



County of San Luis Obispo

**Report on Applying Agreed-Upon-Procedures to the
City of Pismo Beach Redevelopment Agency and
Designated Local Authority**

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

**Gere W. Sibbach, CPA, Auditor-Controller
December 6, 2012**

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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 Designated Local Authority
City of Pismo 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 Pismo Beach Redevelopment Agency is complying with its statutory requirements with respect to ABX1 26. Management of the City of Pismo Beach Designated Local Authority 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.

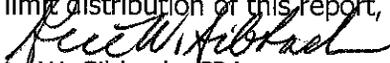
The scope of this engagement was limited to performing the minimum required agreed-upon procedures as set forth in Attachment A and additional procedures identified by the San Luis Obispo County Auditor-Controller also set forth in Attachment A.

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 a courtesy to the City of Pismo Beach Designated Local Authority, the Designated Local Authority's funds are kept in trust accounts in the County of San Luis Obispo's Treasury. We were thus able to obtain some Designated Local Authority accounting records from the County's accounting system.

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 designated local authority, 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

December 6, 2012

Executive Summary City of Pismo Beach Designated Local Authority

The City of Pismo Beach (City) declined to be the successor agency for their former Redevelopment Agency (RDA) which consisted of the Five Cities Project Area. The City also declined to be the housing successor. Subsequently, Governor Brown appointed a three-member Designated Local Authority (DLA) to serve as the successor to the former RDA, and the Department of Finance notified the Housing Authority of the City of San Luis Obispo of its responsibility to become the housing successor.

Instead of preparing an Enforceable Obligations Payment Schedule (EOPS) for the time period August – December 2011 and an EOPS and a Recognized Obligations Payment Schedule (ROPS) for the time period January – June 2012, the City prepared an EOPS and a ROPS for the Fiscal Year 2011-2012 which identified "Obligated Payments" for December 2011 and April 2012. Because the amounts and time periods on these schedules were the same, we limited our analysis to the initial EOPS.

Due to the transition timing between the former RDA and the designated local authority appointed by Governor Brown, a final ROPS for the January – June 2012 time period was not prepared.

The EOPS contains three items that are not classified as pass-throughs. Two of the items, Property Tax Administration Fees and Administrative Support services are administrative in nature. The third item relates to the 20% housing set-aside obligation to the Low and Moderate Housing Income Fund.

Overall our review supports the status of the individual items presented on the Enforceable Obligations Payment Schedule with the exceptions indicated in the narrative below.

The Housing Set-Aside obligation reported is the actual 2011 and projected 2012, 20% obligation to the Low and Moderate Housing Income Fund. Because the housing set-aside was eliminated with the dissolution of the RDA's, no further results will be reported for this obligation.

We disagreed with two individual obligation balances presented on the ROPS. The variances are due to the City's appropriate use of estimates for the obligation balances. We have identified the differences in the accompanying report in Section A, procedure 1.

We determined that a designated local authority and oversight board were established and that a transfer of funds occurred. The former RDA's funds were transferred to the County of San Luis Obispo to be held in trust for the designated local authority and the housing successor agency on June 5, 2012.

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 designated local authority. 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 with one exception.

ATTACHMENT A AGREED-UPON PROCEDURES & RESULTS

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

A. RDA Dissolution and Restrictions

For the Pismo Beach Redevelopment Agency dissolved, perform the following:

1. Obtain a copy of the enforceable obligation payment schedule (EOPS) for the period of December 2011 and April 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 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 December 1, 2011 and April 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 for the obligations listed on the schedule. We also compared the obligations listed on the EOPS to the legal document(s) that form the basis for the obligations.

We identified the following exceptions:

- Item 1 Property Tax Administration Fee
 - The total obligated payment amount of \$35,000 listed on the initial EOPS is \$2,555 greater than the auditor calculated obligation of \$32,445 provided by the San Luis Obispo County Auditor-Controller's Office.
 - Item 2 Administrative Support Services
 - The total obligated payment amount of \$40,000 listed on the initial EOPS is \$21,261 less than the auditor calculated obligation of \$61,261. Management states that the discrepancy is due to the \$40,000 obligation amount being estimated.
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: The amended EOPS is the same as the initial EOPS. See results in the initial EOPS Section A, procedure 1 above.

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: The items on the EOPS are administrative in nature and were not listed on the Statement of Indebtedness filed with the County Auditor-Controller on September 19, 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 designated local authority 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 designated local authority.

Results: We determined that a transfer of the Low and Moderate Income Housing Fund occurred on June 5, 2012. The fund's asset (cash) was transferred to the County of San Luis Obispo to hold in trust for the housing 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 City of Pismo Beach City Council adopted Resolution R-2012-003 which states "The City Council so resolves with full recognition that another entity, yet to be determined, will serve as the successor agency to the [redevelopment] Agency for housing obligations, and that Agency housing assets and enforceable obligations will be administered by an entity other than the City of Pismo Beach." We determined that a transfer of the housing activities did not occur on February 1, 2012.

B. Designated Local Authority

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

Results: We inspected the website of the Office of Governor Edmund G. Brown Jr. which announced the appointment of the members of the designated local authority on February 10, 2012. We also inspected an email dated May 3, 2012 indicating that the oversight board had been appointed and an email dated May 10, 2012 submitting the names of the designated local authority 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 designated local authority, 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 designated local authority.

Results: We determined that a transfer of operations from the former redevelopment agency to the designated local authority occurred on June 5, 2012 through depositing the funds' assets (cash) into County of San Luis Obispo trust funds for both the designated local authority and the housing successor agency.

3. Ascertain that the designated local authority has established the Redevelopment Obligation Retirement Fund(s) in its accounting system.

Results: The designated local authority has identified its sole 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: The payments listed on the EOPS and ROPS that were due to be paid through October 31, 2012 did not agree to the supporting documentation as identified below:

- Item 1 Property Tax Administration Fee

- The payment amount of \$35,000 listed on the EOPS and ROPS is \$16,074 greater than the actual payment of \$18,926. Management anticipated an additional payment during the reporting period; however, the County retained the amount due from the incremental tax disbursement.
- Item 2 Administrative Support Services
 - The total payment amount of \$40,000 listed on the EOPS and ROPS is \$21,261 less than the total administrative costs/payments of \$61,261 detailed in the City's general ledger. Management states that the discrepancy is due to the \$40,000 obligation amount being estimated.

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 designated local authority 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 designated local authority. We summarized the listings and have included that summary as Attachment B to this report.

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

Results: We reviewed City Council/Redevelopment Agency minutes from June 15, 2010 through October 23, 2012. We did not note any capital assets not recorded.

7. Confirm the existence of the designated local authority's capital assets.

Results: The designated local authority does not have any capital assets.

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

Results: The City of Pismo Beach memorandum dated September 28, 2011, with the

draft ROPS attached, indicates 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: The draft ROPS was prepared by the City of Pismo Beach prior to the creation of the designated local authority and the designated local authority's oversight board. The oversight board did not approve the draft ROPS.

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 inspected a memo dated September 28, 2011 submitting the draft ROPS with obligated payments for April 2011 and December 2012 to the San Luis Obispo County Auditor-Controller; however, we were unable to determine that a 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 does not include dates and amounts of scheduled payments for each enforceable obligation for the January – June 2012 reporting time period, but rather for the periods December 2011 and April 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: The results for the draft ROPS are the same as the results in Section A, procedure 1 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 differences between obligations listed on the EOPS and the obligations listed on the draft ROPS

- Obtain a copy of the final ROPS (January 1, 2012, through June 30, 2012) from the

designated local authority.

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 designated local authority (Health and Safety Code section 34177 (2)(C)).

Results: Due to the transition timing between the former RDA and the designated local authority appointed by Governor Brown a final ROPS for the January – June 2012 time period was not prepared.

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: Due to the transition timing between the former RDA and the designated local authority appointed by Governor Brown a final ROPS for the January – June 2012 time period was not prepared.

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: Due to the transition timing between the former RDA and the designated local authority appointed by Governor Brown a final ROPS for the January – June 2012 time period was not prepared.

D. Other Procedures

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

 1. Obtain a list of pass-through obligations from the designated local authority 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 with one exception:

- A pass-through payment was due to the Port San Luis Harbor District; however, the County was unaware of the pass-through agreement at the time of the December 6, 2011 distribution. The oversight has been corrected.
- Issue Agreed-Upon Procedures Report and distribute to the California State Controller by October 1, 2012.

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

**ATTACHMENT B
CITY OF PISMO BEACH DESIGNATED LOCAL AUTHORITY
ASSET LISTING**

	Assets as of January 31, 2012	Assets as of June 30, 2011	Assets as of June 30, 2010
Cash and investments	691,876	616,949	673,036
Net receivables		7,819	2,555
Prepaid expenses			495
Note receivable	1,000,000		
Capital assets			
Nondepreciable - Land		1,015,241	1,015,241
Total capital assets, net		1,015,241	1,015,241
Total Assets	1,691,876	1,640,009	1,691,327