



*Agency Rpt*

39

## SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

May 4, 1981

CITY MANAGER'S OFFICE  
**RECEIVED**  
MAY 6 1981

Redevelopment Agency of the  
City of Sacramento  
Sacramento, California

**FILED**  
SACRAMENTO REDEVELOPMENT AGENCY

Honorable Members in Session:

Date 5-14-81

SUBJECT: Final Audit Report, Project Calif R-67 (Project 4)

### SUMMARY

Attached for acceptance and filing are the Audited Financial Statements and Auditor's Report on Project 4 for the period ending February 28, 1981

### BACKGROUND

In the process of closing out the federal financing of Project 4, the Department of Housing and Urban Development (HUD) requires final audited financial statements and auditor's report as of February 28, 1981. These documents have been prepared by Ernst & Whinney, Certified Public Accountants, and submitted to HUD. The auditor indicates the study of the Agency's system of internal accounting control and compliance with HUD contractual terms disclosed no conditions believed to be material weaknesses or evidence of non-compliance.

### VOTE AND RECOMMENDATION OF COMMISSION

At its regular meeting of May 4, 1981, the Sacramento Housing and Redevelopment Commission adopted a motion recommending acceptance and filing of audited Financial Statements and Auditors Report for Project 4. The votes were recorded as follows:

AYES: Coleman, Fisher, Knepprath, Luevano, A. Miller,  
Teramoto, B. Miller

NOES: None

ABSENT: Serna, Walton

5-14-81  
D-1



# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency of the  
City of Sacramento  
May 4, 1981  
Page Two

## RECOMMENDATION

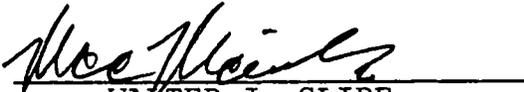
The staff recommends acceptance and filing of the attached audited financial statements and auditor's report for Project 4.

Respectfully submitted,



WILLIAM H. EDGAR  
Interim Executive Director

TRANSMITTAL TO COUNCIL:

  
\_\_\_\_\_  
WALTER J. SLIPE  
City Manager

Contact Person: Beverly Czoberek



AUDITED FINANCIAL STATEMENTS AND  
COMMENTS ON COMPLIANCE AND INTERNAL CONTROL

REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO  
URBAN RENEWAL PROJECT CALIF R-67

February 28, 1981

Auditors' Report . . . . .	1
Balance Sheet . . . . .	2
Statement of Cumulative Project Costs . . . . .	3
Notes to Financial Statements . . . . .	4
Comments on Compliance and Internal Control . . . . .	5
Findings and Replies. . . . .	7

# Ernst & Whinney

555 Capitol Mall, Suite 650  
Sacramento, California 95814

916/447-3237

Philip L. Isenberg, Chairperson  
Redevelopment Agency of the  
City of Sacramento  
630 I Street  
Sacramento, California 95814

Regional Inspector General  
for Audit  
Department of Housing and Urban  
Development  
450 Golden Gate Avenue  
San Francisco, California 94102

We have examined the balance sheet of Urban Renewal Project Calif R-67 of the Redevelopment Agency of the City of Sacramento as of February 28, 1981 and the related statement of cumulative project costs for the period then ended. Our examination was made in accordance with generally accepted auditing standards, including the audit requirements set forth in the Department of Housing and Urban Development (HUD) Audit Guide for the Urban Renewal Program and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Costs incurred prior to July 1, 1978 have previously been audited by other independent public accountants and federal auditors. Our opinion expressed herein, insofar as it relates to costs incurred prior to July 1, 1978, is based solely on the reports of the other auditors.

In our opinion, based upon our examination and the reports of other auditors, the statements referred to above present fairly the financial position of Urban Renewal Project Calif R-67 of the Redevelopment Agency of the City of Sacramento at February 28, 1981, and the results of its operations, including the eligibility of recorded costs to February 28, 1981, in conformity with HUD procedures.

We have also reviewed compliance and internal control matters in accordance with the requirements of the Audit Guide for the Urban Renewal Program and have included applicable comments related thereto.

*Ernst & Whinney*

Sacramento, California  
March 23, 1981

BALANCE SHEET

REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO  
URBAN RENEWAL PROJECT CALIF R-67

February 28, 1981

ASSETS

Cash	\$	50
Investments--at cost		1,739,212
Due from other funds		22,756
Due from City of Sacramento		4,500
Accrued interest receivable		15,894
Trust deposits		52,717
Net project costs		21,357,159
Relocation payments		<u>1,503,375</u>
		<u>\$24,695,663</u>

LIABILITIES AND CAPITAL

LIABILITIES

Due to other funds	\$	30,535
Trust deposits		52,717
Accrued interest payable		90,679
Project notes payable--Note B		2,525,000
Other notes and loans payable		<u>310,414</u>
		<u>3,009,345</u>

CAPITAL

Local grants-in-aid:		
Cash		480,380
Non-cash		1,105,980
Federal grants:		
Capital grant progress payments		18,596,583
Relocation grant payments		<u>1,503,375</u>
		<u>21,686,318</u>
		<u>\$24,695,663</u>

See notes to financial statements

STATEMENT OF CUMULATIVE PROJECT COSTS

REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO  
 URBAN RENEWAL PROJECT CALIF R-67

Period Ended February 28, 1981

Survey and planning expenditures	\$	780,040
Administrative costs		3,730,405
Legal services		112,203
Survey and planning		74,860
Acquisition expenses		264,953
Temporary operation of acquired property		139,111
Relocation costs		1,050
Site clearance		370,336
Project improvements		3,656,269
Disposal, lease, retention costs		157,657
Rehabilitation		42,757
Interest		3,980,110
Other income		(2,255,018)
Real estate purchases		12,163,413
Project inspection		153,745
	TOTAL	<u>23,371,891</u>
Add non-cash local grants-in-aid		1,105,980
	PROJECT COSTS	<u>24,477,871</u>
Deduct:		
Sales price of land sold		<u>(3,120,712)</u>
	NET PROJECT COSTS	<u>\$ 21,357,159</u>
Increase in net project costs during the period July 1, 1980 to February 28, 1981	\$	<u>69,865</u>

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS

REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO  
URBAN RENEWAL PROJECT CALIF R-67

February 28, 1981

NOTE A--BACKGROUND INFORMATION

The City Council of the City of Sacramento has designated itself to be the Redevelopment Agency of the City of Sacramento, under which name it governs the Agency.

At February 28, 1981, the Agency was administering the Title I Urban Renewal Project Calif R-67 (Capitol Mall-Riverfront) under a Loan and Grant contract (2/3 grant formula) of the Department of Housing and Urban Development. The original contract, dated April 5, 1967 and as amended through June 23, 1980, calls for total capital grants of \$23,014,749.

The estimated completion date for the project is June 30, 1981.

NOTE B--PROJECT NOTES PAYABLE

Project notes in the amount of \$2,525,000 were issued on June 17, 1980, with an interest rate of 5.09%, and mature on June 12, 1981.

COMMENTS ON COMPLIANCE AND INTERNAL CONTROL

REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO  
URBAN RENEWAL PROJECT CALIF R-67

February 28, 1981

As a part of our examination, we made a study and evaluation of the Agency's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. Under these standards the purposes of such evaluation are to establish a basis for reliance on the system of internal accounting control in determining the nature, timing, and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements and to assist the auditor in planning and performing his examination of the financial statements. Additionally, our examination included procedures necessary in our judgment to determine compliance with contractual terms and conditions and regulations, policies, and procedures prescribed by HUD and by management and the governing board of the Agency, insofar as such compliance review was necessary under the provisions listed as "7a" through "7t" under "AUDIT REQUIREMENTS" in the HUD audit guide for the urban renewal program.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, and that the degree of compliance with the procedures may deteriorate.

COMMENTS ON COMPLIANCE AND INTERNAL CONTROL (Continued)

REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO  
URBAN RENEWAL PROJECT CALIF R-67

February 28, 1981

Our study and evaluation of the Agency's system of internal accounting control and our review of its compliance with contractual terms, regulations, policies, and procedures which was made for the purpose set forth in the first paragraph of this section, disclosed no conditions that we believe to be material weaknesses or evidence of noncompliance.

FINDINGS AND REPLIES

REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO  
URBAN RENEWAL PROJECT CALIF R-67

February 28, 1981

The prior audit of Urban Renewal Project Calif R-67 was for the period ended June 30, 1980. Findings of the audit have been resolved by appropriate action of the Agency and HUD.

There were no audit findings for the period ended February 28, 1981.