County of San Luis Obispo

Report on Applying Agreed-Upon-Procedures to the City of Atascadero Redevelopment and Successor Agencies

For the period July 1, 2011 through January 31, 2012

Gere W. Sibbach, CPA, Auditor-Controller

November 15, 2012

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Oversight Board of the Successor Agency
City of Atascadero, CA

ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

We have performed the required agreed-upon procedures enumerated in Attachment A, which were agreed to by the California State Controller's Office, Department of Finance, and the San Luis Obispo County Auditor-Controller, solely to assist you in ensuring that the dissolved Atascadero Redevelopment Agency is complying with its statutory requirements with respect to ABX1 26. Management of the City of Atascadero successor agency and the San Luis Obispo County Auditor-Controller's Office are responsible for the accounting records pertaining to statutory compliance pursuant to Health and Safety Code section 34182(a)(1). This agreed-upon procedures engagement was conducted using attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The scope of this engagement was limited to performing the minimum required agreed-upon procedures as set forth in Attachment A and additional procedures identified by the San Luis Obispo County Auditor-Controller also set forth in Attachment A.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion as to the appropriateness of the results detailed in Attachment A. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

As pass-through calculations for redevelopment agencies located in San Luis Obispo County have traditionally been calculated and paid by County Auditor-Controller staff, we were not independent in our performance of the procedures relating to pass-throughs.

We would like to thank your staff for their courtesy and cooperation throughout the agreed-upon procedures process.

This report is intended solely for the information and use of the San Luis Obispo County Auditor-Controller, the successor agency, and applicable State agencies, and 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.

Gere W. Sibbach

Gere W. Sibbach, CPA, San Luis Obispo County Auditor-Controller
San Luis Obispo, California, November 15, 2012

Executive Summary City of Atascadero Successor Agency

Overall our review supports the status of the individual items presented on the successor agency's final Required Obligation Payment Schedule (ROPS) approved by the Oversight Board with the exceptions indicated in the narrative below.

We determined that eight obligations are unenforceable:

1. The *City Loan #1 entered into in 1998* obligation of $159,828 between the RDA and the City of Atascadero for administrative and other expenses was not executed within the first two years of the RDA's existence as required by Health & Safety Code Section 34171 (d)(2). The RDA was established on May 27, 1986 whereas the agreement for the city loan originated on August 10, 1999. However, the City adopted redevelopment agency by-laws and elected officers on May 26th, 1998 and also adopted a project area on July 6, 1999; both dates which are within two years of the loan. We noted that the Department of Finance considered this obligation enforceable.

2. The *City Loan #2 entered into in 2001* obligation of $537,482 between the RDA and the City of Atascadero for administrative and other expenses was not executed within the first two years of the RDA's existence as required by Health & Safety Code Section 34171 (d)(2). The RDA was established on May 27, 1986 whereas the agreement for the city loan originated on June 12, 2001. However, the City adopted redevelopment agency by-laws and elected officers on May 26th, 1998 and also adopted a project area on July 6, 1999. We noted the project area adoption date is within two years of the loan. We also noted that the Department of Finance considered this obligation enforceable.

3. The *City Loan #3 entered into in 2002* obligation of $774,152 between the RDA and the City of Atascadero for the purchase of real property was not executed within the first two years of the RDA's existence as required by Health & Safety Code Section 34171 (d)(2). The RDA was established on May 27, 1986 whereas the agreement for the city loan originated on June 11, 2002. We noted that the Department of Finance also considered this obligation unenforceable; therefore, no further results will be reported for this obligation.

4. Annual dues for the *California Redevelopment Association* of $2,670 are not supported by a contract or agreement, nor are they necessary for the continued operation or administration of the RDA as provided for in ABX1 26 Section 34167(d)(6). We noted that the Department of Finance considered this obligation enforceable.

5. The *Blight Reduction and Economic Growth Contract* and associated costs totaling $5,621,180 are incorporated in an agreement between the City and the RDA dated January 14, 2011. The agreement was not executed within the first two years of the RDA's existence as required by Health & Safety Code Section 34171 (d)(2). The RDA was established on May 27, 1986 whereas the agreement for the contract originated on January 14, 2011. We noted that the Department of Finance also considered this

obligation unenforceable; therefore, no further results will be reported for this obligation.

6. The *Zoo Wall Improvement Project* obligation of $240,000 is supported by a financing agreement between the City and the RDA dated December 8, 2009; however, the City never entered into third-party contracts obligating the funds. The financing agreement does not qualify as an exception to Health & Safety Code Section 34171(d)(2), because it does not meet the qualification that the indebtedness obligation be a bond, note, certificate of participation or other evidence of indebtedness, issued or delivered by the RDA, to third-party investor or bondholders to finance or refinance redevelopment projections undertaken by the RDA in compliance with the Community Redevelopment Law described in Health & Safety Code Section 34171(e). We noted that the Department of Finance also considered this obligation unenforceable; therefore, no further results will be reported for this obligation.

7. The *Production of Affordable Housing* and associated costs totaling $5,543,800 are incorporated in an agreement between the City and the RDA dated January 14, 2011. The agreement was not executed within the first two years of the RDA's existence as required by Health & Safety Code Section 34171 (d)(2). The RDA was established on May 27, 1986 whereas the agreement for the contract originated on January 14, 2011. We noted that the Department of Finance also considered this obligation unenforceable; therefore, no further results will be reported for this obligation.

8. The *Blight Elimination Projects Contract* and associated costs totaling $8,176,820 are incorporated in an agreement between the City and the RDA dated January 14, 2011. The agreement was not executed within the first two years of the RDA's existence as required by Health & Safety Code Section 34171 (d)(2). The RDA was established on May 27, 1986 whereas the agreement for the contract originated on January 14, 2011. We noted that the Department of Finance also considered this obligation unenforceable; therefore, no further results will be reported for this obligation.

Successor Agency Management states that the *Commitments to the State* and *Commitments to Bond Holders* obligations totaling $36,070,746 are amounts that would become obligations if the City/Successor Agency were to default on its commitments to use grant/bond proceeds for their designated projects. We did not perform any procedures on these items; therefore, no further results will be reported for them.

We did disagree with some individual obligation balances presented by the successor agency. We found some instances where the successor agency did not reduce the balance by the amount of previous payments. We have identified those differences, when possible, in the accompanying report.

We calculated the total obligation amount of enforceable obligations in the final Oversight Board Approved ROPS to be $153,733,237 which is $1,043,902 less than the total enforceable obligation amount of $154,777,139 listed by the successor agency. The difference appears to be primarily due to payments made which were not subtracted from the total obligation amounts.

We determined that a successor agency and oversight board were appropriately established, and that a transfer of funds, including the Low and Moderate Income Housing Fund occurred along with a transfer of housing activities.

We obtained listings that support the asset figures in the audited financial statements as of June 30, 2010, June 30, 2011; and January 31, 2012 as determined by the successor agency. We summarized the listings and have included the summary as Attachment B to this report.

We also obtained a list of pass-through obligations and compared them to payments made without exception.

We have included a table that summarizes the detail in the accompanying Attachment A:

	Initial EOPS	**Amended EOPS**	**Draft ROPS**	**Final ROPS (OB Approved)**
Period	8/1/11 – 12/31/11	1/1/12 – 6/30/12	1/1/12 – 6/30/12	1/1/12 – 6/30/12
# of obligations	82	145	158	158
$ of obligations	$118,406,554	$134,103,712	$154,777,134	$154,777,134
Payments made on reported obligations at date of report	$1,389,424	$845,283	$765,007	$765,007
Observations		Use of Bond Proceeds – Commitment to Bond Holders obligation of $13,518,144 added	Total obligation amount excludes the administrative allowance. Commitment to FEMA and CalEMA obligation of $21,739,149 added	Total obligation amount excludes the administrative allowance.

ATTACHMENT A
AGREED-UPON PROCEDURES & RESULTS

Purpose: To establish the Atascadero Redevelopment Agency's assets and liabilities, to document and determine the Atascadero RDA's pass-through payment obligations to other taxing agencies, and to document and determine both the amount and the terms of any indebtedness incurred by the Atascadero RDA and certify the initial recognized obligation payment schedule. [Health and Safety Code section 34182(a)(2)]

A. RDA Dissolution and Restrictions

❑ For the Atascadero Redevelopment Agency dissolved, perform the following:

1. Obtain a copy of the enforceable obligation payment schedule (EOPS) for the period of August 1, 2011, through December 31, 2011. Trace the project name associated with the obligation, the payee, a description of the nature of the work/service agreed to, and the amount of payments made by month through December 31, 2011, and compare it to the legal document that forms the basis for the obligation.

   Results: We obtained a copy of the initial EOPS for the period of August 1, 2011 through December 31, 2011 and traced the project name associated with the obligation, the payee, a description of the nature of the work/service agreed to, and the amount of payments made by month through December 31, 2011. We also compared the obligations listed on the EOPS to the legal document(s) that form the basis for the obligations.

   All obligations listed on the initial EOPS agreed in all material respects to the supporting legal documentation with the following notations/exceptions:

   - Item 2 Reimbursement Agreement/Bond Financing agreement with the City of Atascadero for bond trustee and disclosure services
     - The obligation represents an estimate of the 2010 bond administrative fees to be paid to the Bank of New York Mellon. The obligation amount of $136,500 listed on the initial EOPS is $49,140 greater than the auditor estimated amount of $87,360 based on the September 2011-2012 invoice and the remaining life of the bonds.

   - Item 4 2004/2005 Redevelopment Bonds trustee and disclosure services
     - The obligation represents an estimate of the 2004 bond administrative fees to be paid to the Bank of New York Mellon. The obligation amount of $80,500 listed on the initial EOPS is $7,606 greater than the auditor estimated amount of $72,894 based on the November 2011-2012 invoice and the remaining life of the bonds.

   - Item 5 City Loan #1 entered into in 1998
     - The outstanding obligation of $160,675 between the RDA and the City of Atascadero for administrative and other expenses was not executed within

the first two years of the RDA's existence as required by Health & Safety Code Section 34171 (d)(2). The RDA was established on May 27, 1986 whereas the agreement for the city loan originated on August 10, 1999. However, the City adopted redevelopment agency by-laws and elected officers on May 26th, 1998 and also adopted a project area on July 6, 1999; both dates which are within two years of the loan. We noted that the Department of Finance considered this obligation enforceable.

  - The payment terms of the loan required the loan to be paid in full in one year or less; however, management stated that the loan has been extended each year.

  - The outstanding obligation amount of $160,675 listed on the initial EOPS is $3,295 greater than the $157,380 amount calculated by the auditors based on the debt service schedule provided by the successor agency.

- Item 6 City Loan #2 entered into in 2001
  - The outstanding obligation of $545,000 between the RDA and the City of Atascadero for administrative and other expenses was not executed within the first two years of the RDA's existence as required by Health & Safety Code Section 34171 (d)(2). The RDA was established on May 27, 1986 whereas the agreement for the city loan originated on June 12, 2001. However, the City adopted redevelopment agency by-laws and elected officers on May 26th, 1998 and also adopted a project area on July 6, 1999. We noted the project area adoption date is within two years of the loan. We also noted that the Department of Finance considered this obligation enforceable.

  - The outstanding obligation amount of $545,000 listed on the initial EOPS is $26,137 greater than the $518,863 amount calculated by the auditors based on the debt service schedule provided by the successor agency.

- Item 8 Colony Square Conditions, Covenants and Restrictions
  - The outstanding obligation of $10,000 listed on the initial EOPS is a management estimate of the costs that will be required for participation in maintenance of common areas of the Colony Square property for one year.

- Item 9 Rental of Creekside Building to City (maintenance obligations)
  - The outstanding obligation of $9,970 listed on the initial EOPS is a management estimate of the costs that will be required for maintenance of the Creekside Building for one year.

- Item 10 Lease of Land from City – Chamber Building
  - The outstanding obligation of $1,000 listed on the initial EOPS is the cost for 1 year of lease expense; however, the agency is obligated by the contract to pay $1,000 per year through June 30, 2014, which equals two remaining

years of lease expense in total. Therefore, the $1,000 amount on the initial EOPS is $1,000 less than the auditor calculated obligation amount of $2,000.

- Item 11 Rental of Chamber Building to Main Street
  - The outstanding obligation of $1,500 listed on the initial EOPS is a management estimate of the costs that will be required for maintenance of the Chamber Building for one year. The successor agency was unable to provide supporting documentation for the estimate.

- Item 12 Property Tax Collection
  - Management estimated an obligation of $95,520 for property tax administration services listed on the initial EOPS which is $12,626 greater than the fiscal year 2011-12 amount of $82,894 charged by the County of San Luis Obispo.

- Item 13 Financial Independent Audit Services
  - The outstanding obligation of $12,105 listed on the initial EOPS agrees to the underlying contract; however, we did not determine if payments had been made on the contract prior to August 2011 which might have reduced the obligation amount.

- Item 16 Administration of Agency
  - The outstanding obligation of $101,050 listed on the initial EOPS is the budgeted amount of administrative costs including office expense, postage, legal notices, computer costs, phone costs, operations, professional development, direct staff time and general overhead.

- Item 23 Professional Development – various vendors
  - The obligation of $2,500 is for ICSC dues and conferences along with other ED training and dues. The obligation is not supported by a contract or agreement, nor is it necessary for the continued operation or administration of the RDA as provided for in ABX1 26 Section 34167(d)(6). We noted that this item was removed from subsequent EOPS and ROPS.

- Item 24 Façade Improvement Program
  - The $8,500 obligation listed on the initial EOPS is based on the RDA's FY 11-12 budget. The obligation is $5,501 greater than the $2,999 application and subsequent payment for reimbursement under the terms of the program. We noted that this item was removed from subsequent EOPS and ROPS.

- Item 25 Permit Fee Waiver Program
  - The $8,500 obligation listed on the initial EOPS is based on the RDA's FY 11-12 budget. We noted that this item was removed from subsequent EOPS and ROPS.

- Item 26 Tourism, Marketing and Event Services - SW Martin & Associates
    - The outstanding obligation of $133,000 listed on the initial EOPS agrees to the not to exceed contract amount; however, we did not determine if payments had been made on the contract prior to August 2011 which might have reduced the obligation amount.

- Item 27 Special Events and Promotions – SW Martin & Associates
    - The agreement between the RDA and SW Martin and Associates was dated September 1, 2011 which is after June 29, 2011.

    - The outstanding obligation amount of $27,000 listed on the initial EOPS is $7,000 greater than the $20,000 invoice provided by the successor agency as supporting documentation. Successor agency management states that the $7,000 difference is an estimate of costs that might be, but ultimately were not, incurred above the contract amount. We also noted that the invoice date of July 9, 2011 is prior to the corresponding agreement dated September 1, 2011.

- Item 28 Main Street Program
    - The outstanding obligation of $28,500 on the initial EOPS agrees to the supporting documentation; however, we did not determine if payments had been made on the contract prior to August 2011 which might have reduced the obligation amount.

- Item 29 Economic Development Professional Services – Urban Futures, Inc.
    - The outstanding obligation amount of $24,426 listed on the initial EOPS is $15,574 less than the not to exceed contract amount of $40,000. We did not determine if payments had been made on the contract prior to August 2011 which might have further reduced the obligation amount.

- Items 30 <u>and</u> 33 Zoo Entrance Project – Ravatt, Albrecht & Associates
    - The total obligation amount of $12,245 listed on the initial EOPS is $3,455 less than contract amount of $15,700; however, we did not determine if payments had been made prior to August 2011 which might have reduced the total obligation amount. We noted that this item was removed from subsequent EOPS and ROPS.

- Item 31 Zoo Entrance Project – Above Grade Engineering
    - The contract is between Above Grade Engineering and the City of Atascadero; however, the successor agency provided minutes and budgets that indicate that the obligation was intended to be an RDA obligation. We noted that this item was removed from subsequent EOPS and ROPS.

    - The total obligation amount of $4,995 listed on the initial EOPS is $8,305 less than contract amount of $13,300; however, we did not determine if payments had been made prior to August 2011 which might have reduced

the total obligation amount. We noted that this item was removed from subsequent EOPS and ROPS.

- Item 32 Zoo Entrance Project – c3 Construction
  - The total obligation amount of $1,487 listed on the initial EOPS is $492,168 less than contract amount of $493,655; however, we did not determine if payments had been made prior to August 2011 which might have reduced the total obligation amount. We noted that this item was removed from subsequent EOPS and ROPS.

- Item 34 Lake Park Sign & Frontage
  - The total obligation amount of $431,987 listed on the initial EOPS is $1,807 greater than the $430,180 contract amount. We did not determine if payments had been made prior to August 2011 which might have reduced the total obligation amount.

- Item 36 Various Projects
  - Successor agency management states that the total obligation of $325,213 listed on the initial EOPS is an estimate of invoices for goods and services received prior to June 29, 2011, but not paid until after August 11, 2011. The successor agency was unable to provide documentation supporting the obligation amount.

- Item 39 Redevelopment Housing Assistance Strategy – Urban Futures
  - The outstanding obligation amount of $2,136 listed on the initial EOPS is $77,863 less than the not to exceed contract amount of $79,999. We did not determine if payments had been made on the contract prior to August 2011 which might have further reduced the obligation amount.

- Items 52-82 Historic City Hall Project Contract and Loan Agreement
  - The 13,000,000 total obligation listed as item 52 on the initial EOPS is management's estimate of the remaining project costs to be funded with the 2010 bond proceeds listed as Item 1 and is inclusive of the obligations listed in items 53-82.

2. Obtain a copy of all amended EOPS filed during the period of January 1, 2012, through June 30, 2012. Trace the project name associated with the obligation, the payee, a description of the nature of the work/service agreed to, and the amount of payments to be made by month through June 30, 2012, and compare it to the legal document that forms the basis for the obligation.

   Results: We obtained a copy of the amended EOPS for the period of January 1 through June 30, 2012 and traced the project name associated with the obligation, the payee, a description of the nature of the work/service agreed to, and the amount of payments made by month through May 31, 2012. We also compared the obligations listed on the EOPS to the legal document(s) that form the basis for the obligations.

All obligations listed on the amended EOPS agreed in all material respects to the supporting legal documentation with the following notations/exceptions:

- Item 1 Reimbursement/Bond Financing agreement with the City of Atascadero
  - The outstanding bond amount of $33,359,719 listed on the amended EOPS is $382,256 greater than the total obligation amount of $32,977,463 calculated by the auditors based on the debt service schedule. The variance is due to the September 2011 payment not being subtracted from the total obligation amount.

- Item 2 Reimbursement Agreement/Bond Financing agreement with the City of Atascadero for bond trustee and disclosure services
  - The obligation represents an estimate of the 2010 bond administrative fees to be paid to the Bank of New York Mellon. The obligation amount of $90,000 listed on the amended EOPS is $4,390 greater than the $85,610 auditor estimated amount based on the September 2011-2012 invoice and the remaining life of the bonds.

- Item 3 2004/2005 Redevelopment Bonds
  - The outstanding bond amount of $20,118,304 listed on the amended EOPS is $573,265 greater than the total obligation amount of $19,545,039 calculated by the auditors based on the debt service schedule. The variance is due to the September 2011 payment not being subtracted from the total obligation amount.

- Item 4 2004/2005 Redevelopment Bonds trustee and disclosure services
  - The obligation represents an estimate of the 2004 bond administrative fees to be paid to the Bank of New York Mellon. The obligation amount of $72,000 listed on the amended EOPS is $1,306 greater than the auditor estimated amount of $70,694 based on the November 2011-2012 invoice and the remaining life of the bonds.

- Item 5 City Loan #1 entered into in 1998
  - The City Loan #1 entered into in 1998 between the RDA and the City of Atascadero for administrative and other expense was not executed within the first two years of the RDA's existence as required by Health & Safety Code Section 34171 (d)(2). The RDA was established on May 27, 1986 whereas the agreement for the city loan originated on August 10, 1999. The RDA was established on May 27, 1986 whereas the agreement for the city loan originated on August 10, 1999. However, the City adopted redevelopment agency by-laws and elected officers on May 26th, 1998 and also adopted a project area on July 6, 1999; both dates which are within two years of the loan. We noted that the Department of Finance considered this obligation enforceable.

- The payment terms of the loan required the loan to be paid in full in one year or less; however, management stated that the loan has been extended each year.

- The outstanding obligation amount of $159,828 listed on the amended EOPS is $4,653 greater than the $155,175 amount calculated by the auditors based on the debt service schedule provided by the successor agency.

- Item 6 City Loan #2 entered into in 2001
  - The outstanding obligation of $537,482 between the RDA and the City of Atascadero for administrative and other expenses was not executed within the first two years of the RDA's existence as required by Health & Safety Code Section 34171 (d)(2). The RDA was established on May 27, 1986 whereas the agreement for the city loan originated on June 12, 2001. However, the City adopted redevelopment agency by-laws and elected officers on May 26th, 1998 and also adopted a project area on July 6, 1999. We noted the project area adoption date is within two years of the loan. We also noted that the Department of Finance considered this obligation enforceable.

  - The outstanding obligation amount of $537,482 listed on the amended EOPS is $37,482 greater than the $500,000 amount calculated by the auditors based on the debt service schedule.

- Item 9 Colony Square Conditions, Covenants and Restrictions
  - The outstanding obligation of $30,000 listed on the amended EOPS is a management estimate of the costs that will be required for participation in maintenance of common areas of the Colony Square property for three years.

- Item 10 Rental of Creekside Building to City (maintenance obligations)
  - The outstanding obligation of $31,453 listed on the amended EOPS is a management estimate of the costs that will be required for maintenance of the Creekside Building through June 30, 2013.

- Item 11 Lease of Land from City – Chamber Building
  - The outstanding obligation of $1,000 listed on the amended EOPS is the cost for 1 year of lease expense; however, the agency is obligated by the contract to pay $1,000 per year through June 30, 2014, which equals two remaining years of lease expense in total. Therefore, the $1,000 amount on the amended EOPS is $1,000 less than the auditor calculated obligation amount of $2,000.

- Item 13 Property Tax Collection
  - Management estimated an obligation of $95,520 for property tax administration services on the amended EOPS which is $12,626 greater than

the fiscal year 2011-12 amount of $82,894 charged by the County of San Luis Obispo.

- Item 20 Administration of Agency – California Redevelopment Association Dues
  - Annual dues for the California Redevelopment Association are not supported by a contract or agreement, nor are they necessary for the continued operation or administration of the RDA as provided for in ABX1 26 Section 34167(d)(6).

- Items, 21, 22, 23 and 24 – Administration of Agency Various Costs
  - These amended EOPS line items totaling an obligation of $1,159,234 are management's estimate of administrative costs including computer, communications, staff support, and overhead costs through June 2016.

- Items 45-47 Lake Park Sign & Frontage
  - The total obligation amount of $370,468 listed on the amended EOPS is $59,712 less than the $430,180 contract amount. We did not determine if payments had been made prior to August 2011 which might have reduced the total obligation amount.

- Item 49 Redevelopment Agency General Fund accounts payable and accrued payroll at June 30, 2011
  - The total obligation of $18,890 listed on the amended EOPS represents invoices for goods and services received prior to June 30, 2011, but not paid until FY 2011-12. The obligation agrees to the accounts payable liability reported in the RDA's financial statements for the year ending June 30, 2011.

- Items 78-140 Historic City Hall Project Contract and Loan Agreement
  - The 12,117,864 total obligation listed as item 78 on the amended EOPS is management's estimate of the remaining project costs to be funded with the 2010 bond proceeds listed as Item 1 and is inclusive of the obligations listed in items 79-140.

3. Identify any obligations listed on the EOPS that were entered into after June 29, 2011, by inspecting the date of incurrence specified on Form A of the Statement of Indebtedness filed with the County Auditor-Controller, which was filed on or before October 1, 2011.

   Results: All enforceable items that were listed on the initial and amended EOPS, and on Form A of the Statement of Indebtedness were incurred prior to June 29, 2011.

4. Inquire and specifically state in the report the manner in which the agency did or did not execute a transfer of the Low and Moderate Income Housing Fund to the redevelopment successor agency by February 1, 2012. Procedures to accomplish this might include changing the name of the accounting fund and related bank accounts that are holding these assets for the successor agency.

Results: We determined that a transfer of the Low and Moderate Income Housing Fund occurred on February 1, 2012 from the former redevelopment agency to the successor agency through changing the name of the accounting fund that is holding assets, liabilities and fund balance for the successor agency.

5. Inquire and specifically state in the report how housing activities (assets and functions, rights, powers, duties, and obligations) were transferred and the manner in which this agency did or did not execute a transfer. Procedures to accomplish this might include changing the name of the accounting fund and related bank accounts that are holding these assets for the other agency. An examination of bank statements and re-recording of titles evidencing such transfers will be sufficient.

   Results: On January 10, 2012 the Atascadero City Council adopted Resolution 2012-002 electing to retain the housing assets and functions previously performed by the Atascadero Redevelopment Agency. We determined that a transfer of the housing activities appropriately occurred on February 1, 2012 from the former redevelopment agency to the successor agency through changing the name of the accounting fund that is holding assets, liabilities and fund balance for the successor agency.

B. Successor Agency

1. Inspect evidence that a successor agency (A) has been established by February 1, 2012; and (B) the successor agency oversight board has been appointed, with names of the successor agency oversight board members, which must be submitted to the Department of Finance by May 1, 2012.

   Results: We inspected City of Atascadero Resolution 2012-002, dated January 10, 2012, with which the Atascadero City Council elected to become the successor agency to the Atascadero Redevelopment Agency. We also inspected an email from the successor agency to the Department of Finance dated April 19, 2012 submitting the names of the seven successor agency oversight board members to the Department of Finance.

2. Inquire regarding the procedures accomplished and specifically state in the report the manner in which this agency did or did not execute a transfer of operations to the successor agency, which was due by February 1, 2012. Procedures to accomplish this might include changing the name of the accounting fund and related bank accounts that are holding these assets for the successor agency.

   Results: We determined that a transfer of operations occurred on February 1, 2012 from the former redevelopment agency to the successor agency through changing the names of the accounting funds that are holding assets, liabilities and fund balance for the successor agency.

3. Ascertain that the successor agency has established the Redevelopment Obligation Retirement Fund(s) in its accounting system.

Results: The successor agency established the Redevelopment Obligation Retirement Fund in its accounting system.

4. Inspect the EOPS and ROPS and identify the payments that were due to be paid through the date of the Agreed-Upon Procedures (AUP) report. Select a sample (based on a dollar amount and/or percentage amount as determined by the San Luis Obispo County Auditor-Controller) and compare the payments that were due to be paid through the date of the AUP report to a copy of the cancelled check or other documentation supporting the payment.

   Results: All payments listed on the EOPS and the ROPS that were due to be paid through May 2012 agreed in all material respects to the supporting documentation with the following notations/exceptions:

   - Initial EOPS (August – December 2011 payments)
     - Item 34 Lake Park Sign and Frontage – Actual payments of $10,814 were $335,186 less than the $346,000 of payments listed on the initial EOPS.
     - Item 36 Various Projects -Successor agency management states that the $139,879 of payments listed on the initial EOPS is an estimate of amounts due relating to invoices for goods and services received prior to June 29, 2011, but not paid until after August 11, 2011. We determined that $18,890 of the amount related to accounts payable as of June 30, 3012.
   - Amended EOPS (January – May 2012 Payments)
     - Item 5 City Loan #1 entered into in 1998 – Actual payments of $446 were $156,728 less than the $157,174 payment amount listed on the amended EOPS.
     - Item 6 City Loan #2 entered into in 2001 – Actual payments of $3,822 were $510,974 less than the $514,796 payment amount listed on the amended EOPS.
     - Item 13 – Property Tax Collection – Actual payments of $48,355 and the $34,539 withheld by the County were $12,626 less in total than the $95,520 payment amount listed on the amended EOPS.
   - Draft ROPS (January – May 2012 Payments)

   <u>Funding Source RPTTF:</u>
     - Item 3 2004/2005 Redevelopment Bonds – There were no payments listed on the draft ROPS; however, $273,103 of actual payments were made.

   <u>Funding Source Other:</u>
     - Item 3 City Loan #1 entered into in 1998 – Actual payments of $446 were $156,728 less than the $157,174 listed on the draft ROPS.

- Item 4 City Loan #2 entered into in 2001 – Actual payments of $3,822 were $510,974 less than the $514,796 listed on the draft ROPS.

- Final ROPS (January – May 2012 Payments) – The results for the final ROPS are the same as the results for the draft ROPS.

5. Obtain listings that support the asset figures in the audited financial statements as of June 30, 2010, June 30, 2011, and as of January 31, 2012, as determined by the successor agency and include as an attachment to the AUP report.

   Results: We obtained listings that support the asset figures in the audited financial statements as of June 30, 2010, June 30, 2011; and as of January 31, 2012 as determined by the successor agency. We summarized the listings and have included that summary as Attachment B to this report.

6. Review Board minutes to identify any assets not recorded.

   Results: We reviewed Redevelopment Agency minutes from June 22, 2010 through January 24, 2012 and the successor agency agenda for March 27, 2012. We did not note any assets not recorded.

7. Confirm the existence of the successor agency's capital assets.

   Results: We confirmed the existence of the successor agency's capital assets through physical inspection and observation and through review of invoices and photographs.

8. Obtain fund balance detail for the former RDA for fiscal years ending June 30, 2009, 2010, and 2011, and determine whether significant, unexplained changes occurred.

   Results: We obtained fund balance detail for the former RDA for fiscal years ending June 30, 2009, 2010 and 2011. We did not note any significant, unexplained changes in the RDA's funds balances; however, we did note that between June 30, 2010 and June 30, 2011 overall fund balance decreased by 70% or $10,575,236, primarily due to a $6,572,473 contribution from the RDA General Fund to the City for Blight Elimination projects ($6,516,410), Lake Park Frontage ($46,635) and the Historic City Hall ($52,458) plus a contribution from the City of $43,030 for tourism and marketing. Also contributing to the decrease was a $5,543,800 contribution to the City from the Low and Moderate Income Housing Redevelopment Fund for low income housing units. The Blight Elimination and Low and Moderate Income Housing Redevelopment fund contributions were based on agreements between the City and the former RDA enacted on January 14, 2011 which were declared unenforceable by the Department of Finance. Successor Agency management states that the City transferred back the amount of unspent funds for the Blight Elimination and Affordable Housing projects.

C. Recognized Obligation Payment Schedule (ROPS)

❑ Obtain a copy of the initial draft of the ROPS from the successor agency.

1. Inspect evidence that the initial draft of the ROPS was prepared by March 1, 2012.

   Results: We inspected an email from the Successor Agency to the County of San Luis Obispo dated March 1, 2012 stating that the draft ROPS had been prepared; however, the draft ROPS was not attached to the email. We also inspected an email from the Successor Agency to the County of San Luis Obispo dated March 6, 2012 that included the initial draft of the ROPS.

2. Note in the minutes of the Oversight Board that the certified draft ROPS has been approved by the Oversight Board. If the Oversight Board has not yet approved the draft ROPS as of the date of the AUP, this should be mentioned in the AUP report.

   Results: We witnessed the Oversight Board approve the draft ROPS on April 16, 2012.

3. Inspect evidence that a copy of the draft ROPS was submitted to the County Auditor-Controller, State Controller, and Department of Finance.

   Results: We determined through review of an email that the draft ROPS had been submitted to the San Luis Obispo County Auditor-Controller; however, the successor agency was unable to provide evidence that a copy of the draft ROPS was submitted to the State Controller and the Department of Finance.

4. Inspect evidence that the draft ROPS includes dates and amounts of scheduled payments for each enforceable obligation for the current six-month reporting time period.

   Results: The draft ROPS includes dates and amounts of scheduled payments for each enforceable obligation for the period January through June 2012.

5. Select a sample (based on dollar amount and/or percentage amount as determined by the San Luis Obispo County Auditor-Controller) and trace enforceable obligations listed on the draft ROPS to the legal document that forms the basis for the obligation.

   Results: All obligations listed on the draft ROPS agreed in all material respects to the supporting legal documentation with the following notations/exceptions:

   <u>Funding Source RPTTF:</u>

   - Item 1 Reimbursement/Bond Financing agreement with the City of Atascadero
     - This obligation was split into two lines on the draft ROPS, item 1 on the RPTTF funding source page shows an obligation of $30,477,075, and item 1 on the other funding source page shows an obligation of $2,882,644 for a total obligation amount of $33,359,719. The total combined obligation amount of $33,359,719 on the draft ROPS is $382,256 greater than the

auditor calculated amount of $32,977,463. The variance is due to the September 2011 payment not being subtracted from the total obligation amount.

- Item 2 Reimbursement Agreement/Bond Financing agreement with the City of Atascadero for bond trustee and disclosure services
  - The obligation represents an estimate of the 2010 bond administrative fees to be paid to the Bank of New York Mellon. This obligation was split into two lines on the draft ROPS, item 2 on the RPTTF funding source page shows an obligation of $81,000, and item 2 on the other funding source page shows an obligation of $9,000 for a total obligation amount of $90,000. The combined obligation amount of $90,000 listed on the draft ROPS is $4,390 greater than the $85,610 auditor estimated amount based on the September 2011-2012 invoice and the remaining life of the bonds.

Funding Source Other:

- Item 7 CJPIA Retrospective Deposit
  - The successor agency appropriately estimated the $74,700 obligation amount listed on the draft ROPS based on prior years' retrospective deposits.

- Item 12 Legal Services – Administration of Agency
  - The $6,497 amount listed on the draft ROPS is $7,495 less than the auditor calculated amount of $13,992 based on the contract amount and September through December 2011 payments.

- Items 13, 15, 16 and 17 – Administration of Agency Various Costs
  - These line items totaling an obligation of $55,105 are for administrative costs including computer, communications, staff support, and overhead costs that were incurred between July 2011 and January 2012.

- Item 48 RDA General Fund accounts payable & accrued payroll at January 31, 2012
  - Successor agency management states that the total obligation of $7,500 listed on the draft ROPS is an estimate of invoices for goods and services received prior to February 1, 2012, but not paid until after January 31, 2012.

The results for the following obligations are the same as those reported in the results for the amended EOPS Section A, Procedure 2 above. If the item number is different between the draft ROPS and the amended EOPS, the amended EOPS item number, is indicated in parenthesis for easier reference:

Funding Source RPTTF:

- Item 3 2004/2005 Redevelopment Bonds

- Item 4 2004/2005 Redevelopment Bonds trustee and disclosure services

Funding Source Other:

- Item 3 City Loan #1 entered into in 1998 (Amended EOPS Item 5)
- Item 4 City Loan #2 entered into in 2001 (Amended EOPS Item 6)
- Item 8 Property Tax Collection (Amended EOPS Item 13)
- Item 14 California Redevelopment Agency dues (Amended EOPS Item 20)
- Item 18 Colony Square Conditions, Covenants and Restrictions (Amended EOPS Item 9)
- Item 19 Maintenance of Creekside Building (Amended EOPS Item 10)
- Item 20 Lease of Land from City – Chamber Building (Amended EOPS Item 11)
- Items 42 – 45 Lake Park Sign and Frontage (Amended EOPS Items 45-47)
- Item 47 RDA General Fund accounts payable and accrued payroll at June 30, 2011 (Amended EOPS Item 49)
- Items 79 – 148 Historic City Hall Project contract and Loan Agreement (Amended EOPS Items 78-140)

6. Trace the obligations enumerated on the draft ROPS to the obligations enumerated on the EOPS (including amendments) and note any material differences as agreed to by the County of San Luis Obispo Auditor-Controller.

   Results: We noted one material difference between obligations listed on the amended EOPS and the obligations listed on the draft ROPS. Item 150 (funding source – other) on the initial ROPS obligation of $21,739,149 to FEMA and CalEMA for the City Hall Project and temporary relocation was not listed on the amended EOPS. Per management, this obligation is the amount of FEMA/CalEMA funding that would be lost should an occupancy permit on the Historic City Hall Project not be obtained.

   We also noted one obligation of $13,518,144 that was not on the initial EOPS, but was added to the amended EOPS: Item 142 for Use of Bond Proceeds, City Hall and Identified Blight Elimination Projects per June 2010 Board Meeting, Commitment to Bondholders.

❑ Obtain a copy of the final ROPS (January 1, 2012, through June 30, 2012) from the successor agency.

1. Inspect evidence that the final ROPS was submitted to the County Auditor-Controller, the State Controller, and Department of Finance by April 15, 2012, and is posted on the website

of the successor agency (Health and Safety Code section 34177 (2)(C)).

Results: We inspected an email to the Department of Finance that indicates the final ROPS was submitted to the Department of Finance on April 16, 2012. We also inspected an email to the County of San Luis Obispo Auditor-Controller's Office that indicates that final ROPS was submitted to the Auditor-Controller on April 19, 2012; however, the successor agency was unable to provide evidence that a copy of the final ROPS was submitted to the State Controller.

The final ROPS is posted on the website of the City of Atascadero (http://www.atascadero.org/index.php?option=com_content&view=article&id=900&Itemid=1766)

2. Inspect the final ROPS and identify the payments that were due to be paid through the date of the Agreed-Upon Procedures report. For payments on the ROPS that were identified as being due through the date of the Agreed-Upon Procedures report, inspect evidence of payment and determine that amounts agree to the purpose of the obligation as amounts could be estimated.

   Results: All payments listed on the final ROPS that were due to be paid through May 2012 agreed in all material respects to the supporting documentation with the notations/exceptions reported in the Section B, Successor Agency, Procedure 4 above.

3. Select a sample (based on a dollar amount and/or percentage amount as determined by the parties agreeing to the procedures) and trace enforceable obligations listed on the final ROPS to the legal agreement or document that forms the basis for the obligation.

   Results: All obligations listed on the final ROPS agreed in all material respects to the supporting legal documentation with the same notations/exceptions as reported in the Draft ROPS section C, procedure 5 above.

D. Other Procedures

- ☐ Obtain a list of pass-through obligations and payment schedules.

1. Obtain a list of pass-through obligations from the successor agency from July 1, 2011 through January 31, 2012. Obtain a list of pass-through payments made between July 1, 2011, and January 31, 2012, and inspect evidence of payment. Identify any differences from the list of pass-through obligations.

   Results: The SLO County Auditor-Controller's Office has traditionally calculated and distributed pass-through payments on behalf of the former RDAs in April and December. We obtained a list of pass-through payments made December 6, 2011 and inspected evidence of payment. There were no differences between the list of pass-through payments and the actual payments made.

- ❑ Issue Agreed-Upon Procedures Report and distribute to the California State Controller by October 1, 2012.

  Results: The Agreed-Upon Procedures report was not issued and distributed to the California State Controller by October 15, 2012. The Agreed-Upon Procedures report was issued and Distributed to the California State Controller by December 1, 2012.

ATTACHMENT B
CITY OF ATASCADERO SUCCESSOR AGENCY
ASSET LISTING

	Assets as of January 31, 2012	Assets as of June 30, 2011	Assets as of June 30, 2010
Cash and investments	12,235,849	2,086,003	10,852,624
Due from other governments	164	40,994	1,942,123
Other receivables	5,123	8,482	6,123
Interest receivable	1,063	4,200	39,773
Restricted cash and investments	2,352,423	2,352,423	2,352,423
Advance Receivable from City of Atascadero	1,417,398	1,417,398	-
Deferred Charges (Bond Issuance Costs)	426,943	437,041	261,860
Capital assets			
Nondepreciable - Land	473,791	473,791	473,791
Nondepreciable - CIP	262,238	1,230,630	1,088,415
Depreciable assets - Structures & Improvements	5,378,134	4,281,122	4,074,983
Accumulated depreciation	(416,385)	(346,841)	(253,077)
Total capital assets, net	5,697,778	5,638,702	5,384,112
Total Assets	22,136,742	11,985,243	20,839,038