DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

March 5, 2013

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

Dear Mr. Lara:

Subject: Other Funds and Accounts Due Diligence Review

Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the city of Woodlake successor agency (Agency) submitted an oversight board approved Other Funds and Accounts (OFA) Due Diligence Review (DDR) to the California Department of Finance (Finance) on December 17, 2012. The purpose of the review was to determine the amount of cash and cash equivalents available for distribution to the affected taxing entities. Pursuant to HSC section 34179.6 (d), Finance has completed its review of your DDR, which may have included obtaining clarification for various items.

HSC section 34179.6 (d) authorizes Finance to adjust the DDR's stated balance of OFA available for distribution to the taxing entities. Based on our review of your DDR, the following adjustments were made:

- Loan receivables in the amount of $162,000. The DDR reports that the former Redevelopment Agency (RDA) made three transfers to the City of Woodlake (City) for payments on loans which the City made to the State Parks Department and the Woodlake Cemetery. A total of $162,000 in transfers for these loans were made during the period May 2011 through June 2012 and are not supported by and enforceable obligation. To account for the unallowable transfers made by RDA, two accounts receivables were created and listed in the assets of the Agency; one for $88,000 related to the State Parks Department and the other for $74,000 related to the Woodlake Cemetery. Agency was not able to provide loan agreements; the repayment terms are unclear. Therefore, the amount of the receivable becomes payable on demand and may not be retained in the non-cash or cash equivalents balance.

- Balances needed for fiscal year 2012-13 obligations in the amount of $161,400. The enforceable obligations listed are included in Recognized Obligation Payment Schedule for the period January 1, 2013 through June 30, 2013 (ROPSIII). These obligations will be paid with the Redevelopment Property Tax Trust Fund (RPTTF) distribution the Agency received from Tulare County Auditor-Controller's office in January 2013. Therefore, the retention of the amounts is not allowed.

If you disagree with Finance's adjusted amount of OFA balances available for distribution to the taxing entities, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's OFA balance available for distribution to the affected taxing entities is $479,047 (see table below).

OFA Balances Available For Distribution To Taxing Entities		
Available Balance per DDR:	$	155,647
Finance Adjustments		
Add:		
Retained balances to satisfy ROPS 2012-13 Fiscal Year		161,400
Retained cash equivalent balance not supported		162,000
Total OFA available to be distributed:	$	479,047

Absent a Meet and Confer request, HSC section 34179.6 (f) requires successor agencies to transmit to the county auditor-controller the amount of funds identified in the above table within five working days, plus any interest those sums accumulated while in the possession of the recipient.

If funds identified for transmission are in the possession of the successor agency, and if the successor agency is operated by the city or county that created the former redevelopment agency, then failure to transmit the identified funds may result in offsets to the city's or the county's sales and use tax allocation, as well as its property tax allocation. If funds identified for transmission are in the possession of another taxing entity, the successor agency is required to take diligent efforts to recover such funds. A failure to recover and remit those funds may result in offsets to the other taxing entity's sales and use tax allocation or to its property tax allocation. If funds identified for transmission are in the possession of a private entity, HSC 34179.6 (h) (1) (B) states that any remittance related to unallowable transfers to a private party may also be subject to a 10 percent penalty if not remitted within 60 days.

Failure to transmit the identified funds will also prevent the Agency from being able to receive a finding of completion from Finance. Without a finding of completion, the Agency will be unable to take advantage of the provisions detailed in HSC section 34191.4. Specifically, these provisions allow certain loan agreements between the former redevelopment agency (RDA) and the city, county, or city and county that created the RDA to be considered enforceable obligations. These provisions also allow certain bond proceeds to be used for the purposes in which they were sold and allows for the transfer of real property and interests into the Community Redevelopment Property Trust Fund once Finance approves the Agency's long-range property management plan.

In addition to the consequences above, willful failure to return assets that were deemed an unallowable transfer or failure to remit the funds identified above could expose certain individuals to criminal penalties under existing law.

Pursuant to HSC section 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

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 Beliz Chappuie, Supervisor or Todd Vermillion, Lead Analyst at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Mr. Michal Mierzwinski, Accountant, City of Woodlake
Ms. Rita A. Woodard, Auditor-Controller, Tulare County
California State Controller's Office