



County of San Luis Obispo

**Report on Applying Agreed-Upon-Procedures to the
City of Grover Beach Redevelopment and Successor
Agencies**

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

**Gere W. Sibbach, CPA, Auditor-Controller
September 27, 2012**

TABLE OF CONTENTS

ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON-PROCEDURES	3
Executive Summary	4
Attachment A	7
Attachment B	27

County of San Luis Obispo

Office of the Auditor-Controller

1055 Monterey Street Room D220
San Luis Obispo, California 93408
(805) 781-5040 FAX (805) 781-1220



GERE W. SIBBACH, CPA

JAMES P. ERB, CPA, *Assistant*
LYDIA CORR, CPA, *Deputy*
JAMES HAMILTON, CPA, *Deputy*
Email: auditor@co.slo.ca.us

Oversight Board of the Successor Agency
City of Grover Beach, 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 Grover Beach Redevelopment Agency is complying with its statutory requirements with respect to ABX1 26. Management of the City of Grover Beach 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.

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.

A handwritten signature in black ink, appearing to read "Gere W. Sibbach".

Gere W. Sibbach, CPA, San Luis Obispo County Auditor-Controller
San Luis Obispo, California
September 27, 2012

Executive Summary City of Grover Beach 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 nine obligations that are on the final ROPS are unenforceable:

1. The Water Fund Loan obligation of \$1,000,345 between the RDA and the City of Grover Beach 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 March 2, 1981 whereas the agreement for the water fund loan originated on February 16, 1993.
2. The Wastewater Fund Loan of \$428,572 between the RDA and the City of Grover Beach 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 March 2, 1981 whereas the agreement for the wastewater fund loan originated on May 4, 2009.
3. The contract with the Grover Beach Chamber of Commerce for an obligation amount of \$25,000 was amended on October 1, 2011. Health and Safety Code Section 34162(a)(3)(C) prohibits an RDA from refunding, restructuring, or refinancing indebtedness or obligations that existed as of January 1, 2011 including, but not limited to modifying or amending the terms and conditions, payment schedules, amortization or maturity dates of any of the agency's bonds or other obligations that are outstanding or exist as of January 1, 2011. The amended contract modifies the terms of the original agreement.
4. Management stated that the Grover Beach Lodge and Conference Center Project Costs/JPA with the State of California obligation of \$10,000 represented budgeted travel costs for the project; however, we were unable to verify a travel budget in the JPA agreement.
5. The General Fund Loan of \$437,910 between the RDA and the City of Grover Beach 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 March 2, 1981 whereas the agreement for the general fund loan originated on February 16, 1993.
6. The contract for services with Geo Solutions obligation of \$1,250 is based on a contract between the City and Geo Solutions which is dated January 11, 2012, after the December 29, 2011 effective date of ABX1 26 Section 34163(a) which prohibits agencies from entering into agreements to provide funds of any sort to any entity or person for any purpose.
7. Annual dues for the California Redevelopment Association (both project areas) totaling \$1,790 and for the Housing Trust Fund (Improvement Agency Project Area), \$5,000, 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 (DOF) made the same determination for the Water Fund Loan and the General Fund Loan, and no further results will be reported for these obligations.

The DOF did not declare the Grover Beach Chamber of Commerce, the Grover Beach Lodge and Conference Center; the Geo Solutions contact, the various dues, or the Wastewater Fund Loan obligations to be unenforceable.

The obligation of \$380,000 to Vernon and Associates for an affordable housing contract is a commitment to transfer land the agency valued at \$380,000. No further results will be reported for this obligation.

We disagreed 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; however, some payments may have been outside of our agreed-upon-procedures period. We believe the Oversight Board should instruct the Successor Agency to establish correct balances by beginning with the contract or estimated amounts and reducing them by all previous payments.

We calculated the total obligation amount of obligations in the final Oversight Board Approved ROPS to be \$9,028,843 which is \$957,420 less than the \$9,986,263 total obligation amount listed by the successor agency. The majority of the difference is due to the \$380,000 asset transfer obligation; variances in the calculated obligations for the three city loans, \$287,217, and the Series 2005 Tax Allocation bonds, \$188,044.

We determined that a successor agency and oversight board were appropriately established; however, we were unable to determine that a transfer of funds, including the Low and Moderate Income Housing Fund occurred. We were able to determine that a transfer of housing activities occurred.

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 (combined project areas)	Amended EOPS (combined project areas)	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	31	33	33	33
\$ of obligations	\$6,459,126	\$6,858,002	\$6,852,039	\$9,986,263

Payments made on reported obligations at date of fieldwork	\$231,984	\$131,756	\$133,794	\$133,794
Observations		Wastewater Fund Loan obligation of \$400,000 added		The Series 2005 Tax Allocation Bonds obligation amount increased by \$2,987,006 due to a correction in the outstanding bond amount

ATTACHMENT A AGREED-UPON PROCEDURES & RESULTS

Purpose: To establish the Grover Beach Redevelopment Agency's assets and liabilities, to document and determine the Grover Beach 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 Grover Beach RDA and certify the initial recognized obligation payment schedule. [Health and Safety Code section 34182(a)(2)]

In conformity with attestation standards, the language in each separate report for each agency will need to be specific as to the type of documents that were examined in performing the procedure.

A. RDA Dissolution and Restrictions

For the Grover Beach 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 EOPS for each project area 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 EOPS agreed in all material respects to the supporting legal documentation with the following notations/exceptions:

Grover Beach Improvement Project Area

- Item 1 Series 2005 Tax Allocation Bonds
 - The outstanding bond amount of \$4,045,000 listed on the initial EOPS is \$2,987,006 less than the total obligation amount of \$7,032,006 calculated by the auditors based on the debt service schedule. The difference is interest, which was not included in the obligation amount.
- Item 3 SERAF Loan from the Low and Moderate Income Housing Fund

- The total outstanding obligation amount of \$301,147 listed on the initial EOPS is \$1,777 less than \$302,924 obligation amount calculated by the auditors based on the documentation provided by the successor agency.
- Item 4 Tax Allocation Bond Fees
 - The \$3,000 obligation amount on the initial EOPS agrees to the FY 2011-12 budget. A subsequent January 2011 payment indicates that the actual obligation was \$1,986 which is \$1,014 less than the obligation listed on the initial EOPS.
- Item 5 Contract for Services with the Chamber of Commerce
 - The contract with the Grover Beach Chamber of Commerce for an obligation amount of \$25,000 was amended on October 1, 2011. Health and Safety Code Section 34162(a)(3)(C) prohibits an RDA from refunding, restructuring, or refinancing indebtedness or obligations that existed as of January 1, 2011 including, but not limited to modifying or amending the terms and conditions, payment schedules, amortization or maturity dates of any of the agency's bonds or other obligations that are outstanding or exist as of January 1, 2011. The amended contract modifies the terms of the original agreement; however, we noted that the Department of Finance did not disallow the obligation.
 - The total outstanding amount of \$25,000 listed on the initial EOPS is \$4,166 less than the \$29,166 obligation calculated by the auditors based on the October 2011 amended contract plus August and September 2011 invoices paid.
- Item 6 Cost Allocation for City of Grover Beach office space and overhead
 - Management states that the \$44,600 total obligation amount on the initial EOPS is based on the RDA budget.
- Item 10 Property Tax Administrative Costs
 - The total outstanding obligation amount of \$38,000 reported on the initial EOPS agrees to the RDA's FY 2011-12 budget. The obligation amount is \$22,033 greater than the \$15,967 invoiced by the SLO County Auditor-Controller for July 1, 2011 through January 31, 2012 property tax administrative costs.
- Item 12 California Redevelopment Association (CRA) Dues
 - Dues for the CRA are not supported by a contract nor an agreement; nor are they necessary for the continued operation or administration of the RDA as provided for in Health and Safety Section 34167(d)(6).

- Item 13 Economic Vitality Corporation (EVC) Dues
 - Dues for the EVC are not supported by a contract nor an agreement; nor are they necessary for the continued operation or administration of the RDA as provided for in Health and Safety Section 34167(d)(6).
- Item 14 Visitors Conference Bureau (VCB) Dues
 - Dues for the VCB are not supported by a contract nor an agreement; nor are they necessary for the continued operation or administration of the RDA as provided for in Health and Safety Section 34167(d)(6).
- Item 15 Staff Support Costs
 - Successor agency management stated that the staff support cost obligation was based on the FY 11-12 Improvement Agency Budget; however the obligation of \$7,700 listed on the initial EOPS, is \$600 greater than the \$7,100 listed in the FY 11-12 Improvement Agency Budget.
- Item 16 Grover Beach Lodge and Conference Center Projects
 - Management stated that the Grover Beach Lodge and Conference Center Project Costs/JPA with the State of California obligation of \$10,000 on the initial EOPS represented budgeted travel costs for the project.
- Item 17 Housing Trust Fund Dues
 - Dues for the Housing Trust Fund are not supported by a contract nor an agreement; nor are they necessary for the continued operation or administration of the RDA as provided for in Health and Safety Section 34167(d)(6).

Grover Beach Industrial Enhancement Project Area

- Item 5 Property Tax Administrative Costs
 - The total outstanding obligation amount of \$10,000 reported on the initial EOPS agrees to the RDA's FY 2011-12 budget. The obligation amount is \$6,632 greater than the \$3,368 invoiced by the SLO County Auditor-Controller for July 1, 2011 through January 31, 2012 property tax administrative costs.
- Item 7 California Redevelopment Association (CRA) Dues
 - Dues for the CRA are not supported by a contract nor an agreement; nor are they necessary for the continued operation or administration of the RDA as provided for in Health and Safety Section 34167(d)(6).

- Item 8 Staff Support Costs
 - Successor agency management stated that the staff support cost obligation was based on the FY 11-12 Improvement Agency Budget; however the obligation of \$2,600 listed on the initial EOPS, is \$1,200 greater than the \$1,400 listed in the FY 11-12 Improvement Agency Budget.

 - Item 9 Contract for Services with Muni Services
 - We noted that no description for this obligation was included on the initial EOPS; however, this was corrected on the ROPS.

 - The successor agency was unable to provide supporting documentation for the obligation amount of \$2,614 listed on the initial EOPS.

 - Item 10 Contract for Services with Digital West
 - We noted that no description for this obligation was included on the initial EOPS; however, this was corrected on the ROPS.

 - Management states that the obligation amount of \$15,840 listed on the initial EOPS is based on the RDA budget. The successor agency made payments of \$2,430 from August through December 2011; however we did not determine if payments had been made on the contract prior to July 1, 2011 that might have further reduced the obligation amount.
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 April 30, 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:

Grover Beach Improvement Project Area

- Item 1 Series 2005 Tax Allocation Bonds
 - The outstanding bond amount of \$4,045,000 listed on the amended EOPS is \$2,798,962 less than the total obligation amount of \$6,843,962 calculated by the auditors based on the debt service schedule. The difference is interest, which was not included in the obligation amount.

- Item 3 Wastewater Fund loan for W. Grand Ave. Project
 - The Wastewater Fund Loan of \$400,000 between the RDA and the City of Grover Beach 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 March 2, 1981 whereas the agreement for the wastewater fund loan originated on May 4, 2009. We noted that the Department of Finance did not find this obligation to be unenforceable.

 - The amended EOPS total obligation amount of \$400,000 is \$40,000 greater than the \$360,000 obligation calculated by the auditors based on the debt service schedule. The difference reflects a payment scheduled to be made on July 1, 2011. We were unable to determine if the payment had been made.

- Item 4 SERAF Loan from the Low and Moderate Income Housing Fund
 - The total outstanding obligation amount of \$301,147 listed on the amended EOPS is \$1,777 less than \$302,924 obligation amount calculated by the auditors based on the documentation provided by the successor agency.

- Item 6 Contract for Services with the Chamber of Commerce
 - The contract with the Grover Beach Chamber of Commerce for an obligation amount of \$25,000 was amended on October 1, 2011. Health and Safety Code Section 34162(a)(3)(C) prohibits an RDA from refunding, restructuring, or refinancing indebtedness or obligations that existed as of January 1, 2011 including, but not limited to modifying or amending the terms and conditions, payment schedules, amortization or maturity dates of any of the agency's bonds or other obligations that are outstanding or exist as of January 1, 2011. The amended contract modifies the terms of the original agreement; however, we noted that the Department of Finance did not disallow the obligation.

- The total outstanding amount of \$25,000 listed on the amended EOPS is \$6,249 greater than the \$18,751 obligation amount calculated by the auditors based on the contract amount. The difference is due to payments made in October, November, and December 2011 which were not subtracted from the total obligation amount.
- Item 7 Cost Allocation for City of Grover Beach office space and overhead
 - Management states that the \$44,600 total obligation amount on the amended EOPS is based on the RDA budget.
- Item 10 Contract for consulting services with the Law Office of Martin D. Koczanowicz
 - The total obligation amount of \$9,500 listed on the amended EOPS was \$6,915 greater than the auditor calculated obligation of \$2,585 because August through December payments were not subtracted from the total obligation amount.
- Item 11 Property Tax Administrative Costs
 - The total outstanding obligation amount of \$38,000 reported on the amended EOPS agrees to the RDA's FY 2011-12 budget. The obligation is \$22,033 greater than the \$15,967 invoiced by the SLO County Auditor-Controller for July 1, 2011 through January 31, 2012 property tax administrative costs.
- Item 13 California Redevelopment Association (CRA) Dues
 - Dues for the CRA are not supported by a contract nor an agreement; nor are they necessary for the continued operation or administration of the RDA as provided for in Health and Safety Section 34167(d)(6).
 - It appears that the amended EOPS total outstanding obligation amount of \$1,000 was carried forward from the initial EOPS without subtracting the \$1,000 payment made in October 2011.
- Item 14 Economic Vitality Corporation (EVC) Dues
 - Dues for the EVC are not supported by a contract nor an agreement; nor are they necessary for the continued operation or administration of the RDA as provided for in Health and Safety Section 34167(d)(6).
 - It appears that the amended EOPS total outstanding obligation amount of \$3,600 was carried forward from the initial EOPS without subtracting the \$3,600 payment made in September 2011.

- Item 15 Visitors Conference Bureau (VCB) Dues
 - Dues for the VCB are not supported by a contract nor an agreement; nor are they necessary for the continued operation or administration of the RDA as provided for in Health and Safety Section 34167(d)(6).
 - It appears that the amended EOPS total outstanding obligation amount of \$4,400 was carried forward from the initial EOPS without subtracting the \$4,400 payment made in September 2011.
- Item 16 Staff Support Costs
 - The total outstanding obligation of \$5,200 listed on the amended EOPS, is \$1,900 less than the \$7,100 listed in the FY 11-12 Improvement Agency Budget; however, we were unable to verify if payments had been made which would decrease the obligation.
- Item 17 Grover Beach Lodge and Conference Center Projects
 - Management stated that the Grover Beach Lodge and Conference Center Project Costs/JPA with the State of California obligation of \$10,000 on the amended EOPS represented budgeted travel costs for the project.
- Item 21 Housing Trust Fund Dues
 - Dues for the Housing Trust Fund are not supported by a contract nor an agreement; nor are they necessary for the continued operation or administration of the RDA as provided for in Health and Safety Section 34167(d)(6).
 - It appears that the amended EOPS total outstanding obligation amount of \$5,000 was carried forward from the initial EOPS without subtracting the \$5,000 payment made in November 2011.

Grover Beach Industrial Enhancement Project Area

- Item 5 Property Tax Administrative Costs
 - The total outstanding obligation amount of \$10,000 reported on the amended EOPS agrees to the RDA's FY 2011-12 budget. The obligation is \$6,632 greater than the \$3,368 invoiced by the SLO County Auditor-Controller for July 1, 2011 through January 31, 2012 property tax administrative costs.
- Item 7 California Redevelopment Association (CRA) Dues
 - Dues for the CRA are not supported by a contract nor an agreement; nor are they necessary for the continued operation or administration of the RDA as provided for in Health and Safety Section 34167(d)(6).

- It appears that the amended EOPS total obligation of \$790 was taken from the actual \$790 payment made in November 2011. Per management, the CRA dues are annual, thus the total obligation amount on the amended EOPS should be zero.
 - Item 8 Staff Support Costs
 - Successor agency management stated that the staff support cost obligation was based on the FY 11-12 Improvement Agency Budget; however the obligation of \$2,600 listed on the amended EOPS, is \$1,200 greater than the \$1,400 listed in the FY 11-12 Improvement Agency Budget.
 - Item 9 Contract for Services with Muni Services
 - We noted that no description for this obligation was included on the amended EOPS; however, this was corrected on the ROPS.
 - Management states that the obligation amount of \$2,614 listed on the amended EOPS is based on the RDA budget.
 - Item 10 Contract for Services with Digital West
 - We noted that no description for this obligation was included on the amended EOPS; however, this was corrected on the ROPS.
 - Management states that the obligation amount of \$15,840 listed on the amended EOPS is based on the RDA budget. The successor agency made payments of \$2,430 from August through December 2011; however we did not determine if payments had been made on the contract prior to July 1, 2011 that might have further reduced the obligation amount.
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 items that were listed on the initial and amended EOPS and also 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: Successor Agency management stated that a transfer of the Low and Moderate Income Housing Fund did not occur prior to February 1, 2012. The successor agency did not provide documentation of a transfer; therefore, we were unable to determine if a transfer of the Low and Moderate Income Housing Fund occurred subsequent to February 1, 2012.

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 23, 2012 the Grover Beach City Council adopted Resolution 12-05 electing to retain the housing assets and functions previously performed by the Grover Beach Redevelopment Agency. However, we were unable to determine that a transfer of the housing funds appropriately occurred as indicated in Procedure 4 above.

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 Grover Beach Resolution 12-01, dated January 3, 2012, with which the Grover Beach City Council elected to become the successor agency to the Grover Beach Redevelopment Agency. By attending a meeting of the successor agency oversight board, we determined that the board had been appointed by May 1, 2012; however, the successor agency was unable to provide documentation showing that the names of the seven successor agency oversight board members had been submitted 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 were unable to determine that a transfer of operations occurred on

February 1, 2012 from the former redevelopment agency to the successor agency. The successor agency did not provide documentation showing that a transfer of operations had occurred.

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

Results: We were unable to ascertain that the successor agency established the Redevelopment Obligation Retirement Fund in its accounting system. The successor agency did not provide documentation showing that the fund had been established.

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 April 30, 2012 agreed in all material respects to the supporting documentation with the following notations/exceptions:

- Initial EOPS (August – December 2011 payments)

Grover Beach Improvement Project Area

- Item 1 Series 2005 Tax Allocation Bonds – An actual payment of \$188,044 was \$98,044 greater than the payment amount of \$90,000 listed on the initial EOPS because the August 1, 2011 interest payment was omitted from the initial EOPS.
- Item 4 Tax Allocation Bond Fees – There were no actual payments; however, an estimated payment amount of \$3,000 was listed on the initial EOPS. A subsequent January 2012 payment indicates that the actual obligation was \$1,986, and payment was made.
- Item 6 Cost Allocation – The successor agency was unable to provide documentation showing actual payments; however, \$18,583 of payments were listed on the initial EOPS.
- Item 7 Employee Costs – The successor agency was unable to provide documentation showing actual payments; however, \$30,038 of payments were listed on the initial EOPS.

- Item 9 Contract for consulting services with the Law Office of Martin D. Koczanowicz – Actual payments of \$6,915 were \$2,957 greater than the \$3,958 payment amount listed on the initial EOPS.
- Item 11 Agency audit with Moss, Levy and Hartzheim, CPA's - There were no actual payments; however \$2,400 of payments were listed on the initial EOPS. We determined that the \$2,400 payment was actually made in January 2012.
- Item 15 Staff Support Costs – The successor agency was unable to provide documentation showing actual payments; however, \$3,208 of payments were listed on the initial EOPS.
- Item 21 Contract for services with Rincon– Actual payments of \$9,389 were \$8,114 greater than the \$1,275 payment amount listed on the initial EOPS.

Grover Beach Industrial Enhancement Project Area

- Item 2 Employee Costs – The successor agency was unable to provide documentation showing actual payments; however, \$12,100 of payments were listed on the initial EOPS.
- Item 6 Agency audit with Moss, Levy and Hartzheim, CPA's - There were no actual payments; however \$2,200 of payments were listed on the initial EOPS. We determined that the \$2,200 payment was actually made in January 2012.
- Item 9 Contract for services with Muni Services – There were no actual payments; however \$2,614 of payments were listed on the initial EOPS.
- Item 10 Contract for services with Digital West – Actual payments of \$2,430 were \$13,410 less than the \$15,840 payment amount listed on the initial EOPS.
- Amended EOPS (January – April 2012 payments)

Grover Beach Improvement Project Area

- Item 7 Cost Allocation – The successor agency was unable to provide documentation showing actual payments; however, \$14,867 of payments were listed on the amended EOPS.

- Item 8 Employee Costs – The successor agency was unable to provide documentation showing actual payments; however, \$21,846 of payments were listed on the amended EOPS.
- Item 11 Property Tax Administrative Costs – There were no actual payments; however, payments of \$38,000 were listed on the amended EOPS.

Grover Beach Industrial Enhancement Project Area

- Item 2 Employee Costs – The successor agency was unable to provide documentation showing actual payments; however, \$8,800 of payments were listed on the amended EOPS.
 - Item 5 Property Tax Administrative Costs – There were no actual payments; however, payments of \$10,000 were listed on the amended EOPS.
 - Item 9 Contract for services with Muni Services – There were no actual payments; however \$5,228 of payments were listed on the amended EOPS.
 - Item 10 Contract for services with Digital West – Actual payments of \$9,990 were \$19,260 less than the \$29,250 payment amount listed on the amended EOPS.
- Draft ROPS (January – April 2012 Payments) - The results for the draft ROPS were the same as those for the Amended EOPS with the following exceptions:

Grover Beach Industrial Enhancement Project Area

- Item 11 Contract for services with Muni Services – There were no actual payments; however \$2,614 of payments were listed on the draft ROPS.
 - Item 12 Contract for services with Digital West – Actual payments of \$9,990 were \$5,850 less than the \$15,840 payment amount listed on the draft ROPS.
- Final ROPS (January –April 2012 Payments) - The results for the final ROPS were the same as those for the draft ROPS with the following exceptions:

Grover Beach Improvement Project Area

- Item 5 (Funding Source Admin) Attorney Services – There were no actual payments; however, \$4,750 of payments were listed on the final ROPS.

Grover Beach Industrial Enhancement Project Area

- Item 13 (Funding Source Admin) Attorney Services – Actual payments of \$5,461 were \$4,961 more than the \$500 of payments listed on the final 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 City Council/Redevelopment Agency minutes from June 21, 2010 through March 19, 2012. We did not note any unrecorded assets.

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

Results: We confirmed the existence of the Successors Agency's capital assets through physical inspection and observation.

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 noted that overall net assets ended the year with negative balances for each fiscal year.

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: The City of Grover Beach successor agency minutes indicate that the draft ROPS was prepared by February 21, 2012.

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 30, 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 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 Department of Finance and the State Controller.

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 same notations/exceptions noted in the Section A, RDA Dissolution and Restrictions, Procedure 2 amended EOPS section above with the exception of:

Grover Beach Improvement Project Area

- Item 14 Economic Vitality Corporation was on the amended EOPS, but was not carried forward to the draft ROPS.
- Item 15 Visitor's Conference Bureau was on the amended EOPS, but was not carried forward to the draft ROPS.

Grover Beach Industrial Enhancement Project Area

- Item 10 Contract for services with Geo Solutions
 - The contract is between the City and Geo Solutions and is dated January 11, 2012 which is after the December 29, 2011 effective date of ABX1 26 Section 34163(a) which prohibits agencies from entering into agreements to provide funds of any sort to any entity or person for any purpose.
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: There were no material differences between obligations listed on the amended EOPS and the obligations listed on the draft ROPS.

We noted that the Wastewater Fund Loan obligation was not on the initial EOPS causing an increase of \$400,000 between the draft ROPS and the initial EOPS.

- ❑ 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 from the successor agency that transmitted the final ROPS to the San Luis Obispo County Auditor-Controller, the State Controller, and the Department of Finance on May 1, 2012, which was after the April 15, 2012 due date.

The final ROPS is posted on the website of the City of Grover Beach

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 April 30, 2012 agreed in all material respects to the supporting documentation with the same 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 following notations/exceptions:

Funding Source: RPTTF

- Item 1 Series 2005 Tax Allocation Bonds
 - The outstanding bond amount of \$7,032,006 listed on the final ROPS is \$188,044 greater than the total obligation amount of \$6,843,962 calculated by the auditors based on the debt service schedule.
- Item 3 Wastewater Fund loan for W. Grand Ave. Project
 - The Wastewater Fund Loan of \$428,572 between the RDA and the City of Grover Beach 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 March 2, 1981 whereas the agreement for the wastewater fund loan originated on May 4, 2009. We noted that the Department of Finance did not find this obligation to be unenforceable.
 - The final ROPS total obligation amount of \$428,572 is \$68,572 greater than the \$360,000 obligation calculated by the auditors based on the debt service schedule.
- Item 4 SERAF Loan from the Low and Moderate Income Housing Fund
 - The total outstanding obligation amount of \$301,147 listed on the final ROPS is \$1,777 less than \$302,924 obligation amount calculated by the auditors based on the documentation provided by the successor agency.

- Item 5 Contract for Services with the Chamber of Commerce
 - The contract with the Grover Beach Chamber of Commerce for an obligation amount of \$25,000 was amended on October 1, 2011. Health and Safety Code Section 34162(a)(3)(C) prohibits an RDA from refunding, restructuring, or refinancing indebtedness or obligations that existed as of January 1, 2011 including, but not limited to modifying or amending the terms and conditions, payment schedules, amortization or maturity dates of any of the agency's bonds or other obligations that are outstanding or exist as of January 1, 2011. The amended contract modifies the terms of the original agreement; however, we noted that the Department of Finance did not disallow the obligation.
 - The total outstanding amount of \$25,000 listed on the final ROPS is \$6,249 greater than the \$18,751 obligation amount calculated by the auditors based on the contract amount. The difference is due to payments made in October, November, and December 2011 which were not subtracted from the total obligation amount.
- Item 6 Grover Beach Lodge and Conference Center Projects
 - Management stated that the Grover Beach Lodge and Conference Center Project Costs/JPA with the State of California obligation of \$10,000 on the final ROPS represented budgeted travel costs for the project.
- Item 10 Broadband Network Feasibility Contract for Services with Muni Services
 - Management states that the obligation amount of \$2,614 listed on the on the final ROPS is based on the RDA budget.
- Item 11 Broadband Network Feasibility Contract for Services with Digital West
 - Management states that the obligation amount of \$15,840 listed on the final ROPS is based on the RDA budget. The successor agency made payments of \$2,430 from August through December 2011; however we did not determine if payments had been made on the contract prior to July 1, 2011 that might have further reduced the obligation amount.
- Item 16 Contract for services with Geo Solutions
 - The contract is between the City and Geo Solutions and is dated January 11, 2012 which is after the December 29, 2011 effective date of ABX1 26 Section 34163(a) which prohibits agencies from entering

into agreements to provide funds of any sort to any entity or person for any purpose.

Funding Source: Admin

- Item 2 Cost Allocation for City of Grover Beach office space and overhead
 - Management states that the \$44,600 total obligation amount on the final ROPS is based on the RDA budget.
- Item 5 Attorney Services - Law Office of Martin D. Koczanowicz (Improvement Project Area)
 - The total obligation amount of \$9,500 listed on the final ROPS was carried forward from the initial EOPS without subtracting August through December payments totaling \$6,915.
- Item 6 Property Tax Administrative Costs (Improvement Project Area)
 - The total outstanding obligation amount of \$38,000 reported on the final ROPS agrees to the RDA's FY 2011-12 budget. The obligation is \$22,033 greater than the \$15,967 invoiced by the SLO County Auditor-Controller for July 1, 2011 through January 31, 2012 property tax administrative costs.
- Item 8 California Redevelopment Association (CRA) Dues (Improvement Project Area)
 - Dues for the CRA are not supported by a contract nor an agreement; nor are they necessary for the continued operation or administration of the RDA as provided for in Health and Safety Section 34167(d)(6).
 - It appears that the final ROPS total outstanding obligation amount of \$1,000 was carried forward from the initial EOPS without subtracting the \$1,000 payment made in October 2011.
- Item 9 Staff Support Costs (Improvement Project Area)
 - The total outstanding obligation of \$5,200 listed on the final ROPS, is \$1,900 less than the \$7,100 listed in the FY 11-12 Improvement Agency Budget; however, we were unable to verify if payments had been made which would decrease the obligation.
- Item 14 Property Tax Administrative Costs (Industrial Enhancement Project Area)
 - The total outstanding obligation amount of \$10,000 reported on the final ROPS agrees to the RDA's FY 2011-12 budget. The obligation is \$6,632 greater than the \$3,368 invoiced by the SLO County Auditor-Controller for July 1, 2011 through January 31, 2012 property tax administrative costs.

- Item 16 California Redevelopment Association (CRA) Dues (Industrial Enhancement Project Area)
 - Dues for the CRA are not supported by a contract nor an agreement; nor are they necessary for the continued operation or administration of the RDA as provided for in Health and Safety Section 34167(d)(6).
 - It appears that the final ROPS total obligation of \$790 was taken from the actual \$790 payment made in November 2011. Per management, the CRA dues are annual, thus the total obligation amount on the amended EOPS should be zero.
- Item 17 Staff Support Costs
 - Successor agency management stated that the staff support cost obligation was based on the FY 11-12 Improvement Agency Budget; however the obligation of \$2,600 listed on the final ROPS, is \$1,200 greater than the \$1,400 listed in the FY 11-12 Improvement Agency Budget.
- Item 24 Housing Trust Fund Dues
 - Dues for the Housing Trust Fund are not supported by a contract nor an agreement; nor are they necessary for the continued operation or administration of the RDA as provided for in Health and Safety Section 34167(d)(6).
 - It appears that the final ROPS total outstanding obligation amount of \$5,000 was carried forward from the initial EOPS without subtracting the \$5,000 payment made in November 2011.

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 15, 2012.

Results: The Agreed-Upon Procedures report was issued and distributed to the California State Controller by October 15, 2012.

**ATTACHMENT B
CITY OF GROVER BEACH 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	1,289,752	1,239,577	1,693,595
Accounts receivable	(17)	(17)	17,713
Interest receivable	-	1,259	2,386
Land held for resale:			
1541 Hillcrest Drive (APN 060-581-032)	300,000	300,000	300,000
Northwest corner of South 10th Street and Farroll Road (APN 060-352-018)	380,000	380,000	-
<i>Total Land Held for resale</i>	680,000	680,000	300,000
Bond issuance costs, net of accumulated amortization	211,650 *	216,812	225,662
Capital assets			
Nondepreciable - CIP	-	-	80,104
Depreciable assets - Infrastructure:			
Grand Ave Storm Drain/Meadow Creek Bridge	29,039	29,039	-
Beachfront Conference Center pre-construction costs	51,065	51,065	
Lighting improvements 8th through 11th Streets	364,041	364,041	364,041
Accumulated depreciation	(27,713) *	(47,508)	(36,404)
<i>Total capital assets, net</i>	416,432	396,637	407,741
Total Assets	2,597,816	2,534,268	2,647,097

**estimated*