

# **DINUBA REDEVELOPMENT AGENCY**

## **ASSET TRANSFER REVIEW**

### Review Report

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



**BETTY T. YEE**  
California State Controller

May 2015



**BETTY T. YEE**  
California State Controller

May 19, 2015

Cass Cook, Finance Director  
Dinuba/Successor Agency  
405 E. El Monte Way  
Dinuba, CA 93618

Dear Mr. Cook:

Pursuant to Health and Safety Code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the Dinuba Redevelopment Agency (RDA) to the City of Dinuba (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 to the City or any other public agency have been reversed.

Our review found that the RDA transferred \$27,923,932 in assets after January 1, 2011, including unallowable transfers to the City totaling \$52,608, or less than 1% of transferred assets. In addition, the RDA did not turn over \$7,668,081 in assets to the Successor Agency. These assets must be turned over to the Successor Agency.

If you have any questions, please contact Elizabeth González, Chief, Local Government Compliance Bureau, by telephone at (916) 324-0622 or by email at [egonzalez@sco.ca.gov](mailto:egonzalez@sco.ca.gov).

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/lis

cc: Rita A. Woodard, Auditor-Controller  
Tulare County  
Janet Hinesly, Acting Board Chair  
City of Dinuba/Successor Agency  
David Botelho, Program Budget Manager  
California Department of Finance  
Richard J. Chivaro, Chief Legal Counsel  
State Controller's Office  
Elizabeth González, Bureau Chief  
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Division of Audits, State Controller's Office  
Claudia Corona, Auditor  
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 Dinuba 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 \$27,923,932 in assets after January 1, 2011, including unallowable transfers to the City of Dinuba (City) totaling \$52,608, or less than 1% of transferred assets. In addition, the RDA did not turn over \$7,668,081 in assets to the Successor Agency. These assets must be turned over to the Successor Agency.

## 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 and oversight boards 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 (H&S) Code beginning with section 34161.

H&S Code section 34167.5 states in part, ". . . the Controller shall review the activities of redevelopment agencies in the state 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."

The SCO identified asset transfers that occurred after January 1, 2011, between the RDA, the City and/or any other public agency. 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 action 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's operations and procedures.
- Reviewed meeting minutes, resolutions, and ordinances of the City, the 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 Dinuba Redevelopment Agency (RDA) transferred \$27,923,932 in assets after January 1, 2011, including unallowable transfers to the City of Dinuba totaling \$52,608, or less than 1% of transferred assets. In addition, the RDA did not turn over \$7,668,081 in assets to the Successor Agency. These assets must be turned over to the Successor Agency.

Details of our findings are described in the Findings and Orders of the Controller section of this report.

## **Views of Responsible Officials**

We issued a draft review report on February 18, 2015. Cass Cook, Finance Director, responded by email on March 20, 2015, stating that the SCO can proceed with the final report. The City's response is included in this final review report as an attachment.

## **Restricted Use**

This report is solely for the information and use of the City of Dinuba, the Successor Agency, the Oversight Board, and the SCO; 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

May 19, 2015

# Findings and Orders of the Controller

## **FINDING 1— Unallowable asset transfer to the City of Dinuba**

The Dinuba Redevelopment Agency (RDA) made unallowable asset transfers of \$52,608 to the City of Dinuba (City). The transfers occurred after January 1, 2011, and the assets were not contractually committed to a third party prior to June 28, 2011.

On May 13, 2011, the RDA transferred \$52,608 in cash as a principal payment to the City related to a land transaction (Krause note).

Pursuant to Health and Safety (H&S) Code section 34167.5, the RDA may not transfer assets to a city, county, city and county, or any other public agency after January 1, 2011. The assets must be turned over to the Successor Agency for disposition in accordance with H&S Code section 34177(d) and (e).

### Order of the Controller

Pursuant to Health and Safety (H&S) Code section 34167.5, the City is ordered to reverse the transfer totaling \$52,608 and turn over the assets to the Successor Agency.

## **FINDING 2— Assets not transferred to the Successor Agency**

The RDA failed to turn over \$7,668,081 in assets to the Successor Agency by January 31, 2012. The assets were not contractually committed to a third party prior to June 28, 2011.

- On March 8, 2011, the RDA reclassified \$3,138,295 in land, to land held for development, as noted on the Financial Statements for the Fiscal Year Ended June 30, 2011. As of January 31, 2012, only \$1,675,800 in land held for development was transferred to the Successor Agency. However, the following remaining parcels of land held for redevelopment, valued at a total of \$1,462,496, were no longer on the RDA books:
  - Retail property—\$710,880
  - DVC vacant lot—\$558,499
  - Strand Theater—\$193,117
- On June 30, 2011, the RDA's Financial Statements recognized the following capital assets. However, as of January 31, 2012, the capital assets, valued at \$6,205,585, were no longer on the RDA books:
  - Korean Monument (Artwork)—\$15,602
  - Construction-in-progress—\$49,899 (\$19,899 Nehf line and \$30,000 not validated)
  - Infrastructure—\$6,140,084

Health and Safety Code (H&S) section 34175 (b) states:

All assets, properties, contracts, leases, books, and records, buildings, and equipment of the former redevelopment agency are transferred on February 1, 2012, to the control of the successor agency, for administration pursuant to the provisions of this part. This includes all cash or cash equivalents and amounts owed to the redevelopment agency as of February 1, 2012.

Pursuant to H&S Code section 34167.5, the RDA may not transfer assets to a city, county, city and county, or any other public agency after January 1, 2011. However, these assets were never turned over to the Successor Agency for disposition in accordance with H&S Code sections 34175(b) and 34177(d) and (e). The assets must be turned over to the Successor Agency for proper disposition.

Order of the Controller

Pursuant to H&S Code section 34167.5, the City is ordered to turn over \$7,668,081 in assets to the Successor Agency.

City's Response

There are some items on the report that are public use assets. We will be taking those items to our Oversight Board to transfer them from the Agency to the City.

SCO's Comment

Once the Successor Agency Oversight Board takes appropriate actions regarding the public use assets, then no further action will be required for those assets.

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**Schedule 1—  
Assets Not Transferred to  
the Successor Agency  
January 1, 2011, through January 31, 2012**

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Assets not transferred to the Successor Agency	
Retail property	\$ 710,880
DVC vacant lot	558,499
Strand Theater	193,117
Korean Monument	15,602
Construction-in-progress	49,899
Infrastructure	<u>6,140,084</u>
Total assets not transferred to the Successor Agency	<u>\$ 7,668,081</u>

**Attachment—  
City of Dinuba’s Response to  
Draft Review Report**

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**Freesmeier, Scott**

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**To:** Cass Cook  
**Subject:** RE: Dinuba RDA Review- FINAL Report

To: Stefan, Daniela  
Cc: Freesmeier, Scott; Corona, Claudia  
Subject: RE: Dinuba RDA Review- FINAL Report

Thank you. You can go ahead and issue the final report. There are some items on the report that are public use assets. We will be taking those items to our Oversight Board to transfer from the Agency to the City.

Cass Cook  
Finance Director  
City of Dinuba  
(559) 591-5900

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