
**SUCCESSOR AGENCY TO THE GRIDLEY REDEVELOPMENT AGENCY
(A PRIVATE-PURPOSE TRUST FUND OF
THE CITY OF GRIDLEY, CALIFORNIA)**

WITH INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2019

**MANN, URRUTIA, NELSON, CPAS & ASSOCIATES, LLP
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INDEPENDENT AUDITOR'S REPORT

To the City Council
Oversight Board of the Successor Agency
to the Gridley Redevelopment Agency
Gridley, California

We have audited the accompanying basic financial statements of the Successor Agency to the Gridley Redevelopment Agency of the City of Gridley (the "Agency") as of and for the year ended June 30, 2019, which collectively comprise the Agency's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Successor Agency to the Gridley Redevelopment Agency of the City of Gridley as of June 30, 2019, and the results of its operations for the year ended June 30, 2019 in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted a management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economical, or historical context. Our opinion on the basic financial statements is not affected by this omitted information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2020, on our consideration of the Successor Agency to the Gridley Redevelopment Agency of the City of Gridley's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Successor Agency to the Gridley Redevelopment Agency of the City of Gridley's internal control over financial reporting and compliance.

Mann, Urrutia, Nelson CPAs

Sacramento, California

May 13, 2020

SUCCESSOR AGENCY TO THE GRIDLEY REDEVELOPMENT AGENCY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	Private- Purpose Trust Fund
<u>ASSETS</u>	
Cash and investments (Note 2)	\$ 372,788
Restricted cash and investments (Note 2)	390,690
Interest Receivable	1,306
Note receivable (Note 3)	678,000
Less: Allowance for doubtful note (Note 3)	(678,000)
Capital assets, non-depreciable (Note 4)	<u>1,302,116</u>
Total Assets	<u>\$ 2,066,900</u>
<u>LIABILITIES</u>	
Accounts payable	\$ 834
Interest payable	265,318
Advances from City (Note 5)	426,868
Long-term liabilities (Note 6):	
Due within one year	70,000
Due in more than one year	<u>4,285,168</u>
Total Liabilities	<u>5,048,188</u>
<u>NET POSITION</u>	
Held in trust for private purposes	<u>\$ (2,981,288)</u>

See accompanying notes to the basic financial statements.

SUCCESSOR AGENCY TO THE GRIDLEY REDEVELOPMENT AGENCY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Private- Purpose Trust Fund
<u>ADDITIONS</u>	
Property taxes	\$ 538,304
Use of money and property	11,323
Investment income	<u>350</u>
Total Additions	<u>549,977</u>
<u>DEDUCTIONS</u>	
Administrative expenses	22,966
Interest costs	<u>287,797</u>
Total Deductions	<u>310,763</u>
Change in Net Position	239,214
NET POSITION - JULY 1, 2018	<u>(3,220,502)</u>
NET POSITION - JUNE 30, 2019	<u><u>\$ (2,981,288)</u></u>

See accompanying notes to the basic financial statements.

SUCCESSOR AGENCY TO THE GRIDLEY REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The Gridley Redevelopment Agency (the "former RDA") was created pursuant to the California Community Redevelopment Law of the California Health and Safety Code. The Agency was created to revitalize and upgrade a significant area of the community for the purpose of increasing sales and business tax revenues, assuring coordinated growth and stability, and improving the quality of life for residents of the City of Gridley (City).

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 that provided for the dissolution of all redevelopment agencies in the State of California as of January 17, 2012, at which time the City of Gridley elected to take over as the Successor Agency (the "Agency").

The assets and liabilities of the former RDA were transferred to the Successor Agency on January 17, 2012 as a result of the dissolution. The Successor Agency acts in a fiduciary capacity to wind down affairs of the former RDA which includes disposing of the assets and liabilities, and its activities are reported in the fiduciary private-purpose trust fund.

B. Basis of Presentation

Fiduciary Funds:

Private-Purpose Trust Funds - Private Purpose Trust Funds are used to report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. As a Successor Agency, this fund is used to track the activity by the Oversight Board and the Department of Finance to dissolve the Agency.

C. Basis of Accounting

The financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

D. Cash and Investments

Cash and investments held at June 30, 2019 with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year end. All investments not required to be stated at fair value are stated at cost or amortized cost.

E. Capital Assets

Capital assets owned by the Agency are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. It is the Agency's policy to capitalize structures and improvements greater than \$10,000.

F. Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

SUCCESSOR AGENCY TO THE GRIDLEY REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2: CASH AND INVESTMENTS

Cash and investments as of June 30, 2019 are classified in the accompanying financial statements as follows:

	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
Fiduciary activities	\$ <u>372,788</u>	\$ <u>390,690</u>	\$ <u>763,478</u>

Authorized Investments of the Agency

The table below identifies the investment types that are authorized by the Agency's investment policy. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the Agency, rather than the general provisions of the California Government Code or the Agency's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in one Issuer</u>
Local Agency Bonds	5 years	None	10%
U.S. Treasury Obligations	5 years	None	None
State Obligations - CA And Others	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper - Select Agencies	270 days	25%	10%
Commercial paper - Other Agencies	270 days	40%	10%
Negotiable Certificates of Deposits	5 years	30%	30%
CD Placement Service	5 years	30%	30%
Repurchase Agreements	1 year	None	10%
Reverse Repurchase Agreements and Securities	92 days	20%	10%
Lending Agreements			
Medium-Term Notes	5 years	30%	10%
Mutual Funds and Money Market Mutual Funds	N/A	20%	10%
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass - Through Securities	5 years	20%	None
Bank/Time Deposits	5 years	None	None
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Voluntary Investment Program Fund	N/A	None	None

The Agency complies with the provisions of California Government Code (or the Agency's investment policy, where more restrictive) pertaining to the types of investments held, institutions in which deposits were made and security requirements. The Agency will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

SUCCESSOR AGENCY TO THE GRIDLEY REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Agency's investment policy. The table below identifies the investment types that are authorized by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in one Issuer
Local agency bonds	None	None	None
U.S. Treasury obligations	None	None	None
U.S. Agency securities	None	None	None
Banker's acceptances	365 days	None	None
Commercial paper	270 days	None	None
Federal Funds	365 days	None	None
Unsecured Certificates of Deposit	365 days	None	None
Time Deposits	365 days	None	None
Cash Sweep Accounts	None	None	None
Money market funds	N/A	None	None
Mortgage-backed securities	None	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

Disclosure Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Agency's interest rate risk is mitigated is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the Agency's investments (including investments held by bond trustee) to market rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity as of June 30, 2019:

	Remaining Maturity		
	12 months or less	1-5 years	Fair Value
Held by bond trustee:			
Investment pool (CAMP)	\$ 390,690	\$ -	\$ 390,690
	<u>\$ 390,690</u>	<u>\$ -</u>	<u>\$ 390,690</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The Agency had no investments (including investments held by bond trustees) that were highly sensitive to interest rate fluctuations as of June 30, 2019.

SUCCESSOR AGENCY TO THE GRIDLEY REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the investment policy, or debt agreements, and the actual rating as of the fiscal year for each investment type.

	Total	Rating as of Fiscal Year End		
		S&P	Moody's	N/A
Held by bond trustee:				
Investment pool (CAMP)	\$ <u>390,690</u>	AAAm		

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Agency investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Agency's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Concentration of Credit Risk

The investment policy of the Agency contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code.

Investment in Investment Pool

The Agency is a voluntary participant in the California Asset Management Program, (CAMP), a California Joint Powers Authority (JPA) established in 1989 to provide California public agencies with professional investment services. The CAMP Pool is a permitted investment for all local agencies under California Government Code Section 53601(p). The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by the CAMP for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by CAMP, which is recorded on an amortized cost basis.

Allocation of Interest Income Among Funds

Interest income from pooled investments is allocated to those funds which are required by law or administrative action to receive interest. Interest is allocated monthly based on the ending cash balances of the previous month in each fund receiving interest.

SUCCESSOR AGENCY TO THE GRIDLEY REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3: NOTE RECEIVABLE

The former RDA engaged in programs designed to encourage business enterprises, construction or improvement in low-to-moderate income housing or other projects. Under these programs, grants or loans were provided under favorable terms to businesses, homeowners or developers who agreed to spend these funds in accordance with the Agency's terms.

The Agency's note receivable, including interest, at June 30, 2019 is explained in detail below:

	Note Receivable	Less: Allowance for Doubtful Note	Total
Washington Court Apartments Affordable Housing Project Construction Loan	\$ 678,000	\$ (678,000)	\$ -
Total	<u>\$ 678,000</u>	<u>\$ (678,000)</u>	<u>\$ -</u>

A. Washington Court Apartments Affordable Housing Project Construction Loan

The former RDA assisted Gridley Pacific Associates with its acquisition and development of the Washington Court Apartments Affordable Housing Project by providing \$678,000 in the form of cash in return for a Note bearing simple interest at a rate of 3% per year, secured by a deed of trust on the Project.

B. Allowance for Doubtful Notes

The former RDA had several programs under which it extended loans to qualifying individuals or groups for the purpose of improving the City's housing stock and/or its supply of low-and-moderate income housing. Certain of these loans provide for the eventual forgiveness of the loan balance if the borrower complies with all the terms of the loan over its full term. The former RDA had provided a 100% allowance for all notes receivable subject to long-term deferral and/or payment from future refinancing as well as all notes receivable having subordination provisions except for those accounts that have current payment activity and are not delinquent at June 30, 2019.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance at July 1, 2018	Additions	Retirements	Balance at June 30, 2019
Fiduciary activities:				
Capital assets not being depreciated				
Land	\$ 1,302,116	\$ -	\$ -	\$ 1,302,116
Fiduciary activities capital assets	<u>\$ 1,302,116</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,302,116</u>

SUCCESSOR AGENCY TO THE GRIDLEY REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5: ADVANCES FROM CITY

Pursuant to Agency Resolution No. 2003-RDA-05, the Agency agreed to reimburse the City's Block Grant fund for the infrastructure improvements within the Agency's industrial park up to \$250,000. Repayment is to be made as funds are available. No interest accrues on the amount due to the City.

The Agency agreed to reimburse the City's General Fund for the formation of the RDA in the amount of \$176,868. Repayment is to be made as funds are available. No interest accrues on the amount due to the City.

NOTE 6: LONG-TERM LIABILITIES

The following is a summary of long-term liabilities transactions related to fiduciary activities for the year ended June 30, 2019:

	<u>Balance at July 1, 2018</u>	<u>Additions</u>	<u>Reductions/ Adjustments</u>	<u>Balance at June 30, 2019</u>	<u>Due Within One Year</u>
Tax allocation bonds, Series 2008	\$ <u>4,545,000</u>	\$ <u>-</u>	\$ <u>(65,000)</u>	\$ <u>4,480,000</u>	\$ <u>70,000</u>
Less:					
Unamortized bond discounts	<u>(117,463)</u>	<u>(15,064)</u>	<u>7,695</u>	<u>(124,832)</u>	<u>-</u>
Total Long-term liabilities	\$ <u>4,427,537</u>	\$ <u>(15,064)</u>	\$ <u>(57,305)</u>	\$ <u>4,355,168</u>	\$ <u>70,000</u>

A description of the long-term liabilities related to fiduciary activities at June 30, 2019 follows:

A. Tax Allocation Bonds, Series 2008A (Taxable) and 2008B (Tax Exempt)

In 2002, the former RDA issued \$4,750,000 of tax allocation bonds, Series 2008A (Taxable) and Series 2008B (Tax Exempt). A total of \$2,980,000 of Series 2008A bonds were issued and \$1,770,000 of Series 2008B bonds.

The proceeds of the Series 2008A bonds issued were used to repay a significant portion of the loans from the City of Gridley to the Agency. The bonds bear annual interest at varying rates between 7.00% and 7.50%. The bonds were issued in fully registered form without coupons in denominations of \$5,000. Interest is payable semi-annually, due on August 1st and February 1st. Principal is paid in annual installments beginning August 1, 2014 and ending August 1, 2038 in amounts ranging from \$45,000 to \$250,000.

The proceeds from the Series 2008B bonds issued were for capital improvements within the project area. The bonds bear annual interest at 5.00%. The bonds were issued in fully registered form without coupons in denominations of \$5,000. Interest is payable semi-annually, due on August 1st and February 1st. Principal is paid in annual installments beginning August 1, 2014 and ending August 1, 2043 in amounts ranging from \$5,000 to \$345,000.

SUCCESSOR AGENCY TO THE GRIDLEY REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6: LONG-TERM LIABILITIES (CONTINUED)

B. Bonds Payable Debt Service Requirements

Future debt service requirements are shown below:

<u>For the Year Ending, June 30</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 70,000	\$ 292,000
2021	70,000	286,875
2022	80,000	281,750
2023	85,000	276,000
2024	90,000	269,750
2025 - 2029	565,000	1,238,750
2030 - 2034	810,000	999,375
2035 - 2039	1,155,000	655,000
2040 - 2044	<u>1,555,000</u>	<u>241,250</u>
Total	<u>\$ 4,480,000</u>	<u>\$ 4,540,750</u>



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

To the City Council
Oversight Board of the Successor Agency
to the Gridley Redevelopment Agency
Gridley, California

We have audited, 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, the financial statements of the Successor Agency to the Gridley Redevelopment Agency of the City of Gridley, as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the basic financial statements and have issued our report thereon dated May 13, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Gridley's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Gridley's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Gridley's internal control.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Successor Agency to the Gridley Redevelopment Agency of the City of Gridley'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. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

This report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mann, Urrutia, Nelson CPAs

Sacramento, California
May 13, 2020