

# **EXETER REDEVELOPMENT AGENCY**

## **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 28, 2014

Randy Groom, City Administrator  
City of Exeter Redevelopment Successor Agency  
137 N. First Street  
P.O. Box 237  
Exeter, CA 93221

Dear Mr. Groom:

Pursuant to Health and Safety Code section 34167.5, the State Controller's Office reviewed all asset transfers made by the Exeter Redevelopment Agency (RDA) to the City of Exeter (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 it 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 \$2,765,061 in assets after January 1, 2011, including unallowable transfers of assets totaling \$210,788 to the City, or 7.62%, that must be turned over to the Successor Agency.

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

Attachment

cc: Sheri Emerson, Finance Director  
City of Exeter Redevelopment Successor Agency  
Rita Woodard, Auditor-Controller  
Tulare County Auditor-Controller  
David Botelho, Program Budget Manager  
California Department of Finance  
Richard J. Chivaro, Chief Legal Counsel  
State Controller's Office  
Elizabeth Gonzalez, Bureau Chief  
Division of Audits, State Controller's Office  
Betty Moya, Audit Manager  
Division of Audits, State Controller's Office  
Mathew Rios, Auditor-in-Charge  
Division of Audits, State Controller's Office  
Nesha Neycheva, Audit Staff  
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 Exeter 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 \$2,765,061 in assets after January 1, 2011, including unallowable transfers of assets totaling \$210,788 to the City of Exeter (City), or 7.62%, that 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 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 transfers of assets 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, the Oversight Board, and the RDA.
- 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 Exeter Redevelopment Agency transferred \$2,765,061 in assets after January 1, 2011, including unallowable transfers of assets totaling \$210,788 to the City of Exeter, or 7.62%, that must be turned over to the Successor Agency.

Details of our finding is in the Finding and Order of the Controller section of this report.

## **Views of Responsible Official**

We issued a draft review report on November 4, 2013. Sheri Emerson, Finance Director/Treasurer, City of Exeter Redevelopment Successor Agency, responded by letter dated on December 3, 2013, agreeing with the review results. 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, the RDA, 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

January 28, 2014

# Finding and Order of the Controller

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

The Exeter Redevelopment Agency (RDA) made unallowable transfers of assets totaling \$210,788 to the City of Exeter (City). The asset transfers occurred during the period of January 1, 2011, through January 31, 2012, and the assets were not contractually committed to a third party prior to June 28, 2011.

On June 30, 2011, the RDA transferred assets totaling \$210,788. These included 200,000 for a loan repayment to the City, plus interest on the loan in the amount of \$10,788.

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. Those assets should be turned over to the Successor Agency for disposition in accordance with H&S Code section 34177(e).

## Order of the Controller

Pursuant to H&S Code section 34167.5, the City of Exeter is ordered to reverse the transfer of above assets in the amount of \$210,788 and turn them over to the Successor Agency. The Oversight Board is directed to dispose of the assets in accordance with H&S Code section 34177(e).

## City's Response

The City concurs with the finding and Order of the Controller. See attachment for details of the City's response.

## SCO's Comment:

The State Controller's Office agrees with the City. The finding and Order of the Controller remain as stated.

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

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*Office of the Finance Director*

*PO Box 237  
137 North F Street, Exeter CA 93221  
Ph # 559-592-2755, EXT 4 - Fax# 559-592-3556*

December 3, 2013

Elizabeth Gonzalez, Bureau Chief  
Local Government Audits Bureau  
State Controller's Office  
Division of Audits  
PO Office Box 942850  
Sacramento, CA 94250-5874

Dear Ms. Gonzalez,

RE: Draft Asset Transfer review

In response to letter dated November 4, 2013 regarding the Draft Asset Transfer review.

The Exeter Redevelopment Successor Agency, concurs with the findings of unallowable transfers of assets totaling \$210,788. The City of Exeter will turn over assets of \$210,788 to the Successor's Agency.

If I can be of further assistance, I can be reached at [semerson@exeterhall.com](mailto:semerson@exeterhall.com) or 559-592-2755 Ext 4.

Sincerely,

Sheri Emerson  
Finance Director/Treasurer

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874**

**<http://www.sco.ca.gov>**