City of Montclair as Successor Agency

for the City of Montclair Redevelopment Agency (Successor Agency)

# Bonding Requirement Financial Disclosure Financial Statement

## Year Ended June 30, 2019

City of Montclair as Successor Agency
for the City of Montclair Redevelopment Agency (Successor Agency)

**Bonding Requirement Financial Disclosure Financial Statement**
**Year Ended June 30, 2019**

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Van Lant & Fankhanel, LLP
Certified Public Accountants

**Independent Auditor's Report**

City of Montclair as Successor Agency for the
City of Montclair Redevelopment Agency
Montclair, California

*Report on the Financial Statements*

We have audited the accompanying financial statements of the City of Montclair as Successor Agency for the City of Montclair Redevelopment Agency (Successor Agency), which comprise the bonding financial disclosure basis project area balance sheet, all debt services funds as of June 30, 2019, and the bonding financial disclosure basis project area revenues, expenditures and changes in fund balances, all debt service funds for the year then ended, and the related notes to the financial statements.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with financial reporting disclosure requirements of bond issues of the Successor Agency. Management is also responsible for 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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.

**Van Lant & Fankhanel, LLP**
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909.856.6879

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 assets and liabilities of the Successor Agency as of June 30, 2019, and its revenues, expenditures and changes in fund balances for the year then ended in accordance with the financial reporting disclosure provisions applicable to its bond issues outstanding.

*Basis of Accounting*

We draw attention to Note 1 of the financial statements, which describes the basis of accounting and the reporting entity. The financial statements are prepared by the Successor Agency on the basis of the financial reporting provisions of bonding financial disclosure requirements, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the financial disclosure provisions of the bonding contractual relationships referred to above. Our opinion is not modified with respect to this matter.

*Restriction on Use*

Our report is intended solely for the information and use of the City of Montclair as Successor Agency for the City of Montclair Redevelopment Agency and organizations assessing compliance with bonding provisions. It is not intended to be and should not be used by anyone other than these specified parties.

Van Lant + Fankhanel, LLP

Loma Linda, California
November 13, 2019

**CITY OF MONTCLAIR AS SUCCESSOR AGENCY**
**FOR THE CITY OF MONTCLAIR REDEVELOPMENT AGENCY**
**COMBINING BONDING FINANCIAL DISCLOSURE BASIS PROJECT AREA BALANCE SHEET**
**ALL DEBT SERVICE FUNDS**
**JUNE 30, 2019**

| | Project Area No. 1 | Project Area No. 2 | Project Area No. 3 | Project Area No. 4 | Project Area No. 5 | Mission Blvd. Project Area | Total |
|---|---|---|---|---|---|---|---|
| ASSETS | | | | | | | |
| Cash and investments | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Cash and investments with trustee | 64,780 | - | 3,348,322 | 671,490 | 2,822,077 | - | 6,906,669 |
| Total Assets | $ 64,780 | $ - | $ 3,348,322 | $ 671,490 | $ 2,822,077 | $ - | $ 6,906,669 |
| FUND BALANCES | | | | | | | |
| Fund Balances: | | | | | | | |
| Restricted | $ 64,780 | $ - | $ 3,348,322 | $ 671,490 | $ 2,822,077 | $ - | $ 6,906,669 |
| Total Fund Balances | $ 64,780 | $ - | $ 3,348,322 | $ 671,490 | $ 2,822,077 | $ - | $ 6,906,669 |

**CITY OF MONTCLAIR AS SUCCESSOR AGENCY**
**FOR THE CITY OF MONTCLAIR REDEVELOPMENT AGENCY**
**COMBINING BONDING FINANCIAL DISCLOSURE BASIS PROJECT AREA STATEMENT OF REVENUES,**
**EXPENDITURES AND CHANGES IN FUND BALANCES**
**ALL DEBT SERVICE FUNDS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

| | Project Area No. 1 | Project Area No. 2 | Project Area No. 3 | Project Area No. 4 | Project Area No. 5 | Mission Blvd. Project Area | Total |
|---|---|---|---|---|---|---|---|
| Revenues: | | | | | | | |
| Taxes and Assessments: | | | | | | | |
| Tax Increment | $ 171,668 | $ - | $ 6,834,644 | $ 2,916,609 | $ 6,512,615 | $ 1,635,246 | $ 18,070,782 |
| Use of Money and Property: | | | | | | | |
| Interest income | 1,009 | - | 51,022 | 10,614 | 45,374 | - | 108,019 |
| Total Revenues | 172,677 | - | 6,885,666 | 2,927,223 | 6,557,989 | 1,635,246 | 18,178,801 |
| Expenditures: | | | | | | | |
| Current: | | | | | | | |
| General Government: | | | | | | | |
| Administrative costs | 764 | - | 30,083 | 12,891 | 28,716 | 7,104 | 79,558 |
| Debt Service: | | | | | | | |
| Interest expense | 7,770 | - | 1,053,638 | 178,125 | 837,204 | - | 2,076,737 |
| Long-term debt repayments | 25,000 | - | 815,000 | 185,000 | 640,000 | - | 1,665,000 |
| Total Expenditures | 33,534 | - | 1,898,721 | 376,016 | 1,505,920 | 7,104 | 3,821,295 |
| Excess of Revenues over (under) Expenditures | 139,143 | - | 4,986,945 | 2,551,207 | 5,052,069 | 1,628,142 | 14,357,506 |
| Other Financing Sources (Uses): | | | | | | | |
| Transfers in - Debt Service | 31,720 | - | 1,889,025 | 368,500 | 1,494,795 | - | 3,784,040 |
| Transfers out - Debt Service | (31,720) | - | (1,889,025) | (368,500) | (1,494,795) | - | (3,784,040) |
| Administrative and operational fund payments | (2,985) | | (98,818) | (42,586) | (83,223) | (26,968) | (254,580) |
| Pass through and residual taxing entity payments | (136,200) | - | (4,816,719) | (2,492,632) | (4,905,881) | (1,601,174) | (13,952,606) |
| Total Other Financing Sources (Uses) | (139,185) | - | (4,915,537) | (2,535,218) | (4,989,104) | (1,628,142) | (14,207,186) |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses | $ (42) | $ - | $ 71,408 | $ 15,989 | $ 62,965 | $ - | $ 150,320 |
| Fund Balances: | | | | | | | |
| Beginning of Year, As Originally Reported | $ 68,975 | $ - | $ 3,800,547 | $ 744,198 | $ 3,175,071 | $ - | $ 7,788,791 |
| Prior year adjustments | (4,153) | - | (523,633) | (88,697) | (415,959) | - | (1,032,442) |
| Beginning of Year, As Restated | $ 64,822 | $ - | $ 3,276,914 | $ 655,501 | $ 2,759,112 | $ - | $ 6,756,349 |
| End of Year | $ 64,780 | $ - | $ 3,348,322 | $ 671,490 | $ 2,822,077 | $ - | $ 6,906,669 |

## 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A) Description of Entity

This reporting entity is for the City of Montclair as Successor Agency for the City of Montclair Redevelopment Agency (Successor Agency).

The City of Montclair Redevelopment Agency (the Agency) was activated June 6, 1977, pursuant to the State of California Health and Safety Code, Section 33000, entitled "Community Development Law." The primary purpose of the Agency was to encourage private redevelopment of property and to rehabilitate areas suffering from economic disuse arising from poor and inadequate planning, inadequate street layout and street access, lack of open space, landscaping and other improvements and facilities necessary to establish and maintain the economic growth of the City. However, the Agency was dissolved as of February 1, 2012 as a result of State legislation and its assets and obligations were transferred to the Successor Agency for disposition.

The City of Montclair as Successor Agency for the City of Montclair Redevelopment Agency became effective on February 1, 2012 because on December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. The Bill provides that upon dissolution of a redevelopment agency, either the City or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On January 12, 2012, the City Council of the City of Montclair elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City Resolution No. 12-2934.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill. The State Controller's Office review has been done and the Successor Agency complied with all findings present.

## 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012. Prior to that date, the final several months of the activity of the redevelopment agency continued to be reported in the governmental funds of the Former Redevelopment Agency. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are maintained in the same accounting structure as previously utilized by the Successor Agency; however, they are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City of Montclair.

The Successor Agency is the continuing entity arising from the dissolution of the former Redevelopment Agency. Therefore, ending balances displayed in the accompanying financial statements represent balances applicable to the Successor Agency only.

### B) Government-Wide and Fund Financial Statements

The financial statements (i.e., balance sheet and statement of revenues, expenditures and changes in fund balance – all debit service funds) report information on all of the activities relating to bond financial disclosure requirements of the Successor Agency.

### C) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements are prepared by the Successor Agency on the basis of the financial reporting provisions of bonding financial disclosure requirements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This is done to comply with the financial disclosure provisions of the bonding contractual relationships as explained below.

The former Redevelopment Agency was a party to various bonding arrangements and those bond issues require financial reporting of the various assets, liabilities, revenues and expenditures segregated by redevelopment project area for pledged revenues and bonding transactions. To demonstrate that reporting, the accompanying financial statements have been prepared which are segregated by the project areas of the former Redevelopment Agency. The various governmental funds presented are limited to those that involve debt service operations of the Successor Agency. Since that is only a portion of the total operations of the Successor Agency (surviving entity of the dissolution process), these financial statements do not report the financial position and results of operations of the complete Successor Agency which has been done as part of the City of Montclair's financial reporting.

## 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

The accompanying fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this period, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

The County of San Bernardino collects property taxes for the entities. Tax liens attach annually as of 12:01 A.M. on the first day in January preceding the fiscal year for which the taxes are levied. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent, if unpaid, on December 10 and April 10, respectively. Unsecured personal property taxes become due on the first of January each year and are delinquent on August 31. All property taxes are deposited, by the County of San Bernardino, into a Redevelopment Property Tax Trust Fund (RPTTF). Allocations from the RPTTF occur twice during the fiscal year and cover an upcoming six-month period. These allocations are based upon Department of Finance (DOF) approved enforceable obligations that are reported, by the Successor Agency, on Redevelopment Obligation Payment Schedules (ROPS). The County of San Bernardino deducts from the RPTTF administrative charges and pass through obligations that it calculates and, if sufficient monies remain, the DOF approved amount of enforceable obligations. Any remaining balance in the RPTTF after the enforceable obligation distribution, is distributed to the taxing entities by the County as residual balances. If insufficient monies are present to accomplish the required allocation for DOF approved enforceable obligations then the subordination of pass through obligations will be considered. Enforceable obligation allocations serve as the resources to accomplish debt service payments. Based upon information received from the County, the RPTTF allocations have been grossed up in the accompanying financial statements to show the total of property taxes received as well as administrative costs, pass through payments and residual balance allocations made.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

## 2) CASH AND INVESTMENTS

As of June 30, 2019, cash and investments were reported in the accompanying financial statements as follows:

| | |
|---|---|
| Cash and Investments | $ - |
| Cash and Investments with Trustee | 6,906,669 |
| Total Cash and Investments | $ 6,906,669 |

## 2) CASH AND INVESTMENTS - Continued

The Successor Agency maintains a cash and investment pool that is available for use for all of its funds. The amounts above represent only a portion of that investment pool applicable to its debt service funds. Monies held by its fiscal agents, under the provisions of bond indentures, are not part of this cash and investment pool and are reported separately as cash and investments with trustees. The Successor Agency has adopted an investment policy, which authorizes it to invest in various investments. Since the amounts above represent only a portion of the cash and investment pool of the Successor Agency, information on specific investments has not been included here. That information is available in the City of Montclair's financial report where the Successor Agency is reported as a private-purpose trust fund.

### Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Successor Agency's investment policy. The debt agreements, available at the City, identify the investment types that are authorized for investments held by bond trustees, and also include provisions relating to interest rate risk, credit risk, and concentration of credit risk.

### Disclosures 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.

As of June 30, 2019, the Successor Agency had the following investments:

| | Remaining Maturity (in Months) | | | |
|---|---|---|---|---|
| Investment Type | 12 Months or Less | 13 to 24 Months | 25-60 Months | Fair Value |
| Held by Fiscal Agent: | | | | |
| Money Market Mutual Funds | $ 6,906,669 | $ - | $ - | $ 6,906,669 |
| Total | $ 6,906,669 | $ - | $ - | $ 6,906,669 |

### Fair Value of Investments

The Successor Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Successor Agency has no investments at year-end that are subject to recurring fair value measurements.

## 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 debt agreements, and the actual rating as of year-end for each investment type.

| | | | Rating as of Year End | | |
|---|---|---|---|---|---|
| Investment Type | Total Investment | Minimum Legal Rating | AAA/AA | A and A-1 | Unrated |
| Held by Fiscal Agent: | | | | | |
| Money Market Mutual Funds | $ 6,906,669 | N/A | $ - | $ - | $ 6,906,669 |
| Total | $ 6,906,669 | | $ - | $ - | $ 6,906,669 |

### Concentration of Credit Risk

The Successor Agency does not have investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total Successor Agency investments.

### 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 risk for investments is the risk that, in the event of the failure of the counterparty 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 Successor Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental 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 Successor Agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: The Successor Agency did not have any deposits with financial institutions in excess of federal depository insurance limits and held in uncollateralized accounts. As of June 30, 2019, investments in the following investment types were held by the broker-dealer that was used by the Successor Agency to buy the securities: Money Market Mutual Funds of $6,906,669.

## 3) INTERFUND TRANSFERS

The accompanying financial statements report debt service funds for the Successor Agency. These funds receive pledged revenue and then transfer those amounts to the funds specified in the applicable bond indentures. Once the pledged revenues exceed the requirements of the bond indentures then the pledge is satisfied and any remaining amounts are available for use in accordance with applicable legal requirements. Transfers In and Out have been broken down on the accompanying financial statements and were as follows:

| | |
|---|---|
| **Transfers In** | |
| Debt Service Requirements | $ 3,784,040 |
| **Transfers Out** | |
| Debt Service Requirements | $ 3,784,040 |

Only accounting funds applicable to the debt servicing operations of the Successor Agency are presented in these financial statements. Administrative allowance and operational fund payments were made from the tax increment operations of the Successor Agency to remove monies from accounting funds handling pledged revenue to accounting funds which would accomplish distributions to taxing entities and pay administrative costs of the Successor Agency.

## 4) LONG-TERM DEBT

The following is a summary of changes in long-term debt of the Successor Agency for the year ended June 30, 2019:

| | Beginning Balance | Additions | Deletions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Tax Allocation Bonds | $ 41,825,000 | $ - | $ 1,665,000 | $ 40,160,000 | $ 1,750,000 |

## 4) LONG-TERM DEBT - Continued

The following schedule illustrates the debt service requirements to maturity for bonds outstanding as of June 30, 2019:

| | 1997 Taxable Tax Allocation Bonds, Project Area 1 | | 2001 Tax Allocation Refunding Bonds, Project Area V | | 2004 Tax Allocation Refunding Bonds, Project Area IV | |
|---|---|---|---|---|---|---|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2019 - 2020 | $ 25,000 | $ 5,670 | $ 415,000 | $ 340,585 | $ 195,000 | $ 168,625 |
| 2020 - 2021 | 25,000 | 3,570 | 435,000 | 319,335 | 205,000 | 158,625 |
| 2021 - 2022 | 30,000 | 1,260 | 455,000 | 296,403 | 215,000 | 148,125 |
| 2022 - 2023 | - | - | 480,000 | 271,625 | 225,000 | 137,125 |
| 2023 - 2024 | - | - | 505,000 | 245,523 | 240,000 | 125,500 |
| 2025 - 2029 | - | - | 2,965,000 | 784,003 | 1,385,000 | 431,125 |
| 2030 - 2034 | - | - | 1,415,000 | 75,923 | 1,005,000 | 76,875 |
| 2035 - 2039 | - | - | - | - | - | - |
| Totals | $ 80,000 | $ 10,500 | $ 6,670,000 | $ 2,333,397 | $ 3,470,000 | $ 1,246,000 |

| | 2006A Tax Allocation Bonds, Project Area V | | 2006B Tax Allocation Bonds, Project Area V | | 2007A Taxable Tax Allocation Bonds, Project Area III | |
|---|---|---|---|---|---|---|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2019 - 2020 | $ 260,000 | $ 305,040 | $ - | $ 155,800 | $ 675,000 | $ 897,525 |
| 2020 - 2021 | 275,000 | 288,589 | - | 155,800 | 705,000 | 869,484 |
| 2021 - 2022 | 295,000 | 271,061 | - | 155,800 | 735,000 | 839,325 |
| 2022 - 2023 | 310,000 | 252,458 | - | 155,800 | 765,000 | 806,494 |
| 2023 - 2024 | 330,000 | 232,778 | - | 155,800 | 800,000 | 771,281 |
| 2025 - 2029 | 655,000 | 980,156 | 1,295,000 | 659,181 | 4,870,000 | 3,262,944 |
| 2030 - 2034 | 2,965,000 | 615,461 | 1,985,000 | 244,506 | 7,455,000 | 1,820,416 |
| 2035 - 2039 | - | - | - | - | 3,515,000 | 177,875 |
| Totals | $5,090,000 | $2,945,543 | $ 3,280,000 | $ 1,682,687 | $19,520,000 | $ 9,445,344 |

| | 2007B Taxable Tax Allocation Bonds, Project | | Total | |
|---|---|---|---|---|
| | Principal | Interest | Principal | Interest |
| 2019 - 2020 | $ 180,000 | $ 117,600 | $ 1,750,000 | $ 1,990,845 |
| 2020 - 2021 | 190,000 | 106,500 | 1,835,000 | 1,901,903 |
| 2021 - 2022 | 200,000 | 94,800 | 1,930,000 | 1,806,774 |
| 2022 - 2023 | 210,000 | 82,500 | 1,990,000 | 1,706,002 |
| 2023 - 2024 | 225,000 | 69,450 | 2,100,000 | 1,600,332 |
| 2025 - 2029 | 1,045,000 | 130,050 | 12,215,000 | 6,247,459 |
| 2030 - 2034 | - | - | 14,825,000 | 2,833,181 |
| 2035 - 2039 | - | - | 3,515,000 | 177,875 |
| Totals | $2,050,000 | $ 600,900 | $40,160,000 | $18,264,371 |

## 4) LONG-TERM DEBT - Continued

A description of long-term debt outstanding (excluding defeased debt) of the Former Redevelopment Agency as of June 30, 2019, follows:

On November 1, 1997, the Agency issued $325,000 of Redevelopment Project Area No. 1 1997, Taxable Tax Allocation Bonds. Interest is payable semi-annually on April 1 and October 1 in each year, commencing on April 1, 1998, and continue through October 1, 2021. The bonds carry an interest rate of 8.4%. The balance at June 30, 2019, was $80,000.

On July 1, 2001, the Agency issued $9,350,000 of Redevelopment Project Area No. 5, 2001 Tax Allocation Refunding Bonds. The bonds were issued to refund the Agency's 1992 Tax Allocation Bonds outstanding in the amount of $4,435,000 and the 1995 Tax Allocation Bonds outstanding in the amount of $1,945,000. Interest on the bonds is payable semi-annually on April 1 and October 1, in each year, commencing on October 1, 2001. Principal maturities on the term bonds are October 1, 2020, and October 1, 2030, and carry interest rates of 5.17% and 5.37%, respectively. The balance at June 30, 2019, was $6,670,000.

On February 1, 2004, the Agency issued $5,700,000 of Redevelopment Project Area No. 4, 2004 Tax Allocation Refunding Bonds. The bonds were issued to currently refund the Agency's 1992 Tax Allocation Bonds outstanding in the amount of $1,605,000. Interest on the bonds is payable semi-annually on April 1 and October 1, in each year, commencing on October 1, 2004. The bonds carry an interest rate of 5.07%. Principal maturities begin on October 1, 2004, and continue on October 1, of each year through October 1, 2031. The balance at June 30, 2019, was $3,470,000.

On July 6, 2006, the Agency issued Taxable Allocation Refunding Bonds 2006A in the amount of $8,235,000. The Bonds were issued with the purpose of paying monies in accordance with a Disposition and Development Agreement with Costco Wholesale Corporation in the amount of $2,500,000, advance refunding the 1995 Tax Allocation Bonds in the amount of $1,155,000, and to provide monies to finance the redevelopment project. Interest on the bonds is payable semi-annually on April 1 and October 1, in each year, commencing on October 1, 2006. The bonds carry interest rates ranging from 5.55% to 6.15%. Serial bonds maturities begin October 1, 2007, and continue annual through October 1, 2016, ranging from $160,000 to $420,000 and term bonds mature in the amount of $2,365,000 on October 1, 2025, and $3,200,000 on October 1, 2033. The balance at June 30, 2019, was $5,090,000.

On July 6, 2006, the Agency issued Taxable Allocation Bonds 2006B in the amount of $3,280,000. The bonds were issued to provide monies to finance the redevelopment project. Interest on the bonds is payable semi-annually on April 1 and October 1, in each year, commencing on October 1, 2006. The bonds carry interest rate of 4.75%. Term bonds in the amount of $3,280,000 mature October 1, 2033. The balance at June 30, 2019, was $3,280,000.

## 4) LONG-TERM DEBT - Continued

On September 27, 2007, the Agency issued Taxable Allocation Refunding Bonds 2007A in the amount of $25,450,000. The Bonds were issued with the purpose of refunding the 1997 Tax Allocation Bonds in the amount of $14,485,000, refunding a portion of the 1998 Taxable Allocation bonds and to provide monies to finance the redevelopment project. Interest on the bonds is payable semi-annually on March 1 and September 1, in each year, commencing on September 1, 2008. The bonds carry interest rates ranging from 3.4% to 4.5%. Serial bonds maturities begin September 1, 2008, and continue annually through September 1, 2021, ranging from $440,000 to $735,000 and term bonds mature in the amount of $5,135,000 on September 1, 2027, $5,565,000 on September 1, 2031, and $6,705,000 on September 1, 2035. The balance at June 30, 2019, was $19,520,000.

On September 27, 2007, the Agency issued Taxable Allocation Bonds 2007B in the amount of $3,500,000. The bonds were issued to provide monies to advance refund the 1998 Tax Allocation Bonds. Interest on the bonds is payable semi-annually on March 1 and September 1, in each year, commencing on September 1, 2008. The bonds carry interest rate ranging from 5.170 to 6.00%. Term bonds in the amount of $3,280,000 mature October 1, 2033. The balance at June 30, 2019, was $2,050,000.

## 5) OPENING FUND BALANCE ADJUSTMENTS

When the financial statements were prepared for fiscal year 2017-2018 the Successor Agency's staff erroneously omitted interest earnings and interest payments of the trustee for the second half of the fiscal year. This error was not caught until the current financial statement were prepared. The omitted amounts were as follows:

| | Project Area No. 1 | Project Area No. 3 | Project Area No. 4 | Project Area No. 5 | Total |
|---|---|---|---|---|---|
| Interest Earnings | $ 257 | $ 12,992 | $ 2,678 | $ 11,347 | $ 27,274 |
| Interest Payments | (4,410) | (536,625) | (91,375) | (427,306) | (1,059,716) |
| Total | $ (4,153) | $ (523,633) | $ (88,697) | $ (415,959) | $ (1,032,442) |

To correct the effect of this omission, the opening fund balance of the respective funds and project areas has been restated to include these amounts.

## 6) AVAILABLE RESOURCES OF SUCCESSOR AGENCY

As part of the elimination of the City of Montclair Redevelopment Agency, AB 1484 required that "due diligence" reviews be conducted on the Successor Agency to determine amounts that were to be paid to the county for allocation to taxing entities. Two reviews were required. The first related to Low- and Moderate-income Housing Funds held by the Successor Agency and the second was for all other funds of the Successor Agency. The Low- and Moderate-income Housing review was completed, approved by the Department of

## 6) AVAILABLE RESOURCES OF SUCCESSOR AGENCY - Continued

Finance and resulted in $7,884,597 being paid to the County of San Bernardino for allocation to the respective taxing entities. The Other Funds review has also been completed by the Successor Agency, approved by the Department of Finance and it resulted in $7,876,440 being paid to the County of San Bernardino for allocation to the respective taxing entities. As a result of these payments, the resources available to the Successor Agency to provide monies for debt service, etc. have been substantially depleted. On May 16, 2013, DOF issued a Finding of Completion to the Successor Agency indicating that all required payments specified under the legislation had been met.

## 7) SUBSEQUENT EVENTS

In August of 2019 the Successor Agency's Board of Directors approved the issuance of the Tax Allocation Refunding Bonds Series A and B. The 2019 Series A and B Bonds will be issued to refund bonds incurred by the Former Agency (the "Prior Bonds"), pay for a debt reserve insurance policy to be established under the Indenture and pay costs of issuance. This issuance will achieve substantial debt service savings over the remaining life of the Prior Bonds. The refunding bond plan has also been approved by the County Oversight Board and is pending approval from the California Department of Finance. It is in the opinion of the Former Agency's management that the California Department of Finance will approve the issuance.

The Prior Bonds were issued to finance and refinance the Former Agency's undertakings with respect to four project areas (Project Area No. 1, Project Area No. III, Project Area No. IV, and Project Area No. V).

The Prior Bonds consist of the following series of bonds issued by the Former Agency:

- Montclair Redevelopment Project Area No. I 1997 Taxable Tax Allocation Bonds, of which $55,000 remains outstanding (the "1997 PA1 Bonds");
- Montclair Redevelopment Project Area No. III Tax Allocation Bonds, Issue of 2007A, of which $18,845,000 remains outstanding (the "2007A PA3 Bonds");
- Montclair Redevelopment Project Area No. III Taxable Tax Allocation Bonds, Issue of 2007B, of which $1,870,000 remains outstanding (the "2007B PA3 Bonds");
- Montclair Redevelopment Project No. IV 2004 Tax Allocation Refunding Bonds, of which $3,275,000 remains outstanding (the "2004 PA4 Bonds");
- Montclair Redevelopment Project No. V 2001 Tax Allocation Refunding Bonds, of which $6,255,000 remains outstanding (the "2001 PA5 Bonds");
- Montclair Redevelopment Project No. V Taxable Tax Allocation Refunding Bonds, Issue of 2006A, of which $4,830,000 remains outstanding (the "2006A PA5 Bonds");

## 7) SUBSEQUENT EVENTS - Continued

- Montclair Redevelopment Project No. V Tax Allocation Refunding Bonds, Issue of 2006B, of which $3,280,000 remains outstanding (the "2006B PA5 Bonds").

Proceeds of the 2019A Bonds will be used to refund a portion of the 2007A Project Area III Bonds, a portion of the 2004 Project Area IV Bonds, a portion of the 2001 Project Area V Bonds and a portion of the 2006 Project Area V Bonds. Proceeds of the 2019B Bonds will be used to refund all of remaining balance of the Prior Bonds.