

Designated Local Authority  
for the former Redevelopment Agency  
of the City of Pismo Beach

Basic Financial Statements and  
Independent Auditor's Reports

As of June 30, 2012 and for the five  
month period February 1, 2012 through  
June 30, 2012

## Table of Contents

Independent Auditor's Report.....	i
BASIC FINANCIAL STATEMENTS .....	1
Statement of Fiduciary Net Assets .....	2
Statement of Changes in Fiduciary Net Assets .....	3
NOTES TO THE BASIC FINANCIAL STATEMENTS.....	4
1. Summary of Significant Accounting Policies .....	5
2. Cash and Investments .....	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	8



## COUNTY OF SAN LUIS OBISPO

Office of the Auditor-Controller

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### Independent Auditor's Report

Oversight Board

Designated Local Authority for the former City of Pismo Beach Redevelopment Agency  
Pismo Beach, California

We have audited the accompanying statement of fiduciary net assets of the Designated Local Authority for the former Redevelopment Agency of the City of Pismo Beach (DLA) as of June 30, 2012 and the related statement of changes in fiduciary net assets for the five month period, February 1, 2012 to June 30, 2012, which collectively comprise the DLA's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the DLA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the DLA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

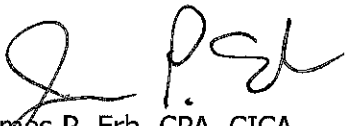
As required by various statutes within the California Government Code, County Auditor-Controllers are mandated to perform certain accounting, auditing, and financial reporting functions. These activities, in themselves, necessarily impair generally accepted auditing standards of independence. Specifically, "auditors should not audit their own work or provide non-audit services in situations where the amounts or services involved are significant and/or material to the subject of the audit." Although the San Luis Obispo County Auditor-Controller is statutorily obligated to maintain the accounts of departments, agencies or funds that are contained within the county treasury, we believe adequate safeguards and division of responsibility exist. The Auditor-Controller's Internal Audit Division, which has the responsibility to perform audits, has no other responsibility for the accounts and records being audited including the approval or posting of the transactions subject to audit. This would therefore enable the reader of this report to rely on the information contained herein.

As discussed in Note 1 to the financial statements, the Designated Local Authority was formed to aid in dissolving the City of Pismo Beach's former redevelopment agency.

In our opinion, except for the effects, if any, of the disclosure noted above, the basic financial statements referred to above present fairly, in all material respects, the fiduciary net assets of the DLA as of June 30, 2012, and the changes in fiduciary net assets for the five month period, February 1, through June 30, 2012, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2013 on our consideration of the Designated Local Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management has not presented the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.



James P. Erb, CPA, CICA  
San Luis Obispo County Auditor-Controller  
June 13, 2013

## **BASIC FINANCIAL STATEMENTS**

The accompanying notes are an integral part of these financial statements

**Designated Local Authority  
for the former RDA of the City of Pismo Beach  
Statement of Fiduciary Net Assets  
June 30, 2012**

**ASSETS**

Cash and investments held by County of San Luis Obispo (see Note 2)	\$ 187,381
Total Assets	<u>\$ 187,381</u>

**LIABILITIES**

Total Liabilities	<u>\$ -</u>
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**NET ASSETS**

Restricted for: Dissolution activities	<u>\$ 187,831</u>
Total Net Assets Held in Trust	<u>\$ 187,831</u>

The accompanying notes are an integral part of these financial statements

**Designated Local Authority  
for the former RDA of the City of Pismo Beach  
Statement of Changes in Fiduciary Net Assets  
For the five months ended June 30, 2012**

**ADDITIONS**

Property taxes	\$	132,543
Administrative allowance		63,002
Interest		27
 Total Additions	 \$	 <u>195,572</u>

**DEDUCTIONS**

Administrative expenses	\$	48,501
 Total Deductions		 <u>48,501</u>
 Change in Net Assets		 147,071

**NET ASSETS**

Net Assets– Beginning of year		-
Transfer from former redevelopment agency		<u>40,310</u>
Net Assets– End of year	\$	<u>187,381</u>

**NOTES TO THE BASIC FINANCIAL STATEMENTS**



**Designated Local Authority  
for the former RDA of the City of Pismo Beach  
Notes to the Basic Financial Statements  
June 30, 2012**

**1. Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

The City of Pismo Beach Redevelopment Agency (the "former RDA") was created on November 9, 1987 for the purpose of revitalizing and improving the condition of the City through the removal of blight, construction of public improvements, and stimulation of business. The former RDA was reported as a blended component unit in the financial statements of the City of Pismo Beach.

On December 29, 2011 the California Supreme Court upheld Assembly Bill X1 26 (ABX1 26) which provides for the dissolution of all redevelopment agencies in the State of California. The bill provides that upon dissolution of a redevelopment agency the founding city may elect to serve as the successor agency to the former RDA in order to expeditiously wind-down the affairs of the former RDA or the City may decline to serve as the successor agency. If no local agency (city, county, city and county, or special district in the county of the former redevelopment agency) elects to serve as a successor agency for the former RDA, ABX1 26 directs that a Designated Local Authority be formed to expeditiously wind-down the affairs of the former RDA.

On January 12, 2012, the City of Pismo Beach elected not to serve as the Successor Agency to the former RDA. Consequently, the Designated Local Authority (DLA) was created, and a three-member board was appointed by Governor Brown on February 10, 2012. The DLA board is overseen by an ABX1 26 mandated seven-member DLA Oversight Board.

The former RDA had no liabilities. Its sole asset of \$40,253 was transferred to the DLA on June 5, 2012. The DLA's assets, liabilities and activities are reported in a fiduciary private purpose trust fund.

**B. Basis of Presentation, Measurement Focus and Basis of Accounting**

***Basis of Presentation***

The DLA's accounts are organized in a private-purpose trust fund, which is used to account for the assets, liabilities, additions and deductions made by the DLA.

***Measurement Focus***

Measurement focus is a term used to describe which transactions are recorded within the financial statements.

The DLA's basic financial statements include the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets. The fiduciary financial statements are presented using the economic resources measurement focus. The economic resources

**Designated Local Authority  
for the former RDA of the City of Pismo Beach  
Notes to the Basic Financial Statements  
June 30, 2012**

measurement focus requires both current and long-term economic resources to be reported in the financial statements.

***Basis of Accounting***

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements.

The financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting revenues (additions) are recorded when earned and expenses (deductions) are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions in which the DLA receives value without directly giving equal value in exchange include property taxes. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

**C. Assets, Liabilities, and Net Assets or Equity**

***Deposits and Investments***

All of the DLA's cash is dedicated to winding up the affairs of the former RDA. The cash is held in the San Luis Obispo County Treasury, and the agency has no investments.

***Property Taxes***

The DLA's primary source of revenues comes from property taxes. Property taxes attach as an enforceable lien on property as of January 1. Property taxes are levied by the County of San Luis Obispo as of March 1 on property values as of the same date. State statutes provide that the property tax rate be limited generally to 1% of market value, be levied by only the County, and be shared by applicable jurisdictions. The County collects the taxes and distributes them to taxing jurisdictions. Property taxes for which the lien date is January 1, are due on November 1 and March 1, and become delinquent on December 10 and April 10, respectively. The DLA will be allocated its share of property taxes based on its need to pay for enforceable obligations and/or its administrative allowance as defined in AB 1x26 and modified by AB 1484.

**D. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Designated Local Authority  
for the former RDA of the City of Pismo Beach  
Notes to the Basic Financial Statements  
June 30, 2012**

**2. Cash and Investments**

The DLA's cash balance was \$187,381 as of June 30, 2012 on deposit in the San Luis Obispo County Treasury investment pool. The DLA is a voluntary participant in that pool. The pool is governed by and under the regulatory oversight of the Investment Policy adopted by the County Treasury Oversight Committee and the San Luis Obispo County Board of Supervisors. The DLA has not adopted an investment policy separate from that of San Luis Obispo County.



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### **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Oversight Board

Designated Local Authority for the former City of Pismo Beach Redevelopment Agency  
Pismo Beach, California

We have audited the accompanying financial statements of the Designated Local Authority for the former Redevelopment Agency of the City of Pismo Beach (DLA) as of and for the five month period, February 1, 2012 to June 30, 2012, which collectively comprise the DLA's basic financial statements and have issued our report thereon dated May 29, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Internal Control Over Financial Reporting**

The Designated Local Authority board members are responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Designated Local Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Designated Local Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Designated Local Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies

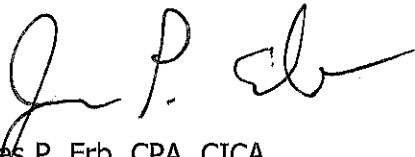
in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Designated Local Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

As required by various statutes within the California Government Code, County Auditor-Controllers are mandated to perform certain accounting, auditing, and financial reporting functions. These activities, in themselves, necessarily impair generally accepted auditing standards of independence. Specifically, "auditors should not audit their own work or provide non-audit services in situations where the amounts or services involved are significant and/or material to the subject of the audit." Although the San Luis Obispo County Auditor-Controller is statutorily obligated to maintain the accounts of departments, agencies or funds that are contained within the county treasury, we believe adequate safeguards and division of responsibility exist. The Auditor-Controller's Internal Audit Division, which has the responsibility to perform audits, has no other responsibility for the accounts and records being audited including the approval or posting of the transactions subject to audit. This would therefore enable the reader of this report to rely on the information contained herein.

This report is intended solely for the information and use of management of the Designated Local Authority and the Oversight Board, and is not intended to be, and should not be, used by anyone other than these specified parties.



James P. Erb, CPA, CICA  
San Luis Obispo County Auditor-Controller  
June 13, 2013