



REVISED

October 10, 2013

Ms. Karin Helvey, Finance Director
City of Gridley
685 Kentucky Street
Gridley, CA 95948

Dear Ms. Helvey:

Subject: Low and Moderate Income Housing Fund Due Diligence Review

This letter supersedes the California Department of Finance's (Finance) original Low and Moderate Income Housing Fund (LMIHF) Due Diligence Review (DDR) determination letter dated May 18, 2013. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the Successor Agency of the Redevelopment Agency of City of Gridley (Agency) submitted an oversight board approved Low and Moderate Income Housing Fund Due Diligence Review (DDR) to the California Department of Finance (Finance) on April 22, 2013. Since the Agency did not meet the January 15, 2013 submittal deadline pursuant to HSC section 34179.6 (c), Finance was not bound to completing its review and making a determination by the April 1, 2013 deadline pursuant to HSC section 34179.6 (d). The purpose of the review was to determine the amount of cash and cash equivalents available for distribution to the affected taxing entities. Finance issued a LMIHF DDR determination letter on May 18, 2013.

Pursuant to HSC section 34179.6 (d), Finance has completed its review of your DDR, which may have included obtaining clarification for various items. HSC section 34179.6 (d) authorizes Finance to adjust the DDR's stated balance of LMIHF available for distribution to the taxing entities.

Based on our review of your DDR, Finance determined that assets held by the Agency as of June 30, 2012 include non-cash assets in the amount of \$200,205 identified as Advances to Other Funds. The Agency states that these funds were used to pay outstanding debt service payments not satisfied by Redevelopment Property Tax Trust Funds (RPTTF) due to the timing of RPTTF distributions. Our review indicates there were no cash balances available in other Agency funds to make debt service payments. As a result, the Agency used funds from the LMIHF to make the debt service payments. When the Agency received its RPTTF distribution in June 2012, it used those funds to satisfy approved enforceable obligations on the Recognized Obligations Payment Schedule (ROPS) for the July through December 2012 period (ROPS II). Therefore, the LMIHF DDR non-cash or cash equivalents amount (Procedure 7) will be decrease by \$200,205 and the balances need to satisfy ROPS for fiscal year 2012-13 (Procedure 9) will be increased by the same amount. The adjustments result in a net zero effect to the LMIHF DDR balance available for distribution to the taxing entities.

The Agency's LMIHF balance available for distribution to the affected taxing entities is \$0. This is Finance's final determination of the LMIHF balances available for distribution to the taxing entities.

Pursuant to HSC sections 34167.5 and 34178.8, the California State Controller's Office (Controller) has the authority to claw back assets that were inappropriately transferred to the city, county, or any other public agency. Determinations outlined in this letter do not in any way eliminate the Controller's authority.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor or Danielle Brandon, Analyst at (916) 445-1546.

Sincerely,



Justyn Howard
Assistant Program Budget Manager

cc: Mr. Rob Hickey, Executive Director, City of Gridley
Ms. Maria Solis, Auditor - Accountant, County of Butte Auditor-Controller
California State Controller's Office