

GONZALES REDEVELOPMENT AGENCY

ASSET TRANSFER REVIEW

Review Report

January 1, 2011, through January 31, 2012



JOHN CHIANG
California State Controller

January 2013



JOHN CHIANG
California State Controller

January 11, 2013

Rene Mendez, City Manager
City of Gonzalez
Gonzales Redevelopment/Successor Agency
147 Fourth Street
Gonzales, CA 93926

Dear Mr. Mendez:

Pursuant to Health and Safety (H&S) code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the Gonzales Redevelopment Agency to the City of Gonzalez or any other public agency after January 1, 2011. As you know, this statutory provision explicitly states that, "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 returned to the Gonzales 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 any rights to payment of any kind. We also reviewed and determined whether any unallowable transfers of assets to the City of Gonzalez or any other public agencies have been reversed.

Our review found that the Gonzales Redevelopment Agency (RDA) appropriately transferred \$5,905,384 to the Gonzales Successor Agency. These assets consisted of \$462,398 in housing assets and \$5,442,986 in non-housing assets. We did not identify any transfers of assets that occurred during the audit period between the RDA, the City of Gonzales, and/or other public agencies.

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/vb

Attachment

cc: Michael J. Miller, Auditor-Controller
Monterey County
Steve Szalay, Local Government Consultant
Department of Finance
Mike Howard, Consultant
Green's Accounting
Betty Moya, Audit Manager
Division of Audits, State Controller's Office
Mathew Rios, Auditor-in-Charge
Division of Audits, State Controller's Office
Daniel Tobia, Auditor
Division of Audits, State Controller's Office

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Asset Transfer Assessment Review Report

Summary

The State Controller's Office (SCO) reviewed the asset transfers made by the Gonzales 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 any rights to payments of any kind from any source.

Our review found that the Gonzales RDA appropriately transferred \$5,905,384 in assets to the Gonzales Successor Agency. No unallowable transfers of assets were identified.

Background

In January of 2011, the Governor of the State of California proposed statewide elimination of 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 redevelopment agencies (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 at which the RDA ceases to operate, or January 31, 2012, whichever is earlier.

The SCO has not identified transfers of assets that occurred after January 1, 2011, between the Gonzales RDA, the City of Gonzales, and/or other public agencies.

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 Gonzales City Council and the Gonzales 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 Gonzales RDA appropriately transferred \$5,905,384 to the Gonzales Successor Agency. These assets consisted of \$462,398 in housing assets and \$5,442,986 in non-housing assets. We did not identify any transfers of assets that occurred during the audit period between the RDA, the City of Gonzales, and/or other public agencies.

Views of Responsible Officials

At an exit conference on November 28, 2012, we discussed the review results with Rene Mendez, City Manager, and Mike Howard, Consultant, who agreed with the audit results. They further agreed that a draft audit report was not necessary and that the report could be issued as final.

Restricted Use

This report is solely for the information and use of the City of Gonzales, the Gonzales Redevelopment Successor Agency, the Gonzales Successor Agency Oversight Board, the Gonzales Housing Successor Agency, 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
Chief, Division of Audits

January 11, 2013

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