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

**WITH INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2019**

**MANN, URRUTIA, NELSON, CPAS & ASSOCIATES, LLP
1760 CREEKSIDE OAKS DRIVE, SUITE 160
SACRAMENTO, CALIFORNIA 95833**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Successor Agency to the Marina Redevelopment Agency (the Successor Agency) of the City of Marina (the "City") as of and for the year ended June 30, 2019.

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 from 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 Marina Redevelopment Agency of the City of Marina 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, included comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2020, on our consideration of the Successor Agency'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 the Successor Agency's internal control over financial reporting and compliance.

Mann, Urrutia, Nelson CPAs

Sacramento, California
February 24, 2020

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

	Successor Agency to Redevelopment Agency
<u>ASSETS</u>	
Cash and investments (Note 2)	\$ 3,479,309
Restricted cash and investments (Note 2)	1,376,818
Accounts receivable	19,561
Prepaid expenses	9,500
Long-term receivable - State of California	400,000
Capital assets, non-depreciable (Note 3)	<u>900,000</u>
Total Assets	\$ <u>6,185,188</u>
<u>LIABILITIES</u>	
Accounts payable	\$ 1,618
Accrued salaries and benefits	7,108
Premium on bond (Note 4)	1,200,592
Long-term liabilities (Note 4):	
Due within one year	425,000
Due in more than one year	<u>13,135,000</u>
Total Liabilities	14,769,318
<u>DEFERRED INFLOWS OF RESOURCES</u>	
ROPS payments	<u>1,020,911</u>
<u>NET POSITION</u>	
Held in trust for private purposes	\$ <u>(9,605,041)</u>

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

	Successor Agency to Redevelopment Agency
<u>ADDITIONS</u>	
Property taxes	\$ 1,875,679
Investment earnings (loss)	70,282
Property tax in lieu	<u>29,139</u>
Total Additions	<u>1,975,100</u>
<u>DEDUCTIONS</u>	
Program costs	14,476,073
Legal and professional fees	18,459
Salaries and benefits	251,874
Occupancy and operating costs	<u>23,872</u>
Total Deductions	<u>14,770,278</u>
Transfers in of funds	196,500
Transfers out of funds	<u>(196,500)</u>
Total Transfers	<u>-</u>
Change in Fiduciary Net Position	(12,795,178)
Fiduciary Net Position - July 1, 2018	<u>3,190,137</u>
Fiduciary Net Position - June 30, 2019	<u>\$ (9,605,041)</u>

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The Marina 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 Marina (the 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 Marina 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. The Marina Successor Agency is required by a Development and Disposition Agreement (DDA) to issue debt to repay the Dunes Corporation amounts owed in the DDA. This debt is fully funded by a commitment from the State of California as specified in the Dissolution Act.

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 MARINA 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 and Investments</u>	<u>Restricted Cash and Investments</u>	<u>Total</u>
Fiduciary activities	\$ <u>3,479,309</u>	\$ <u>1,376,818</u>	\$ <u>4,856,127</u>

Cash and investments were carried at fair value as of June 30, 2019 and consisted of the following:

Cash and Investments

Cash in banks	\$ 2,007,079
Local Agency Investment Fund (LAIF)	<u>2,849,048</u>
Total cash and investments	<u>\$ 4,856,127</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 Credit Quality</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in one Issuer</u>
U.S. Treasury Bills, Notes and Bonds	(A)	N/A	No Limit	No Limit
U.S. Government-Sponsored Enterprise Agencies:				
Government National Mortgage Association	5 years	N/A	No Limit	No Limit
Federal National Mortgage Association	5 years	N/A	No Limit	No Limit
Federal Home Loan Mortgage Corporation	5 years	N/A	No Limit	No Limit
Federal Home Loan Bank	5 years	N/A	No Limit	No Limit
Banker's Acceptances	180 days	N/A	30%	One (1) Commercial Bank
Certificates of Deposit	5 years	N/A	15%	(B)
Commercial Paper	270 days	N/A	15%	(C)
Commercial Paper	31 days	N/A	30%	(C)
Corporate Notes	5 Years	N/A	30%	No Limit
Mutual Funds	N/A	N/A	20%	(C)
Reverse Repurchase Agreements	92 Days	N/A	20%	No Limit
Repurchase Agreements	1 Year	N/A	No Limit	No Limit
California Local Agency Investment Fund (LAIF)	N/A	N/A	No Limit	\$40,000,000 per account

(A) Maximum maturities of 5 years or greater with specific City Council approval

(B) \$250,000 unless collateralized by eligible securities as provided by California Governmental Code Sections 53651 and 53652.

(C) Highest Rating by a Nationally Recognized Statistical Rating Organization

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

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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.

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	Minimum Credit Quality
U.S. Treasury Obligations	None	N/A
U.S. Agency Obligations	None	N/A
U.S. Government-Sponsored Agency Obligations	None	N/A
State Obligations:		
General Obligation	None	A
General Short-Term Obligation	None	A-1+
Special Revenue Bonds	None	AA
Pre-Refunded Municipal Obligation	None	AAA
Unsecured Certificates of Deposit	30 days	A-1
FDIC-Insured Deposit	None	N/A
Repurchase Agreements	None	A
Commercial Paper	270 Days	Three highest categories
Bankers' Acceptances	(A)	A-1
Money Market Mutual Funds	None	Three highest categories
Investment Agreement	None	N/A
Tax-Exempt Obligations	None	Three highest categories
State of California- Local Agency Investment Fund	None	N/A

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

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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
Local Agency Investment Fund	\$ <u>2,849,048</u>	\$ <u>-</u>	\$ <u>2,849,048</u>

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

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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.

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
Local Agency Investment Fund	\$ <u>2,849,048</u>			Not rated

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 State Investment Pool

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. 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 LAIF 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 LAIF, 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 MARINA REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3: CAPITAL ASSETS

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

	<u>Balance at July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2019</u>
Fiduciary activities:				
Capital assets not being depreciated				
Land	\$ 900,000	\$ -	\$ -	\$ 900,000
Fiduciary activities capital assets	<u>\$ 900,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 900,000</u>

NOTE 4: 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</u>	<u>Balance at June 30, 2019</u>	<u>Due Within One Year</u>
Revenue Bonds:					
2000 Series A	\$ 425,000	\$ -	\$ (25,000)	\$ 400,000	\$ 25,000
2018 Series A	-	6,905,000	(165,000)	6,740,000	205,000
2018 Series B	-	6,585,000	(165,000)	6,420,000	195,000
Total	<u>425,000</u>	<u>13,490,000</u>	<u>(355,000)</u>	<u>13,560,000</u>	<u>425,000</u>
Less:					
Unamortized bond discounts	-	1,252,792	(52,200)	1,200,592	-
Total Long-term liabilities	<u>\$ 425,000</u>	<u>\$ 14,742,792</u>	<u>\$ (407,200)</u>	<u>\$ 14,760,592</u>	<u>\$ 425,000</u>

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

Tax Allocation Bonds, Neeson Road

In November 2000, the former RDA issued \$700,000 of tax allocation bonds, Series A.

The proceeds of the 2000 Series A bonds issued were used to fund infrastructure redevelopment activities at the Marina Airport. The bonds bear annual interest at 4.75%. The bonds were issued in fully registered form without coupons in denominations of \$5,000. Interest is paid semi-annually, on January 1st and July 1st. Principal is paid in annual installments beginning January 1, 2018 and maturing January 1, 2031 in amounts ranging from \$10,000 to \$45,000.

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

NOTE 4: LONG-TERM LIABILITIES (CONTINUED)

Tax Allocation Bonds, 2018 Series A (Taxable) and Series B (Tax Exempt)

In 2018, the former RDA issued \$4,750,000 of tax allocation bonds, Series A (Taxable) and Series B (Tax Exempt). A total of \$6,905,000 of Series A bonds were issued and \$6,585,000 of Series B bonds.

The proceeds of the 2018 Series A bonds issued were used to make payment on a promissary note and agreement, dated August 5, 2008 of the former Marina Redevelopment Agency for the benefit of Marina Community Partners. 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 annually, due on September 1st. Principal is paid in annual installments beginning September 1, 2018 and ending September 1, 2038 in amounts ranging from \$165,000 to \$515,000.

The proceeds of the 2018 Series B bonds issued were used to repay a significant portion of the loans from the City of Marina to the Agency. 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 annually, due on September 1st. Principal is paid in annual installments beginning September 1, 2018 and ending September 1, 2038 in amounts ranging from \$165,000 to \$515,000.

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	\$ 425,000	\$ 673,000
2021	445,000	655,813
2022	470,000	633,625
2023	490,000	610,200
2024	515,000	585,775
2025 - 2029	2,980,000	2,517,325
2030 - 2034	3,665,000	1,703,675
2035 - 2039	<u>4,570,000</u>	<u>707,250</u>
Total	<u>\$ 13,560,000</u>	<u>\$ 8,086,663</u>

The fiduciary fund tracks debt of the Successor Agency of the Marina Redevelopment Agency. In 2012, the State of California dissolved Redevelopment Agencies and created Successor Agencies to extinguish debts of the Redevelopment Agencies. The Marina Successor Agency is required by a Development and Disposition Agreement (DDA) to issue debt to repay the Dunes Corporation amounts owed in the DDA. This debt is fully funded by a commitment from the State of California as specified in the Dissolution Act.

SUPPLEMENTARY INFORMATION

SUCCESSOR AGENCY TO THE MARINA REDEVELOPMENT AGENCY
COMBINING SCHEDULE OF FIDUCIARY NET POSITION
JUNE 30, 2019

	Successor Agency Obligation Retirement Fund	Successor Agency Housing Assets Fund	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 3,409,302	\$ 70,007	\$ 3,479,309
Restricted cash and investments	1,376,818	-	1,376,818
Accounts receivables	19,398	163	19,561
Prepaid expenses	9,500	-	9,500
Long-term receivable, State of California	400,000	-	400,000
Capital assets, land	<u>-</u>	<u>900,000</u>	<u>900,000</u>
Total Assets	<u>5,215,018</u>	<u>970,170</u>	<u>6,185,188</u>
<u>LIABILITIES</u>			
Accounts payable	1,613	5	1,618
Accrued salaries and benefits	6,578	530	7,108
Premium on bond	1,200,592	-	1,200,592
Bonds payable:			
Due within one year	425,000	-	425,000
Due in more than one year	<u>13,135,000</u>	<u>-</u>	<u>13,135,000</u>
Total Liabilities	<u>14,768,783</u>	<u>535</u>	<u>14,769,318</u>
<u>DEFERRED INFLOW OF RESOURCES</u>			
Property taxes received in advance	<u>1,020,911</u>	<u>-</u>	<u>1,020,911</u>
Total Deferred Inflows of Resources	<u>1,020,911</u>	<u>-</u>	<u>1,020,911</u>
<u>NET POSITION</u>			
Held in trust for private purposes	<u>\$ (10,574,676)</u>	<u>\$ 969,635</u>	<u>\$ (9,605,041)</u>

SUCCESSOR AGENCY TO THE MARINA REDEVELOPMENT AGENCY
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

	Successor Agency Obligation Retirement Fund	Successor Agency Housing Assets Fund	Total
<u>ADDITIONS</u>			
Property taxes	\$ 1,875,679	\$ -	\$ 1,875,679
Investment earnings	69,793	489	70,282
Property tax in-lieu	<u>29,139</u>	<u>-</u>	<u>29,139</u>
Total Additions	<u>1,974,611</u>	<u>489</u>	<u>1,975,100</u>
<u>DEDUCTIONS</u>			
Program costs	14,476,073	-	14,476,073
Legal and professional fees	18,355	104	18,459
Employee costs	230,345	21,529	251,874
Occupancy and operating costs	<u>22,262</u>	<u>1,610</u>	<u>23,872</u>
Total Deductions	<u>14,747,035</u>	<u>23,243</u>	<u>14,770,278</u>
Transfers of funds	<u>196,500</u>	<u>(196,500)</u>	<u>-</u>
Change in Net Position	(12,575,924)	(219,254)	(12,795,178)
Net Position - July 1, 2018	<u>2,001,248</u>	<u>1,188,889</u>	<u>3,190,137</u>
Net Position - June 30, 2019	<u>\$ (10,574,676)</u>	<u>\$ 969,635</u>	<u>\$ (9,605,041)</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 Marina Redevelopment Agency
Marina, 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 Marina Redevelopment Agency (the Successor Agency) of the City of Marina (the "City"), as of and for the year ended June 30, 2019 and have issued our report thereon dated February 24, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Successor Agency's internal control over financial reporting (internal control) 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 Successor Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Successor Agency'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify an 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'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

The purpose of 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.

Sacramento, California
February 24, 2020