County of San Luis Obispo

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

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

Gere W. Sibbach, CPA, Auditor-Controller

July 23, 2012

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Oversight Board of the Successor Agency
City of Paso Robles, 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 Paso Robles Redevelopment Agency is complying with its statutory requirements with respect to ABX1 26. Management of the City of Paso Robles 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, CPA, San Luis Obispo County Auditor-Controller
San Luis Obispo, California, July 23, 2012

Executive Summary City of Paso Robles 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 five obligations are unenforceable:

1. The successor agency was unable to provide formal supporting documentation for the SLO COE Early Childhood Dev Center obligation of $1,000,000.

2. The successor agency was unable to provide timely dated executed contracts and/or agreements to support the FEMA Reimbursement obligation of $1,037,000.

3. The contractor agreement for the ADA Improvements per Settlement Agreement obligation of $3,408,838 was dated March 14, 2012, after the June 27, 2011 ABX1 26 prohibition against entering into contracts.

4. The Legal Fees for Dissolution of Agency obligation of $50,000 should be a part of the Administrative Allowance.

5. The Financial Consultant Fees for Dissolution of Agency obligation of $50,000 should be a part of the Administrative Allowance.

We noted that the Department of Finance (DOF) made the same determination for these obligations. No further results will be reported for these obligations.

Additionally, the Housing Set-Aside obligation reported on the EOPS and draft ROPS is a projection of the 20% obligation to the Low and Moderate Housing Income Fund should the amount become obligated from future property tax revenues. Because the housing set-aside was eliminated with the dissolution of the RDA's, no further results will be reported for this obligation.

The Cooperation/Administrative Agreement obligation is the administrative allowance authorized by ABX1 26 and not an obligation of the RDA/successor agency. No further results will be reported for this obligation.

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 $35,605,349 which is $2,179,486 less than the total enforceable obligation amount of $37,784,835 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	10	11	13	12
$ of obligations	$72,304,807	$75,713,644	$75,813,644	$43,330,672
Payments made on reported obligations at date of report	$251,273	$434,330	$434,330	$434,330
Observations		ADA Improvements Obligation of $3,408,838 added.		Housing Set-Aside Obligation of $33,368,850 removed. City library obligation increased by $2,121,062.

ATTACHMENT A
AGREED-UPON PROCEDURES & RESULTS

Purpose: To establish the Paso Robles Redevelopment Agency's assets and liabilities, to document and determine the Paso Robles 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 Paso Robles 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 Paso Robles 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 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:

   - Item 1 2000 Tax Allocation Bond
     - The outstanding bond amount of $5,677,978 listed on the initial EOPS is $402,394 greater than the total obligation amount of $5,275,584 calculated by the auditors based on the debt service schedule.

   - Item 2 2009 Tax Allocation Bond Series A
     - The outstanding bond amount of $20,598,550 listed on the initial EOPS is $841,537 greater than the total obligation amount of $19,757,013 calculated by the auditors based on the debt service schedule.

- Item 3 2009 Tax Allocation Bond Series B
    - The outstanding bond amount of $3,408,838 listed on the initial EOPS is $730,473 greater than the total obligation amount of $2,678,365 calculated by the auditors based on the debt service schedule.

- Item 5 City Library Construction
    - The outstanding obligation amount of $4,529,788 listed on the initial EOPS is $314,920 greater than the $4,214,868 amount calculated by the auditors based on the certificates of participation debt service schedule. Based on our analysis it appears that the total obligation amount was not reduced by the December 2010 and June 2011 payments.

- Item 7 Repayment to LMIH for SERAF
    - The outstanding obligation amount of $1,433,803 listed on the initial EOPS is $244,603 greater than the $1,189,200 listed in the supporting documentation. Per management, the variance is due to a payment of $244,603 being inadvertently included in the total obligation amount in error.

- Item 8 Hidden Creek Affordable Housing
    - The total obligation amount of $1,000,000 listed on the initial EOPS is $100,000 greater than the total obligation amount of $900,000 calculated by the auditors based on the contract. Based on our analysis it appears that the total obligation amount was not reduced by a June 2011 payment of $100,000.

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 2000 Tax Allocation Bond
  - The outstanding bond amount of $5,677,978 listed on the amended EOPS is $488,029 greater than the total obligation amount of $5,189,949 calculated by the auditors based on the debt service schedule.

- Item 2 2009 Tax Allocation Bond Series A
  - The outstanding bond amount of $20,598,550 listed on the amended EOPS is $1,122,050 greater than the total obligation amount of $19,476,500 calculated by the auditors based on the debt service schedule.

- Item 3 2009 Tax Allocation Bond Series B
  - The outstanding bond amount of $3,408,838 listed on the amended EOPS is $784,362 greater than the total obligation amount of $2,624,476 calculated by the auditors based on the debt service schedule.

- Item 5 City Library Construction
  - The outstanding obligation amount of $4,529,788 listed on the amended EOPS is $566,193 greater than the $3,963,595 amount calculated by the auditors based on the certificates of participation debt service schedule. Based on our analysis it appears that the total obligation amount was not reduced by the December 2010, June 2011, and December 2011 payments.

- Item 7 Repayment to LMIH for SERAF
  - The outstanding obligation amount of $1,433,803 listed on the amended EOPS is $244,603 greater than the $1,189,200 listed in the supporting documentation. Per management, the variance is due to a payment of $244,603 being inadvertently included in the total obligation amount in error.

- Item 8 Hidden Creek Affordable Housing
  - The total obligation amount of $1,000,000 listed on the amended EOPS is $100,000 greater than the total obligation amount of $900,000 calculated by the auditors based on the contract. Based on our analysis it appears that the total obligation amount was not reduced by a June 2011 payment of $100,000.

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 17, 2012 the Paso Robles City Council adopted Resolution 12-006 electing to retain the housing assets and functions previously performed by the Paso Robles 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 Paso Robles Resolution 12-005, dated January 17, 2012, with which the Paso Robles City Council elected to become the successor agency to the Paso Robles Redevelopment Agency. We also inspected an email 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: Management has designated the successor agency's Debt Service fund as the Redevelopment Obligation Retirement Fund.

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 5 City Library Construction – There were no payments listed on the initial EOPS; however, $251,273 was paid in November 2011.

     - Item 8 Hidden Creek Affordable Housing – There were no actual payments; however, $100,000 of payments were listed on the initial EOPS.

   - Amended EOPS (January – May 2012 Payments)
     - Item 1 2000 Tax Allocation Bond – Actual payments of $85,636 were $157,245 less than the $242,881 payment amount listed on the amended EOPS. Based on our analysis it appears that the July 1, 2011 payment was inadvertently included in the payment amount listed on the amended EOPS.

- Item 2 2009 Tax Allocation Bond Series A – Actual payments of $280,513 were $280,512 less than the $561,025 payment amount listed on the amended EOPS. Based on our analysis it appears that the July 1, 2011 payment was inadvertently included in the payment amount listed on the amended EOPS.

- Item 3 2009 Tax Allocation Bond Series B – Actual payments of $53,889 were $302,380 less than the $356,269 payment amount listed on the amended EOPS. Based on our analysis it appears that the July 1, 2011 payment was inadvertently included in the payment amount listed on the amended EOPS.

- Item 5 City Library Construction – There were no actual payments; however, $309,933 of payments were listed on the amended EOPS.

- Item 7 Repayment to Low and Moderate Income Housing for SERAF – There were no actual payments; however, $239,968 of payments were listed on the amended EOPS.

- Item 8 Hidden Creek Affordable Housing – There were no actual payments; however, $100,000 of payments were listed on the amended EOPS.

- Draft ROPS (January – May 2012 Payments)

  - Item 1 2000 Tax Allocation Bond – Actual payments of $85,636 were $165,637 less than the $251,273 payment amount listed on the draft ROPS.

  - Item 5 City Library Construction – There were no actual payments; however, $309,933 of payments were listed on the draft ROPS.

- Final ROPS (January – May 2012 Payments)

  - Item 5 City Library Construction – There were no actual payments; however, $251,273 of payments were 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 15, 2010 through March 22, 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 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.

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 Paso Robles 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 10, 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 State Controller, and 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 same notations/exceptions noted in the Section A, RDA Dissolution and Restrictions, Procedure 2 amended EOPS section above.

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 the City Library Construction loan increased $2,121,063 between the draft and final ROPS. Management states that the increase is due to payments that were made on the obligation by the City on behalf of the RDA. Management states that the City made $4,132,692 of payments on behalf of the RDA from FY 1993 through FY 2006. In FY 2011, $2,011,629 of payments were made back to the City from the RDA's 2009 Tax Allocation Bond proceeds, leaving an obligation of $2,121,063 remaining, which is the amount added to the final ROPS. We were unable to verify that the City had made the full $4,132,692 payments. Management stated that records are not available prior to FY 1998; however, we were able to verify that the City had made $2,715,233 of payments on the COPS.

- ❑ 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 a letter from the Department of Finance that indicates the final ROPS was submitted to the DOF on April 13, 2012. We also determined that

the final ROPS was submitted to the Auditor-Controller's office prior to April 15, 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 Paso Robles (http://www.prcity.com/government/departments/adminservices/pdf/ROPS.pdf)

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 following notations/exceptions:

   - Item 1 2000 Tax Allocation Bond
     - The outstanding bond amount of $5,431,912 listed on the final ROPS is $241,963 greater than the total obligation amount of $5,189,949 calculated by the auditors based on the debt service schedule. Based on our analysis it appears that the obligation amount was not adjusted for the July 2011 and January 2012 payments.

   - Item 2 2009 Tax Allocation Bond Series A
     - The outstanding bond amount of $20,037,525 listed on the final ROPS is $561,025 greater than the total obligation amount of $19,476,500 calculated by the auditors based on the debt service schedule. Based on our analysis it appears that the obligation amount was not adjusted for the July 2011 and January 2012 payments.

   - Item 3 2009 Tax Allocation Bond Series B
     - The outstanding bond amount of $2,980,745 listed on the final ROPS is $356,269 greater than the total obligation amount of $2,624,476 calculated by the auditors based on the debt service schedule. Based

on our analysis it appears that the obligation amount was not adjusted for the July 2011 and January 2012 payments.

- Item 5 City Library Construction
  - The outstanding obligation amount of $6,650,850 listed on the final ROPS is $2,687,253 greater than the $3,963,595 amount calculated by the auditors based on the certificates of participation debt service schedule. The difference is primarily due to the successor agency's addition of $2,011,629 which management states represents payments made by the City on behalf of the RDA. See Procedure 6 in Section C, Recognized Obligation Payment Schedule for further details. Additionally, based on our analysis it appears that the total obligation amount was not reduced by the December 2010, June 2011, and December 2011 payments totaling $566,193.

- Item 6 Repayment to LMIH for SERAF
  - The outstanding obligation amount of $1,433,803 listed on the final ROPS is $244,603 greater than the $1,189,200 listed in the supporting documentation. Per management, the variance is due to a payment of $244,603 being inadvertently included in the total obligation amount in error.

- Item 7 Hidden Creek Affordable Housing
  - The total obligation amount of $1,000,000 listed on the final ROPS is $100,000 greater than the total obligation amount of $900,000 calculated by the auditors based on the contract. Based on our analysis it appears that the total obligation amount was not reduced by a June 2011 payment of $100,000.

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 July 15, 2012.

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

ATTACHMENT B
CITY OF PASO ROBLES 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	5,580,179	5,613,295	8,249,807
Accounts receivable	-	89,885	56,535
Due From	-	-	-
Loans receivable	1,243,782	1,245,590	945,590
Prepaid items	-	70,000	70,000
Restricted cash and investments	1,495,936	2,146,572	2,220,754
Bond issuance costs, net of accumulated amortization	375,697	383,547	397,005
Capital assets	-	-	-
Nondepreciable - Land	-	-	-
Depreciable assets - Building & improvements	1,861,205	1,861,205	1,861,205
Accumulated depreciation	(617,299)	(595,585)	(558,361)
Total capital assets, net	1,243,906	1,265,620	1,302,844
Total Assets	9,939,500	10,814,509	13,242,535