

**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON  
COMPLIANCE WITH BOND COVENANTS  
AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Mayor and City Council  
City of El Cerrito, California

We have audited the financial statements of City of El Cerrito, which include the funds of the El Cerrito Redevelopment Agency, as of and for the year ended June 30, 2012, and have issued our report thereon dated December 18, 2012. The report included a special emphasis paragraph concerning the dissolution of the Redevelopment Agency and the City's accounting for certain transactions of the former Redevelopment Agency. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control over Financial Reporting***

Management of the Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Our tests included procedures to test the Agency's compliance with the accounting and financial provisions of Section 5.05 of the Indenture of Trust dated December 1, 1997. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in our separately issued Memorandum on Internal Control dated December 18, 2012.

As part of our audit, we prepared and issued our separate Memorandum on Internal Control dated December 18, 2012, which is an integral part of our audit and should be read in conjunction with this report.

This report is intended for the information and use of the City's management and Union Bank of California Trust Services. However, this report is a matter of public record and its distribution is not limited.

*Mane & Associates*

December 18, 2012