

# **REDEVELOPMENT AGENCY OF WOODLAKE**

## **ASSET TRANSFER REVIEW**

Review Report

*January 1, 2011, through January 31, 2012*



**JOHN CHIANG**  
California State Controller

January 2014



**JOHN CHIANG**  
*California State Controller*

January 17, 2014

Ramon Lara, City Administrator  
City of Woodlake  
350 North Valencia Boulevard  
Woodlake, CA 93286

Dear Mr. Lara:

Pursuant to Health and Safety Code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the Redevelopment Agency of Woodlake (RDA) to the City of Woodlake (City) or any other public agency after January 1, 2011. This statutory provision states, "The Legislature hereby finds that a transfer of assets by a redevelopment agency during the period covered in this section is deemed not to be in furtherance of the Community Redevelopment Law and is thereby unauthorized." Therefore, our review included an assessment of whether each asset transfer was allowable and whether the asset should be turned over to the Successor Agency.

Our review applied to all assets including but not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and rights to payment of any kind. We also reviewed and determined whether any unallowable transfers of assets to the City or any other public agencies have been reversed.

Our review found that the RDA transferred \$2,744,460 in assets to the Successor Agency after January 1, 2011. That amount included unallowable transfers totaling \$74,000 to the City, or 2.7% of the transferred assets. However, on June 30, 2012, the City returned the \$74,000 in cash to the Successor Agency. Therefore, no further action is required.

If you have any questions, please contact Elizabeth Gonzalez, Bureau Chief, Local Government Compliance Bureau, by phone at (916) 324-0622.

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD, CPA**  
Chief, Division of Audits

JVB/kw

cc: David Sorensen, Chairman  
Oversight Board  
Rita Woodard, Auditor-Controller  
County of Tulare  
David Botelho, Program Budget Manager  
California Department of Finance  
Richard J. Chivaro, Chief Legal Counsel  
State Controller's Office  
Elizabeth Gonzalez, Bureau Chief  
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Division of Audits, State Controller's Office

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# Asset Transfer Review Report

## Summary

The State Controller's Office (SCO) reviewed the asset transfers made by the Woodlake Redevelopment Agency (RDA) after January 1, 2011. Our review included, but was not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and rights to payments of any kind from any source.

Our review found that the RDA transferred \$2,744,460 in assets to the Successor Agency after January 1, 2011. That amount included unallowable transfers totaling \$74,000 to the City of Woodlake (City), or 2.7% of the transferred assets. However, on June 30, 2012, the City returned the \$74,000 in cash to the Successor Agency. Therefore, no further action is required.

## Background

In January of 2011, the Governor of the State of California proposed statewide elimination of redevelopment agencies (RDAs) beginning with the fiscal year (FY) 2011-12 State budget. The Governor's proposal was incorporated into Assembly Bill 26 (ABX1 26, Chapter 5, Statutes of 2011, First Extraordinary Session), which was passed by the Legislature, and signed into law by the Governor on June 28, 2011.

ABX1 26 prohibited RDAs from engaging in new business, established mechanisms and timelines for dissolution of the RDAs, and created RDA Successor Agencies to oversee dissolution of the RDAs and redistribution of RDA assets.

A California Supreme Court decision on December 28, 2011 (*California Redevelopment Association et al. v. Matosantos*), upheld ABX1 26 and the Legislature's constitutional authority to dissolve the RDAs.

ABX1 26 was codified in the Health and Safety Code (H&S Code) beginning with section 34161.

In accordance with the requirements of H&S Code section 34167.5, the State Controller is required to review the activities of RDAs, "to determine whether an asset transfer has occurred after January 1, 2011, between the city or county, or city and county that created a redevelopment agency, or any other public agency, and the redevelopment agency," and the date on which the RDA ceases to operate, or January 31, 2012, whichever is earlier.

The SCO has identified asset transfers that occurred after January 1, 2011, between the RDA, the City and/or other public agencies. By law, the SCO is required to order that such assets, except those that already had been committed to a third party prior to June 28, 2011, the effective date of ABX1 26, be turned over to the Successor Agency. In addition, the SCO may file a legal order to ensure compliance with this order.

**Objective, Scope,  
and Methodology**

Our review objective was to determine whether asset transfers that occurred after January 1, 2011, and the date upon which the RDA ceased to operate, or January 31, 2012, whichever was earlier, between the city or county, or city and county that created an RDA, or any other public agency, and the RDA, were appropriate.

We performed the following procedures:

- Interviewed Successor Agency personnel to gain an understanding of the Successor Agency operations and procedures.
- Reviewed meeting minutes, resolutions, and ordinances of the City Council, RDA, the Successor Agency, and the Oversight Board.
- Reviewed accounting records relating to the recording of assets.
- Verified the accuracy of the Asset Transfer Assessment Form. This form was sent to all former RDAs to provide a list of all assets transferred between January 1, 2011, and January 31, 2012.
- Reviewed applicable financial reports to verify assets (capital, cash, property, etc.).

**Conclusion**

Our review found that the RDA transferred \$2,744,460 in assets to the Successor Agency after January 1, 2011. That amount included unallowable transfers totaling \$74,000 to the City, or 2.7% of the transferred assets. However, on June 30, 2012, the City returned the \$74,000 in cash to the Successor Agency. Therefore, no further action is required.

Details of our finding are described in the Finding and Order of the Controller section of this report. We also have included a detailed schedule of assets to be turned over to, or transferred to, the Successor Agency.

**Views of  
Responsible  
Officials**

At an exit conference on November 7, 2013, we discussed the review results with Ramon Lara, City Administrator, and Michal Mierzwinski, Accountant, who agreed with the review results. Mr. Lara further agreed that a draft review report was not necessary and that the report could be issued as final.

**Restricted Use**

This report is solely for the information and use of the City, the Successor Agency, and the Oversight Board; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record when issued final.

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

January 17, 2014

# Finding and Order of the Controller

**FINDING—  
Unallowable asset  
transfers to the  
City of Woodlake**

The Redevelopment Agency of Woodlake (RDA) transferred \$74,000 in cash to the City of Woodlake (City) on July 1, 2011. The transfer consisted of a loan payment to the City for loans that the City made to the Woodlake Cemetery District.

Pursuant to Health and Safety (H&S) Code section 34167.5, any asset transfers by the RDA to a city, county, city and county or any other public agency after January 1, 2011, that were not contractually committed to a third party must be returned to the Successor Agency for disposition in accordance with H&S Code sections 34177(d) and (e).

Order of the Controller

Based on H&S Code section 34167.5, the City is ordered to return the amount of \$74,000 to the Successor Agency. However, on July 30, 2012, the City returned \$74,000 in cash to the Successor Agency. Therefore, no further action is required.

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**Schedule 1—  
Unallowable RDA Asset Transfers to  
the City of Woodlake  
January 1, 2011, through January 31, 2012**

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Unallowable transfers to the City of Woodlake	
Unallowable cash transfer to the City of Woodlake	\$ 74,000
Cash returned to the Successor Agency on June 30, 2012	<u>(74,000)</u>
Total	<u>\$ —</u>

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<sup>1</sup> See the Finding and Order of the Controller section.

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