



August 8, 2013

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

Dear Ms. Helvey:

Subject: Other Funds and Accounts Due Diligence Review

This letter supersedes the California Department of Finance's (Finance) original Other Funds and Accounts (OFA) Due Diligence Review (DDR) determination letter dated July 2, 2013. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Gridley Successor Agency (Agency) submitted an oversight board approved OFA DDR to Finance on April 22, 2013. The purpose of the review was to determine the amount of cash and cash equivalents available for distribution to the affected taxing entities. Since the Agency did not meet the January 15, 2013 submittal deadline pursuant to HSC section 34179.6 (c), Finance is not bound to completing its review and making a determination by the April 1, 2013 deadline pursuant to HSC section 34179.6 (d). Finance issued an OFA DDR determination letter on July 2, 2013. Subsequently, the Agency requested a Meet and Confer session on one or more items adjusted by Finance. The Meet and Confer session was held on July 16, 2013.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of those specific items being disputed. Specifically, the following adjustment was made:

- Asset transfers in the amount of \$281,253. Finance previously determined the City of Gridley's (City) Consolidated Audited Financial Statements for fiscal year 2011-12 noted transfers out totaling \$589,611 for the Redevelopment Agency Operations Fund. The Agency was not able to provide supporting documents during Finance's initial review to demonstrate \$281,253 of the transfer was for an enforceable obligation. During the meet and confer, the Agency provided documentation to show the transfer was made from one Successor Agency fund to another to account for a negative unappropriated fund balance as of June 30, 2012. Therefore, the adjustment to the available OFA balance is not necessary.

As such, the Agency's OFA balance available for distribution to the affected taxing entities has been revised to \$0, as reported on the DDR.

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

Ms. Karin Helvey  
August 8, 2013  
Page 2

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,

A handwritten signature in black ink, appearing to read "Steve Szalay", with a large circular flourish on the left side. The word "for" is written in smaller cursive below the signature.

STEVE SZALAY  
Local Government Consultant

cc: Mr. Rob Hickey, Executive Director, City of Gridley  
Ms. Maria Solis, Auditor-Accountant, County of Butte Auditor-Controller  
Mr. Steven Mar, Bureau Chief, Local Government Audit Bureau, California State  
Controller's Office