

FORT BRAGG REDEVELOPMENT AGENCY

ASSET TRANSFER REVIEW

Review Report

January 1, 2011, through January 31, 2012



JOHN CHIANG
California State Controller

July 2013



JOHN CHIANG
California State Controller

July 22, 2013

Linda Ruffing, City Manager
City of Fort Bragg
416 N. Franklin Street
Fort Bragg, CA 95437

Dear Ms. Ruffing:

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

Our review found that the Fort Bragg Redevelopment Agency (RDA) transferred a total of \$2,644,726 in allowable assets to the Successor Agency as of January 31, 2012. In addition, our review found that the RDA failed to transfer \$313,347 in restricted cash as of the required date. However, further inquiry showed that these assets were subsequently transferred to the Successor Agency on June 30, 2012. Therefore, no further action is necessary.

If you have any questions, please contact Steven Mar, Bureau Chief, Local Government Audits Bureau, at (916) 324-7226.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/vb

cc: Rosana Cimolino, Finance Director
City of Fort Bragg
Dave Turner, Chair
Successor Agency Oversight Board
Meredith J. Ford, Auditor-Controller
County of Mendocino
Steven Szalay, Local Government Consultant
California Department of Finance
Richard J. Chivaro, Chief Legal Counsel
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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 Fort Bragg Redevelopment Agency 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 Fort Bragg Redevelopment Agency (RDA) transferred a total of \$2,644,726 in allowable assets to the Successor Agency as of January 31, 2012. In addition, our review found that the RDA failed to transfer \$313,347 in restricted cash as of the required date. However, further inquiry showed that these assets were subsequently transferred to the Successor Agency on June 30, 2012. 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 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 Fort Bragg Redevelopment Agency, the City of Fort Bragg, 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.

Objectives, 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 RDA, City of Fort Bragg, Successor Agency, and 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 Fort Bragg RDA transferred a total of \$2,644,726 in allowable assets to the Successor Agency as of January 31, 2012. In addition, our review found that the RDA failed to transfer \$313,347 in restricted cash as of the required date. However, further inquiry showed that these assets were subsequently transferred to the Successor Agency on June 30, 2012. Therefore, no further action is necessary.

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

Views of Responsible Official

At an exit conference on June 14, 2013, we discussed the review results with Rosana Cimolino, Finance Director, who agreed with the review results. Ms. Cimolino further agreed that a draft report was not necessary and we could issue the review report as final.

Restricted Use

This report is solely for the information and use of the Successor Agency, Oversight Board, City of Fort Bragg, 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

July 22, 2013

Finding and Order of the Controller

**FINDING—
Failure to transfer
asset**

The redevelopment agency (RDA) failed to transfer \$313,347 in restricted cash to the Successor Agency by February 1, 2012. During the course of review, the ending balances of the RDA's various funds were reconciled to the beginning balances of the Successor Agency funds to validate transfers. Through the reconciliation, it was verified that the Debt Service Fund restricted cash was not transferred by February 1, 2012.

Health and Safety (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 by 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. Any legal or contractual restrictions on the use of these funds or assets shall also be transferred to the successor agency.

However, further inquiry showed that this asset was subsequently transferred to the Successor Agency on June 30, 2012, as evidenced in the General Ledger provided by auditee staff.

Order of the Controller

Pursuant to H&S Code section 34175 (b), the RDA would have been ordered to transfer the remaining balance of \$313,347 to the Successor Agency. However, as these assets were transferred to the Successor Agency, no further action is necessary. The Successor Agency is directed to properly dispose of those assets in accordance with H&S Code section 34181 (c).

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