements	381,785	
	815-1870	Machinery and Equipment	19,359	
	815-1891	Accumulated Depreciation	(133,893)	
		TOTAL CAPITAL ASSETS:		1,953,251
		TOTAL ASSETS AT 6/30/2012:		\$ 23,932,750

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

ATTACHMENT B6

Item #	Description	Documentation Referenced	Amount	Purpose	Legal Documentation Obtained? (Y/N)
1	Cash with fiscal Agent				
	a) 2003 Tax Allocation Bonds	611-1160	\$ 2,408,847	Bond Reserves	Y
	b) 2002 Series A and B Certificates of Participation	611-1163	1,814,638	Bond Reserves	Y
	c) 2002 Series A and B Certificates of Participation	611-1163	1,089,421	Restricted to pay debt service	Y
		TOTAL:	<u>\$ 5,312,905</u>		

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	N/A	\$ 1,686,000	Cost	N
	b) Structures and Improvements	N/A	381,785	Cost	N
	c) Machinery and Equipment	N/A	19,359	Cost	N
	c) Accumulated depreciation	N/A	(133,893)	Straight line	N
2	Land Held for Resale				
	a) 2703/2704 Tweedy Blvd/2704	N/A	205,000	Cost	N
	b) 10120 Miller Way (GWS Nursery)	N/A	1,258,492	Cost	N
	c) 9711 S. Gabriel	N/A	205,000	Cost	N
3	Long-term receivable				
	a) SG Family Trust	N/A	945,058	Cost	N
	b) Llovio Ford \$614	N/A	270,000	Cost	N
	c) SG Family Trust-Dudlext Hsg. Proj	N/A	717,097	Cost	N
	d) CRA- Loans to SG Towne Ctr PI-land sale	N/A	1,159,072	Cost	N
	e) CRA- Loans to SG Towne Ctr PI-Settlement	N/A	6,000,000	Cost	N
	f) Allowance for Doubtfull Accounts	N/A	(66,785)	Cost	N
4	Interest Receivable				
	a) SG Family Trust - Accrued Interest	N/A	286,796	Cost	N
TOTAL RESTRICTIONS OF NON-CASH ITEMS			<u>\$ 12,932,981</u>		

13

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	Continuing disclosure	ROP I, Line 9	\$ 1,000	\$ -	\$ 1,000	N
2	AB1290 pass through payment - 6/11/11	N/A	20,663	-	20,663	N
3	AB1290 pass through payment - 1/31/12	N/A	12,882	-	12,882	N
4	AB1290 pass through payment - FY 12	N/A	17,832	-	17,832	N
5	AB1290 pass through payment - FY 12	N/A	9,970	-	9,970	N
6	Developer's deposits - Llovio Ford	N/A	50,036	-	50,036	N
7	Administrative cost prior ot June 30, 2012	N/A	230,826	-	230,826	N
8	Pass through payable - Nov 11, Dec 11 and Jan 1	N/A	137,683	-	137,683	N
9	US Bank Trustee Fees - 6/30/12	N/A	6,600	-	6,600	N
			<u>\$ 487,492</u>	<u>\$ -</u>	<u>\$ 487,492</u>	

Listing of Assets (resources) that need to be retained due to insufficient funding for the funding of enforceable obligations

Other Redevelopment Agency Funds

As of June 30, 2012

<u>Item #</u>	<u>Project Name</u>	<u>Reference</u>	<u>Approved Obligation Amount</u>	<u>Designated Amount Plus Estimated Future Revenues</u>	<u>Revenue Source</u>	<u>Amount Needed to be Retained from June 30, 2012 Balance</u>	<u>Legal Documentation Obtained? (Y/N)</u>
1	Bond Trustee Fees	ROPS II, Line 6	\$ 3,300	\$ -	RPTTF	\$ 3,300	Y
2	Bond Trustee Fees	ROPS II, Line 7	3,300	-	RPTTF	3,300	Y
3	Trustee Fees	ROPS II, Line 8	3,300	-	RPTTF	3,300	Y
4	Continuing Disclosure Services	ROPS II, Line 9	1,000	-	RPTTF	1,000	Y
5	Successor Agency Operations	ROPS II, Line 11	125,000	-	RPTTF	125,000	Y
			<u>\$ 135,900</u>	<u>\$ -</u>		<u>\$ 135,900</u>	

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)
1	2002 COP Series A & B	ROPS II, Line 5	\$ 905,352 <u>\$ 905,352</u>	\$ 588,836 <u>\$ 588,836</u>	RPTTF	\$ 316,516 <u>\$ 316,516</u>	Y

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**

ATTACHMENT B9

No assets need to be retained due to projected insufficient property tax revenues for future ROPS

Procedure 10

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

Total amount of assets held by the successor agency as of June 30, 2012 (procedure 5)	\$	23,932,750
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	205,000
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments (procedure 6)		(5,312,905)
Less assets that are not cash or cash equivalents (e.g., physical assets) - (procedure 7)		(12,932,981)
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)		(939,908)
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		<u>(2,679,458)</u>
Amount to be remitted to county for disbursement to taxing entities	\$	<u><u>2,272,498</u></u>



City of South Gate

8650 CALIFORNIA AVENUE • SOUTH GATE, CA 90280 • (323) 563-9523
FAX: (323) 563-9552

FINANCE DEPARTMENT

November 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 South Gate Community Development Commission. 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 community development commission 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 community development commission or the successor agency to the city, county, or city and county that formed the community development commission 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 community development commission 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 all other funds of the Successor Agency 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 all other funds of the Successor Agency) for the report that is due December 15, 2012.

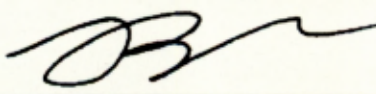
- f. In accordance with 34179.5(c)(5)(B), an itemized statement listing any amounts that are legally restricted as to purpose and cannot be provided to taxing entities. This could include the proceeds of any bonds, grant funds, or funds provided by other governmental entities that place conditions on 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 Community Development Commission 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 South Gate Community Development Commission 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 Community Development Commission 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 Community Development Commission 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:  _____

Signed:  _____

Title: Assistant City Manager

Title: Nellie Ruiz

RESOLUTION CERTIFICATION PAGE

STATE OF CALIFORNIA)

COUNTY OF LOS ANGELES) SS

CITY OF SOUTH GATE)

I, Carmen Avalos, Secretary of the Oversight Board of the Successor Agency to the Community Development Commission of the City of South Gate, California, hereby certify that the whole number of Members of the Oversight Board of said City is seven; that Resolution No. 2013-01 was adopted by the Oversight Board at their Meeting held on January 14, 2013, by the following vote:

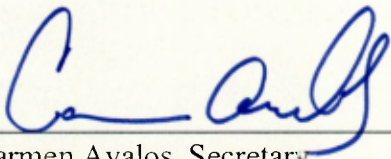
Ayes: Council Members: De Witt, Payne, Torres, Shidler, Bokde and Liday

Noes: Council Members: None

Absent: Council Members: Verdugo

Abstain: Council Members: None

Witness my hand and the seal of said City on January 22, 2013.



Carmen Avalos, Secretary
Oversight Board of the Successor Agency
to the Community Development Commission
of the City of South Gate, California