

**COUNTY OF SOLANO,
CALIFORNIA**

**Independent Accountant's Report on Applying
Agreed-Upon Procedures on the
Former Redevelopment Agency of the
City of Suisun City, California**

**Pursuant to AB x1 26
Community Redevelopment Dissolution**

County Auditor-Controller
County of Solano
Fairfield, California

**Independent Accountant's Report on
Applying Agreed-Upon Procedures**

We have performed the minimum required agreed-upon procedures enumerated in Attachment A, which were agreed to by the California State Controller's Office, California State Department of Finance, and Solano County (County) Auditor-Controller, solely to assist you in ensuring that the dissolved Redevelopment Agency (RDA) of the City of Suisun City, California (City) is complying with its statutory requirements with respect to Assembly Bill (AB) x1 26. Management of the City is responsible for the accounting records pertaining to statutory compliance pursuant to Health and Safety Code section 34182(a)(1). This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The scope of this engagement was limited to performing the agreed-upon procedures as set forth in Attachment A. Attachment A also identifies the findings noted as a result of the procedures performed.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the Enforceable Obligation Payment Schedule or the Recognized Obligation Payment Schedule or as to the appropriateness of the other financial information summarized in Attachment A. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Macie Mini & O'Connell LLP

Sacramento, California
September 24, 2012

Attachment A – Agreed-Upon Procedures and Findings

A. RDA Dissolution and Restrictions

For each redevelopment agency dissolved, perform the following:

1. Obtain a copy of the enforceable obligation payment schedule (EOPS) for the period August 1, 2011 through December 31, 2011. Trace the redevelopment project name or area (whichever applies) associated with the obligations, the payee, a description of the nature of the work/service agreed to, and the amount of payments made by month through December 31, 2011, and compare it to the legal document(s) that forms the basis for the obligations. Since amounts could be estimated, determine that they are stated as such and that legal documentation supports those estimates.

Results: Except for items identified below, there were no additional exceptions noted as a result of the procedure.

- Obligations and/or scheduled monthly payments identified on the initial EOPS were not supported by legal documents. Furthermore, estimated amounts were not stated as such on the initial EOPS. Refer to attachment B for a detailed summary of findings.

2. Obtain a copy of the final amended EOPS filed for the period January 1, 2012 through June 30, 2012. Trace the redevelopment project name or area (which ever applies) associated with the obligations, the payee, a description of the nature of the work/service agreed to, and the amount of payments to be made by month through June 30, 2012, and compare it to the legal documents that forms the basis for the obligations. Since amounts could be estimated, determine that they are stated as such and that legal documentation supports those estimates.

Results: Except for items identified below, there were no additional exceptions noted as a result of the procedure.

- Obligations and/or scheduled monthly payments identified on the final amended EOPS were not supported by legal documents. Furthermore, estimated amounts were not stated as such on the final amended EOPS. Refer to attachment C for a detailed summary of findings.

3. Identify any obligation listed on the EOPS that were entered into after June 28, 2011, by inspecting the date of incurrence specified on Form A of the Statement of Indebtedness filed with the County Auditor-Controller, which was filed on or before October 1, 2011.

Results: No exceptions were noted as a result of the procedure.

Attachment A – Agreed-Upon Procedures and Findings (Continued)

4. Inquire and specifically state in the report the manner in which the agency did or did not execute a transfer of the Low and Moderate Income Housing Fund to the redevelopment successor agency by February 1, 2012. Procedures to accomplish this might include changing the name of the accounting fund and related bank accounts that are holding these assets for the successor agency. If the successor agency is a party other than the agency that created the redevelopment agency, an examination of bank statements and changing of account titles and fund names evidencing such transfer will be sufficient.

Results: The City made a transfer of the Low and Moderate Income Housing Fund (Fund 905) to the successor agency (Fund 903) through the recording of a journal entry dated March 26, 2012 with an effective posting date of February 1, 2012. The cash and investments of the Low and Moderate Income Housing Fund were not maintained in separate bank accounts, but rather were deposited in the City's cash and investment pool. Accordingly, the transfer of the fund in the accounting system effectively transferred the related cash and investment balances maintained in the former fund to the new fund.

5. Inquire and specifically state in the report how housing activities (assets and function, rights, power, duties, and obligations) were transferred and the manner in which this agency did or did not execute a transfer. Procedures to accomplish this might include changing the name of the accounting fund and related bank accounts that are holding these assets for the other agency. An examination of bank statements and changing of account titles and fund names evidencing such transfers will be sufficient. If the housing successor is a party other than the agency that created the redevelopment agency, an examination of bank statements and re-recording of titles evidencing such transfer will be sufficient.

Results: Through adopting Resolution No. SA 2012-03 dated January 31, 2012, the City retained the housing activities of the dissolved redevelopment agency. The City transferred housing assets and obligations from the dissolved redevelopment agency (Fund 995) to the Housing Authority of the City of Suisun City (Fund 996) by February 1, 2012, through recording of a journal entry dated March 26, 2012 with an effective posting date of February 1, 2012. The cash and investments of the housing activities were not maintained in separate bank accounts, but rather were deposited in the City's cash and investment pool. Accordingly, the transfer of the fund in the accounting system effectively transferred the related cash and investment balances maintained in the former fund to the new fund.

B. Successor Agency

1. Inspect evidence that a successor agency (A) has been established by February 1, 2012; and (B) the successor agency oversight board has been appointed, with names of the successor agency oversight board members, which must be submitted to the California State Department of Finance by May 1, 2012.

Results: No exceptions were noted as a result of the procedure.

Attachment A – Agreed-Upon Procedures and Findings (Continued)

2. Inquire regarding the procedures accomplished and specifically state in the report the manner in which the agency did or did not execute a transfer of operations to the successor agency, which was due by February 1, 2012. Procedures to accomplish this might include changing the name of the accounting fund and related bank accounts that are holding these assets for the successor agency. If the successor agency is a party other than the agency that created the redevelopment agency, an examination of bank statements and changing of account titles and fund names evidencing such transfers will be sufficient.

Results: Through adopting Resolution No. 2012-04 dated January 31, 2012, the City elected to become the successor agency to the former redevelopment agency and all assets and obligations were transferred from the former redevelopment agency (Funds 900, 912, 920, and 950) to the successor agency (Funds 901 and 902) by February 1, 2012, through recording of a journal entry dated March 26, 2012 with an effective posting date of February 1, 2012. The cash and investments of the operations were not maintained in separate bank accounts, but rather were deposited in the City's cash and investment pool. Accordingly, the transfer of the fund in the accounting system effectively transferred the related cash and investments maintained in the former fund to the new fund.

3. Ascertain that the successor agency has established the Redevelopment Obligation Retirement Fund(s) in its accounting system.

Results: The City established the Redevelopment Obligation Retirement Fund (Fund 902) in its accounting system.

4. Inspect the initial and final amended EOPS and the draft and final ROPS and identify the payments that were due to be paid prior to June 1, 2012. Select a sample of at least 50% of the dollar amount (as determined by the County Auditor-Controller's Office) and compare the sampled payments that were due to be paid prior to June 1, 2012 to a copy of the cancelled check or other documentation supporting the payment.

Results: A sample of 65% of the dollar amount of the non-pass-through obligation payments that were due to be paid prior to June 1, 2012 was selected, and the sampled payments were compared to a copy of the cancelled checks or wire transfer instructions. Refer to attachment D for a summary of findings.

5. Obtain listings that support the asset figures (cash, investments, accounts receivable, notes, receivables, capital assets, etc.) and reconcile to the Statement of Net Assets in the audited financial statements as of June 30, 2010 and June 30, 2011. Attach to the report an excerpt of the asset figures presented in the Statement of Net Assets in the audited financial statements as of June 30, 2010, June 30, 2011, and the asset figures as of January 31, 2012, as determined by the successor agency.

Results: The asset figures noted in the trial balance listings of the former redevelopment agency were reconciled to the assets noted in the Statement of Net Assets in the audited financial statements as of June 30, 2010 and June 30, 2011. The excerpted asset figures presented in the Statement of Net Assets in the audited financial statements as of June 30, 2010 and June 30, 2011 and the asset figures as of January 31, 2012 as determined by the successor agency are summarized in attachment E.

Attachment A – Agreed-Upon Procedures and Findings (Continued)

C. Recognized Obligation Payment Schedule (Draft ROPS)

Obtain a copy of the initial draft of the ROPS from the successor agency.

1. Inspect evidence that the initial draft of the ROPS was prepared by March 1, 2012.

Results: No exceptions were noted as a result of the procedure.

2. Note in the minutes of the successor agency's Oversight Board that the draft ROPS has been approved by the Oversight Board. If the Oversight Board has not yet approved the draft ROPS as of the date of the AUP, this should be mentioned in the AUP report.

Results: As of the date of this report, the draft ROPS had not been approved by the Oversight Board.

3. Inspect evidence that a copy of the draft ROPS was submitted to the County Auditor-Controller, California State Controller's Office, and California State Department of Finance.

Results: No exceptions were noted as a result of the procedure.

4. Inspect evidence that the draft ROPS includes monthly scheduled payments for each enforceable obligation for the current six-month reporting time period.

Results: No exceptions were noted as a result of the procedure.

5. Select all enforceable obligations listed on the draft ROPS in which the dollar amounts differ from the EOPS tested in procedure A.2. (as determined by the County Auditor-Controller's Office) and trace enforceable obligations listed on the draft ROPS to the legal document that forms the basis for the obligation.

Results: Obligations and/or scheduled monthly payments identified on the draft ROPS were not supported by legal documents. Refer to attachment F for a detailed summary of findings.

6. Trace the obligations enumerated on the draft ROPS to the obligations enumerated on the final amended EOPS and note any differences in excess of \$50,000 (as agreed by the County Auditor-Controller's Office).

Results: Several differences in excess of \$50,000 were noted. Refer to attachment G for a detailed summary of findings.

D. Recognized Obligation Payment Schedule (Final ROPS)

Obtain a copy of the final ROPS (January 1, 2012 through June 30, 2012) from the successor agency.

1. Inspect evidence that the final ROPS was submitted to the County Auditor-Controller, California State Controller's Office, and California Department of Finance by April 15, 2012, and is posted on the website of the City/County as successor agency (Health and Safety Code section 34177(2)(C)).

Results: No exceptions were noted as a result of the procedure.

Attachment A – Agreed-Upon Procedures and Findings (Continued)

2. Select all enforceable obligations listed on the final ROPS in which the dollar amounts differ from the EOPS tested in procedure A.2 and the draft ROPS tested in procedure C.5 (as determined by the County Auditor-Controller’s Office) and trace obligations listed on the final ROPS to the legal agreements or documents that forms the basis for the obligation.

Results: No exceptions were noted as a result of the procedure.

E. Other Procedures

Obtain a list of pass-through obligations and payment schedules.

1. Obtain a list of pass-through obligations and payments made from the former redevelopment agency from July 1, 2011 through January 31, 2012. Inspect evidence of payment, and note any differences from the list of pass-through obligations and payments made.

Results: No exceptions were noted as a result of the procedure.

2. Issue Agreed-Upon Procedures Report and distribute to the California State Controller by October 1, 2012.

Results: This agreed-upon procedures report is being issued on September 24, 2012, and the County Auditor-Controller plans to distribute it to the California State Controller by October 1, 2012.

**City of Suisun City Redevelopment Agency
Attachment B - Initial EOPS Findings**

County of Solano Auditor-Controller

Initial EOPS (August 1, 2011 - December 31, 2011)

Project Name/Debt Obligation	Payee	Description	Total Outstanding Debt or Obligation	Payments by Month						Finding
				August	September	October	November	December	Total	
Agency owned parcels	County of Solano	Property Taxes & Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 67,100	\$ 67,100	The scheduled payment amounts are estimates not supported by agreements or contracts. Furthermore, the estimated amounts were not stated as such on the initial EOPS.
Agency owned parcels	Various	Repair & Maint. of Agency Owned Bldgs.	-	10,000	10,000	10,000	7,500	7,500	45,000	
Employee Costs	Employees of Agency	Payroll Costs	1,587,743	130,060	130,060	130,060	130,060	130,060	650,300	The scheduled payment amounts are estimates that were derived from the former redevelopment agency's adopted 2012 budget. Furthermore, the estimated amounts were not stated as such on the initial EOPS.
City Attorney-Cost of Legal Fees	Aleshire & Wynder, LLP	Legal Fees	-	14,000	14,000	14,000	14,000	14,000	70,000	
Administrative Cost	Various	Administrative Miscellaneous	-	2,000	2,000	2,000	2,000	2,000	10,000	
Suisun Harbor Square	Main Street West	Harbor Square Development	87,840	17,568	17,568	17,568	17,568	17,568	87,840	While the obligation is substantiated by a Disposition and Development Agreement (DDA), the scheduled payment amounts are not supported by the DDA.
2003 Series B Tax Allocation Bonds	US Bank	Refunding of 1993 Tax Alloc Bonds	31,780,000	-	-	2,404,524	-	-	2,404,524	The amortization schedule supports an October 2011 payment due of \$2,418,865.
Marina Expansion Loan	Dept. of Boating & Waterways	Marina Rehabilitation	6,641,762	427,070	-	-	-	-	427,070	The amortization schedule supports an August 2011 payment due of \$452,070.
SERAF Payment	LMIHF	SERAF	6,901,505	-	-	-	-	-	-	Although the City provided an Agenda Transmittal that recommended adopting a Resolution to borrow from its Housing Set-Aside Fund, there is no agreement or contract supporting the obligation.
Iconic Sign	Earthquake & Structures, Inc.	Gateway Sign Design	11,300	2,260	2,260	2,260	2,260	2,260	11,300	The scheduled payment amounts are estimates that were derived from an internal calculation. Furthermore, the estimated amounts were not stated as such on the initial EOPS.

**City of Suisun City Redevelopment Agency
Attachment C - Final Amended EOPS Findings**

County of Solano Auditor-Controller

Final Amended EOPS (January 1, 2012 - June 30, 2012)

Project Name/Debt Obligation	Payee	Description	Total Outstanding Debt or Obligation	Payments by Month						Finding	
				January	February	March	April	May	June		Total
Audit Cost	Vavrinek, Trine & Day	Audit Costs FY 10-11	\$ 19,500	\$ -	\$ -	\$ -	\$ 9,500	\$ -	\$ -	\$ 9,500	Although the audit obligation is substantiated by a Resolution approving a professional services contract, the scheduled payment amount is not supported by the contract. In addition, California Department of Finance (DOF) has questioned this scheduled payment amount.
Administrative Cost	Various	Staff labor, Rent/Utilities, Supplies, Legal	-	135,900	50,000	50,000	50,000	50,000	50,000	385,900	DOF has questioned the \$135,900 scheduled January payment amount as the scheduled payment amounts exceed the \$250,000 limit under Health and Safety Code (HSC) section 34141(b), which limits administrative expenses for fiscal year 2011-12 to five percent of property tax allocated to the successor agency or \$250,000, whichever is greater.
Main Street West DDA	Main Street West	DDA Obligations/ Administration	-	-	4,600	4,600	17,000	4,600	4,600	35,400	While the obligation is substantiated by a Disposition and Development Agreement (DDA), the scheduled payment amounts are not supported by the DDA.
SERAF Payment	Low/Mod Housing Fund	SERAF	6,901,500	-	-	-	-	-	-	-	Although the City provided an Agenda Transmittal that recommended adopting a Resolution to borrow from its Housing Set-Aside Fund, there is no agreement or contract supporting the obligation.

City of Suisun City Redevelopment Agency
Attachment D - Payments

County of Solano Auditor-Controller

Initial EOPS (August 1, 2011 - December 31, 2011)					Review of the Cancelled Checks or Warrant Registers					Finding										
Project Name / Debt Obligation	Payee	Description	Total Outstanding Debt or Obligation	(A) Sampled Scheduled Payments by Month					(B) Actual Payments on Samples Selected by Month					(A-B) Difference between Scheduled and Actual Payments by Month						
				August	September	October	November	December	August	September	October	November	December	August	September	October	November	December		
2003 Series B Tax Allocation Bonds	US Bank	Debt service	\$ 31,780,000	\$ -	\$ -	\$ 2,404,524	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,350,071	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,453	\$ -	\$ -

City of Suisun City Redevelopment Agency
Attachment E - Asset Listings as of June 30, 2010, June 30, 2011 and January 31, 2012

County of Solano Auditor-Controller

	<u>6/30/2010</u>	<u>6/30/2011</u>	<u>1/31/2012</u>
Cash and investments	\$ 11,213,908	\$ 3,178,511	\$ 1,090,982
Cash with fiscal agent	4,601,124	4,579,260	6,039,739
Receivables			
Accounts receivable, net	14,498	24,190	2,375
Development agreement	626,000	912,163	912,163
Due from the City of Suisun City	9,237	20,560	-
Interest receivable	116,584	82,658	-
Notes receivable	10,978,879	11,787,712	11,650,704
Prepaid items	38,023	30,401	6,316
Deferred charges	1,318,898	1,228,775	-
Capital assets, non-depreciable	34,378,463	7,050,345	6,822,995
Capital assets, net of depreciation	<u>18,265,350</u>	<u>20,813,644</u>	<u>-</u>
Total Assets	<u>\$ 81,560,964</u>	<u>\$ 49,708,219</u>	<u>\$ 26,525,274</u>

**City of Suisun City Redevelopment Agency
Attachment F - Draft ROPS Findings**

County of Solano Auditor-Controller

Draft ROPS (January 1, 2012 - June 30, 2012)

Project Name/Debt Obligation	Payee	Description	Total Outstanding Debt or Obligation	Payments by Month						Finding	
				January	February	March	April	May	June		Total
Audit Cost	Vavrinek, Trine & Day	Audit Costs FY 10-11	\$ 19,500	\$ -	\$ -	\$ -	\$ 11,500	\$ -	\$ -	\$ 11,500	Although the audit obligation is substantiated by a Resolution approving a professional services contract, the scheduled payment amount is not supported by the contract.
Administrative Cost	Various	Staff labor, Rent/Utilities, Supplies, Legal	-	117,100	50,000	50,000	50,000	50,000	50,000	367,100	The scheduled payment amounts are not supported by agreements or contracts. In addition, California Department of Finance (DOF) has limited the scheduled payment amounts to \$250,000 under Health and Safety Code (HSC) section 34141(b), which limits administrative expenses for fiscal year 2011-12 to five percent of property tax allocated to the successor agency or \$250,000, whichever is greater.
Main Street West DDA	Main Street West	DDA Obligations/Administration	-	4,583	4,583	4,583	37,483	4,583	4,583	60,398	While the obligation is substantiated by a Disposition and Development Agreement (DDA), the scheduled payment amounts are not supported by the DDA.
1998 Tax Exempt Bonds	US Bank	Bonds issue to fund Redevelopment Proj	20,424,242	-	-	161,600	-	-	-	161,600	The amortization schedule supports a March 2012 payment due of \$153,475.
2003 Series B Tax Allocation Bonds	US Bank	Refunding of 1993 Tax Alloc Bonds	31,780,000	-	-	639,525	-	-	-	639,525	The amortization schedule supports a March 2012 payment due of \$625,184.

City of Suisun City Redevelopment Agency
Attachment G - Differences Between the Obligations Enumerated on the Draft ROPS
to the Obligations Enumerated on the Final Amended EOPS

County of Solano Auditor-Controller

			January 1, 2012 - June 30, 2012		Finding
Obligation # per Draft ROPS	Obligation	Payee	(A) Final Amended EOPS Obligations Enumerated	(B) Draft ROPS Obligations Enumerated	(B - A) Differences Between the Obligations Enumerated on the Draft ROPS to the Obligations Enumerated on the Final Amended EOPS
1	1998 Tax Exempt Bonds	US Bank	\$ 21,900,526	\$ 20,424,242	\$ (1,476,284)
2	2003 Series A Tax Allocation Bonds	US Bank	5,005,000	5,265,000	260,000
3	2003 Series B Tax Allocation Bonds	US Bank	30,015,000	31,780,000	1,765,000
4	Marina Expansion Loan	Dept. of Boating & Waterways	6,488,572	6,641,762	153,190
5	Marina Expansion Loan	Sheldon Oil	2,261,591	2,358,829	97,238
14	1998/2003 Tax Allocation Bonds	Various	-	225,000	225,000
15	Main Street West DDA	Main Street West	-	59,250	59,250
Total			\$ 65,670,689	\$ 66,754,083	\$ 1,083,394