

BRAWLEY COMMUNITY REDEVELOPMENT AGENCY

ASSET TRANSFER REVIEW

Review Report

January 1, 2011, through January 31, 2012



JOHN CHIANG
California State Controller

August 2014



JOHN CHIANG
California State Controller

August 20, 2014

Rosanna Bayon Moore, City Manager
City of Brawley Redevelopment/Successor Agency
383 Main Street
Brawley, CA 92227

Dear Ms. Moore:

Pursuant to Health and Safety Code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the Brawley Community Redevelopment Agency (RDA) to the City of Brawley (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 \$3,927,649 in assets to the Successor Agency after January 1, 2011. We did not identify any unallowable transfers that occurred during the review period between the RDA, the City, and/or any other public agency.

However, our review also found that the RDA owned real property (APN 047-050-021), consisting of 9.82 acres, valued at \$1,081,003, which was not recorded in the RDA's accounting records as of January 31, 2012. On June 30, 2014, this property was turned over to the Successor Agency. Therefore, no further action is necessary.

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/kw

cc: Ruby D. Walla, Finance Director
City of Brawley
Rosa I. Ramirez, Acting Finance Director
City of Brawley/Successor Agency
Alma Benavides, City Clerk
City of Brawley/Successor Agency
George A. Nava, Oversight Board Chairperson
City of Brawley/Successor Agency
Douglas R. Newland, CPA, Auditor-Controller
Imperial County
David Botelho, Program Budget Manager
California Department of Finance
Richard J. Chivaro, Chief Legal Counsel
State Controller's Office
Elizabeth González, Bureau Chief
Division of Audits, State Controller's Office
Scott Freesmeier, Audit Manager
Division of Audits, State Controller's Office
Claudia Corona, Auditor-in-Charge
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 Brawley Community 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 \$3,927,649 in assets to the Successor Agency after January 1, 2011. We did not identify any unallowable transfers that occurred during the review period between the RDA, the City of Brawley, and/or any other public agency.

However, our review also found that the RDA owned real property (APN 047-050-021), consisting of 9.82 acres, valued at \$1,081,003, which was not recorded in the RDA's accounting records as of January 31, 2012. On June 30, 2014, this property was turned over to the Successor Agency. Therefore, no further action is necessary.

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 has 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 Brawley Community Redevelopment Agency (RDA) transferred \$3,927,649 in assets to the Successor Agency after January 1, 2011. We did not identify any unallowable transfers that occurred during the review period between the RDA, the City of Brawley, and/or any other public agency.

However, our review also found that the RDA owned real property (APN 047-050-021), consisting of 9.82 acres, valued at \$1,081,003, which was not recorded in the RDA's accounting records as of January 31, 2012. On June 30, 2014, this property was turned over to the Successor Agency. Therefore, no further action is necessary.

Details of our Finding are described in the Finding and Order of the Controller section of this report.

Views of Responsible Officials

We issued a draft review report on June 10, 2014. Rosanna Bayon Moore, City Manager, responded by letter dated July 23, 2014, 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 of Brawley, 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

August 20, 2014

Finding and Order of the Controller

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

Our review found that the Brawley Community Redevelopment Agency (RDA) owned real property (APN 047-050-021), consisting of 9.82 acres valued at \$1,081,003.

The RDA failed to transfer the real property to the Successor Agency before February 1, 2012, because the property was not recorded in the former RDA's accounting records as of January 31, 2012.

The property was not recognized in the former RDA's financial statements for fiscal year (FY) 2010-11 or FY 2009-10; however, ownership documents dated August 1996, show that this property was quit-claimed to the RDA by a developer.

Pursuant to H&S Code section 34175(b), the RDA is required to transfer all assets, including real property, to the Successor Agency.

H&S Code 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."

Order of the Controller

Pursuant to H&S Code section 34175(b), the City of Brawley is ordered to ensure that the remaining RDA asset, described above and in Schedule 1, be turned over to the Successor Agency for disposition in accordance with H&S Code section 34177(e). However, on June 30, 2014 this property was turned over to the Successor Agency. Therefore, no further action is necessary.

City's Response

The City provided additional documentation and proposed alternative language to ensure that the review is accurate, complete, and clear.

The City included the following in its response.

"The Successor Agency has confirmed that in accordance with the authority provided by California Health and Safety Code section 34175 (b), the property was transferred to the accounting records of the Successor Agency as of June 30, 2014."

In addition, the City stated that the property value is \$1,081,003.

SCO's Comment

The SCO reviewed the additional documentation and revised the Finding and the Order of the Controller section. Therefore, no further action is necessary.

**Schedule 1—
Assets Not Transferred
to the Successor Agency**

Unrecorded Assets as of January 31, 2012:	
Real Property (9.82 Acres) – APN 047-050-021	\$ 1,081,003
Less assets that were transferred to the Successor Agency on June 30, 2014	<u>(1,081,003)</u>
Total Assets that have yet to transfer to the Successor Agency	<u>\$ —</u> ¹

¹ See the Finding and Order of the Controller section.

**Attachment—
City's Response to
Draft Review Report**



CITY OF BRAWLEY

FINANCE DEPARTMENT
400 MAIN ST. - PLAZA PARK
BRAWLEY, CALIFORNIA
92227
PHONE: (760) 344-8941
FAX: (760) 344-5376

July 23, 2014

Jeffrey V. Brownfield, CPA
Chief, Division of Audits
California State Controller
P. O. Box 942850
Sacramento, California 94250-5874

Attn: Elizabeth Gonzalez, Chief, Local Government Compliance Bureau

Re: Comments on Draft Brawley Community Redevelopment Agency Asset Transfer Review

Dear Mr. Brownfield:

This letter is a follow-up to the June 10, 2014 draft Brawley Community Redevelopment Agency Asset Transfer Review ("ATR"). Pursuant to your invitation to provide comments, this letter provides the Successor Agency's comments with respect to the ATR, which are included within the attachment to this letter. They follow the format of the ATR. I trust that you will find them easy to follow.

Once you have reviewed the Successor Agency's comments, I am available to discuss them with the appropriate SCO staff via a conference call if needed.

In the interim, if you have any questions, please contact me at 760-344-3074 or via email at rbmoore@brawley-ca.gov.

Sincerely,

ROSANNA BAYON MOORE
City Manager/Executive Director

RBM:nrr

Attachment

cc: Richard J. Chivaro, Chief Legal Counsel, SCO
Elizabeth Gonzales, Chief Division of Audits, SCO
Scott Freesmeier, Audit Manager, SCO
Claudia Corona, Auditor-in-Charge, SCO

**FORMAL COMMENTS ON THE SCO'S DRAFT JUNE 10, 2014
BRAWLEY COMMUNITY REDEVELOPMENT AGENCY
ASSET TRANSFER REVIEW**

ASSET TRANSFER REVIEW REPORT

In the Summary section, the third paragraph, reads as follows:

“However, our review found that the RDA owns real property (APN 047-050-021), consisting of 9.82 acres. The property was not recorded in the RDA’s accounting records as of January 31, 2012, and has not been transferred to the Successor Agency.”

Proposed alternative language:

“However, our review found that the RDA owns real property (APN 047-050-021), consisting of 9.82 acres. The property was not recorded in the RDA’s accounting records as of January 31, 2012. The Successor Agency has confirmed that in accordance with the authority provided by California Health and Safety Code § 34175 (b), the property was transferred to the accounting records of the Successor Agency as of June 30, 2014.”

In the Conclusion section, the second paragraph reads as follows:

“However, our review found that the RDA owns real property (APN 047-050-021), consisting of 9.82 acres. The property was not recorded in the RDA’s accounting records as of January 31, 2012, and has not been transferred to the Successor Agency.”

Proposed alternative language:

“However, our review found that the RDA owns real property (APN 047-050-021), consisting of 9.82 acres. The property was not recorded in the RDA’s accounting records as of January 31, 2012. The Successor Agency has confirmed that in accordance with the authority provided by California Health and Safety Code § 34175 (b), the property was transferred to the accounting records of the Successor Agency as of June 30, 2014.”

FINDINGS AND ORDERS OF THE CONTROLLER

FINDING – Assets not transferred to the Successor Agency

The following language is proposed to be added at the end of the section, but prior to the Order of the Controller:

“The Successor Agency has confirmed that in accordance with the authority provided by California Health and Safety Code § 34175 (b), the property was transferred to the accounting records of the Successor Agency as of June 30, 2014.”

Order of the Controller, reads as follows:

“Based on H&S Code Section 34175(b), the City of Brawley is ordered to ensure that the remaining RDA asset, described above and in Schedule 1, be turned over to the Successor Agency for disposition in accordance with H&S Code section 34177(e).”

Proposed alternative language:

“The Successor Agency has confirmed that in accordance with the authority provided by California Health and Safety Code § 34175 (b), the property was transferred to the accounting records of the Successor Agency as of June 30, 2014. Therefore, no further action is required”

Schedule 1 – Assets Not Transferred to the Successor Agency

The schedule reads as follows:

Unrecorded Assets as of January 31, 2012:	
Real Property (9.82 Acres) – APN 047-050-021	\$---
Total Assets that have yet to transfer to the Successor Agency	\$---

Proposed alternative language:

Unrecorded Assets as of January 31, 2012:	
Real Property (9.82 Acres) – APN 047-050-021	\$1,081,003.00
Total Assets that were transferred to the Successor Agency As of June 30, 2014	<u>\$1,081,003.00</u>

CONCLUSION

In conclusion, it is requested that the SCO review and give consideration to the above described proposed amendments to the ATR. The proposed amendments will ensure that the ATR is accurate, complete and clear. Given these desired traits, the amended ATR will benefit, the SCO, the Successor Agency, the Oversight Board, the citizens of Brawley and the California Department of Finance.

GENERAL LEDGER REPORT

YEAR: THROUGH JUNE
 City of Brawley

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 7/23/2014
 3:25 pm

Post Date	JE Type	JE No.	Journal Entry Desc Line 1	Beg. Bal.	Debit	Credit	Begin/End Bal.
GL#: 401-000.000-800.100 Land							0.00
06/30/2014	GJ	261187	Recognize RDA Land Asset Trn-Successor		1,081,003.00	0.00	
401-000.000-800.100		Land		0.00	1,081,003.00	0.00	1,081,003.00
Fund: 401 - Successor Agency to the BCRA Totals:					1,081,003.00	0.00	
Grand Totals:					1,081,003.00	0.00	

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

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