



April 2, 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

This letter supersedes the California Department of Finance's (Finance) original Other Funds and Accounts (OFA) Due Diligence Review (DDR) determination letter dated March 5, 2013. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Woodlake Successor Agency (Agency) submitted an oversight board approved OFA DDR to 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. Finance issued an OFA DDR determination letter on March 5, 2013. Subsequently, the Agency requested a Meet and Confer session on one or more items adjusted by Finance. The Meet and Confer session was held on March 14, 2013.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of those specific items being disputed. Specifically, the following adjustments were made:

- Balances needed for fiscal year 2012-13 obligations in the amount of \$161,400. The amount equals the approved enforceable obligations listed on the Recognized Obligation Payment Schedule for the period January 1, 2013 through June 30, 2013 (ROPS III). These obligations were to be paid with the Redevelopment Property Tax Trust Fund (RPTTF) distribution the Agency received from the Tulare County Auditor-Controller's (CAC) office in January 2013. However, Finance noted that the CAC adjusted the ROPS III January 2, 2013 distribution for the prior period by \$144,618 pursuant to HSC section 34186 (a). Therefore, the Agency is permitted to retain \$144,618 in order to adequately fund approved ROPS III obligations, which adjusts Finance's initial increase of the amount available for distribution to \$16,728 (\$161,400 - \$144,618).

Additionally, during the Meet and Confer process, the Agency identified that the \$134,500 approved for the July 1, 2012 through December 31, 2012 period (ROPS II) was not included in the balances needed for fiscal year 2012-13 obligations. Finance verified that the \$134,500 was approved during the ROPS II review and was distributed by the CAC in June 2012. Therefore, Finance is reducing the balance to be remitted by \$134,500.

The Agency did not object to the following adjustment made by Finance during the Meet and Confer process. HSC section 34179.6 (d) authorizes Finance to make adjustments. We maintain that the following adjustment is appropriate:

- 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 an enforceable obligation. To account for the unallowable transfers made by the former 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. The Agency was not able to provide loan agreements and the repayment terms are unclear. Therefore, the amount of the receivable becomes a payable on demand and may not be retained in the non-cash or cash equivalents balance.

The Agency's OFA balance available for distribution to the affected taxing entities is \$199,929 (see table below).

OFA Balances Available For Distribution To Taxing Entities	
Available Balance per DDR:	\$ 155,647
Finance Adjustments	
Subtract:	
Retained balances to satisfy ROPS 2012-13 Fiscal Year	(117,718)
Add:	
Retained cash equivalent balance not supported	162,000
Total OFA available to be distributed:	\$ 199,929

This is Finance's final determination of the OFA balances available for distribution to the taxing entities. 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. Upon submission of payment, it is requested you provide proof of payment to Finance within five business days.

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

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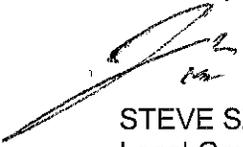
the city, county, or city and county that created the RDA to be considered enforceable obligations. These provisions also allow certain bond proceeds to be used for the purposes in which they were sold and allows for the transfer of real property and interests into the Community Redevelopment Property 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 sections 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 Evelyn Suess, Supervisor or Mary Halterman, 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