

**TRANSPORTATION AGENCY
FOR MONTEREY COUNTY**

**Compilation Report on Compliance with
Ordinance No. 2016-01 and the Measure X
Master Programs Funding Agreement**

June 30, 2019

TRANSPORATION AGENCY FOR MONTEREY COUNTY
Compilation Report on Compliance with Ordinance No. 2016-01 and the Measure X Master Programs Funding Agreement
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Moss, Levy & Hartzheim LLP

Certified Public Accountants

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED UPON PROCEDURES**

Transportation Agency for Monterey County

We have performed the procedures enumerated below, which were agreed to by the Transportation Agency for Monterey County, solely to assist it in evaluating management's assertion that the cities of Carmel-by-the-Sea, Del Rey Oaks, Gonzales, Greenfield, King City, Marina, Monterey, Pacific Grove, Salinas, Sand City, Seaside, Soledad, and the County of Monterey complied with their Measure X Funding Agreements and with the Measure X Investment Plan of the Transportation Agency for Monterey County including Maintenance of Effort requirement, during the fiscal year ended June 30, 2019. Management of each of the entities listed above is responsible for compliance with their Measure X Funding Agreements and with the Measure X Investment Plan of the Transportation Agency for Monterey County including the Maintenance of Effort requirement. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of 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. We did not audit the financial statements of the Traffic Safety and Investment Plan Account Funds of the entities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Schedule of Measure X Allocations, Expenditures, Fund Balance, and Compliance, is based solely on the report of the other auditors.

Procedures Applied

1. Obtained the audited financial statements and/or Traffic Safety and Investment Plan Account Fund audited financial statements of each of the entities for the fiscal year 2018-2019.
2. Read the audited financial statements to determine total revenues, expenditures, and fund balances of the Measure X Fund for the fiscal year 2018-2019 for each jurisdiction.
3. Obtained an opinion from the entity's independent auditor on the entity's compliance in accordance with the compliance requirements described in the Transportation Agency for Monterey County's (TAMC) Ordinance No. 2016-01 and in the Measure X Master Programs Funding Agreement (the Agreement) between TAMC and each entity.
4. Made a determination if the entities met their Maintenance of Effort requirement based upon our review of the General Fund expenditures made on street projects or maintenance during the fiscal year ended June 30, 2019.
5. Summarized our findings in the accompanying Schedule of Measure X Allocations, Expenditures, Fund Balance, and Compliance for the fiscal year ended June 30, 2019.
6. Determined that each entity segregated monies received pursuant to Measure X in a separate Traffic Safety and Investment Plan Account Fund and has a reasonable method of allocating interest to unspent funds.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on management's assertion. 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.

This report is intended solely for the information of the Board of Directors and management of the Transportation Agency for Monterey County, and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Remy & Haugheim LLP

Santa Maria, California
March 13, 2020

Transportation Agency for Monterey County
Schedule of Measure X Allocations, Expenditures, Fund Balance, and Compliance
For the Fiscal Year Ended June 30, 2019

	Carmel	Del Rey Oaks	Gonzales	Greenfield	King City	Marina	Monterey	Pacific Grove	Salinas	Sand City	Seaside	Soledad	County of Monterey	Total
Revenues in Local Measure X Funds:														
Measure X allocation received	\$ 205,045	\$ 82,554	\$ 208,391	\$ 466,264	\$ 424,371	\$ 886,241	\$ 823,557	\$ 737,151	\$ 4,639,064	\$ 29,540	\$ 1,101,253	\$ 622,048	\$ 9,525,367	\$ 19,750,846
Measure X loan proceeds		677,020												677,020
Interest earned	508				102	46,393	19,339	14,141	83,094		20,487	4,694	88,909	277,667
Total Measure X revenue available	205,553	759,574	208,391	466,264	424,473	932,634	842,896	751,292	4,722,158	29,540	1,121,740	626,742	9,614,276	20,705,533
Expenditures in Local Measure X Funds:														
Expenditures	216,094	827,027	208,391	775,763	507,612	1,450,645	323,375	20,377	1,807,388		268,748	40,054	5,174,327	11,619,801
Total Measure X funding spent	216,094	827,027	208,391	775,763	507,612	1,450,645	323,375	20,377	1,807,388		268,748	40,054	5,174,327	11,619,801
Net Transfers in Local Measure X Funds:														
Transfers						1,760,001								1,760,001
Total Measure X transfers						1,760,001								1,760,001
Net change in fund balance	(10,541)	(67,453)		(309,499)	(83,139)	1,241,990	519,521	730,915	2,914,770	29,540	852,992	586,688	4,439,949	10,845,733
Fund balance, beginning of fiscal year	40,614	67,453		309,499	206,655	579,630	625,749	185,553	3,923,833	26,017	1,076,466	583,890	5,626,890	13,252,249
Ending fund balance	\$ 30,073	\$ -	\$ -	\$ -	\$ 123,516	\$ 1,821,620	\$ 1,145,270	\$ 916,468	\$ 6,838,603	\$ 55,557	\$ 1,929,458	\$ 1,170,578	\$ 10,066,839	\$ 24,097,982
Compliance with Maintenance of Effort:														
Required Maintenance of Effort	\$ 175,508	\$ 61,043	\$ -	\$ -	\$ 51,309	\$ 434,257	\$ 2,919,095	\$ 912,274	\$ 4,429,476	\$ 497,886	\$ 653,790	\$ -	\$ 4,940,363	
General Fund Street Expenditures 2018-19	\$ 1,184,042	\$ 194,802	\$ -	\$ 30,617	\$ 89,113	\$ 1,478,208	\$ 3,022,092	\$ 756,094	\$ 4,970,973	\$ 633,481	\$ 653,790	\$ -	\$ 5,325,771	
In Compliance?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No See Finding 2019-1.	Yes	Yes	Yes	Yes	Yes	
Statement from Independent Auditor stating compliance with the Measure X funding agreement and Investment Plan?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
Compilation Report on Compliance with Ordinance No. 2016-01 and the Measure X Master Programs Funding Agreement
Current Fiscal Year Findings
For the Fiscal Year Ended June 30, 2019

Finding 2019-1

The Measure X Master Programs Funding Agreement between the Cities and the Transportation Agency for Monterey County required that the City must expend each fiscal year from its general fund for street and highway purposes an amount not less than the required maintenance of effort. For the fiscal year ended June 30, 2019, the City of Pacific Grove spent \$756,094 of its General Fund money on street expenditures which was less than the required spending of \$912,274.

Result: The City was \$156,180 short of meeting its required maintenance of effort.

Agency Response:

Due to unanticipated project delays, the City of Pacific Grove did not make enough project expenditures to count towards their Maintenance of Effort requirement. On February 26, 2020, the Transportation Agency Board approved a process for the city to become compliant with Ordinance 2016-01 by repaying the funding shortfall to their Measure X accounts from non-Measure X sources as remediation. On March 4, 2020, the Pacific Grove City Council approved a transfer of \$156,783 of general fund revenues to their Measure X fund, bringing the city into compliance. This transfer will count towards the city's 2018/19 maintenance of effort requirement, and the city will still be required to meet its fiscal year 2019/20 maintenance of effort in addition to the transfer for the shortfall.

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
Compilation Report on Compliance with Ordinance No. 2016-01 and the Measure X Master Programs Funding Agreement
Prior Fiscal Year Findings
For the Fiscal Year Ended June 30, 2019

Finding 2018-1

The Measure X Master Programs Funding Agreement between the Cities and the Transportation Agency for Monterey County required that the City must expend each fiscal year from its general fund for street and highway purposes an amount not less than the annual average of its expenditures from its general fund during the preceding three fiscal years, as reported to the Controller pursuant to Streets and Highways Code section 2151 (“Maintenance of Effort”). For purposes of this calculation, an average of the prior three (3) years spent for local transportation purposes will be used. The City of Seaside uses its Gas Tax Fund for the majority of streets maintenance expenditures. Typically, the City then reimburses the Gas Tax Fund with a transfer from the General Fund for its discretionary street expenditures as budgeted by Council. However, in the fiscal year ended June 30, 2018, the City did not make the transfer during the fiscal year and instead moved the money after year-end posted on July 1, 2018.

Result: The City did not post any maintenance of effort expenditures as paid for by the General Fund in the fiscal year ended June 30, 2018. However, the City did make the transfer on July 1, 2018 for \$632,152. While the City was not in compliance with the Maintenance of Effort requirement as of June 30, 2018, the City is currently in compliance and plans to make a second transfer by the end of the 2018-19 fiscal year to continue meeting the requirements.

Agency Response: City of Seaside complied with this requirement in FY 17/18 and will need to demonstrate continuing compliance for FY 18-19 by meeting the Maintenance of Effort requirement. The Transportation Agency for Monterey County will continue to monitor compliance in upcoming fiscal years and withhold funding if the City is non-compliant in the future.

Current Status: Corrections were implemented for the City of Seaside, however, the City of Pacific Grove did not meet its required maintenance of effort, see Finding 2019-1.

Finding 2018-2

The Measure X Master Programs Funding Agreement between the Cities and the Transportation Agency for Monterey County required that “All Measure X revenues received and expended shall be accounted for and tracked in its own separate budget and fund titled “Transportation Safety & Investment Plan Account” and will not be comingled with any other funds.” The City of Marina transferred \$500,000 of its Measure X revenue into a capital projects fund.

Result: The City did not record its Measure X expenditures in the Transportation Safety & Investment Plan Fund.

Agency Response: The City of Marina has traditionally used a capital projects fund for all its capital projects. A capital projects fund receives money from all its sources and then funds the project. This is particularly helpful for projects that have multiple funding sources as opposed to paying varying shares of a project out of multiple funds.

To meet the Measure X requirement, the City of Marina has changed its practice as of the end of last fiscal year (June 30, 2019) and created a capital projects fund unique to Measure X. The City will still transfer in resources for the Measure X projects, but the Capital Project Measure X fund will take on the nature of Measure X. Any interest earned in the fund will go back to Measure X and they will identify on the City’s books this capital project fund as being associated with Measure X. The City believes this will meet the requirements for segregation of funds while not changing the management of capital projects that the City has used for years.

The Transportation Agency for Monterey County will continue to monitor compliance in upcoming fiscal years and withhold funding if the City is non-compliant in the future.

Current Status: Corrections were implemented.

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
Compilation Report on Compliance with Ordinance No. 2016-01 and the Measure X Master Programs Funding Agreement
Prior Fiscal Year Findings
For the Fiscal Year Ended June 30, 2019

Finding 2018-3

The Measure X Master Programs Funding Agreement between the Cities and the Transportation Agency for Monterey County required that the Cities complete an Annual Program Compliance Report prior to December 31, 2018. The cities of Del Rey Oaks, Greenfield, Marina, Monterey, Pacific Grove, Salinas, Sand City and Seaside did not complete their report and submit it to TAMC prior to December 31, 2018.

Result: These cities were not in compliance with the timing requirements of the Measure X Master Programs Funding Agreement.

Agency Response: All the cities are in compliance as of August 2019. The Transportation Agency for Monterey County will continue to monitor compliance in upcoming fiscal years and withhold funding if the jurisdictions are non-compliant in the future. The Agency will also supply all 13 jurisdictions with an annual audit checklist to aid in their compliance with the Measure X requirements.

Current Status: Corrections were implemented and all cities had submitted either their final or draft reports on time.