

**TRANSPORTATION AGENCY  
FOR MONTEREY COUNTY**

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

June 30, 2018

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**Compilation Report on Compliance with Ordinance No. 2016-01 and the Measure X Master Programs Funding Agreement**  
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**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, 2018. 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 2017-2018.
2. Read the audited financial statements to determine total revenues, expenditures, and fund balances of the Measure X Fund for the fiscal year 2017-2018 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 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").
5. Summarized our findings in the accompanying Schedule of Measure X Allocations, Expenditures, Fund Balance, and Compliance for the fiscal year ended June 30, 2018.
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  
September 9, 2019

**Transportation Agency for Monterey County**  
**Schedule of Measure X Allocations, Expenditures, Fund Balance, and Compliance**  
**For the Fiscal Year Ended June 30, 2018**

	<u>Carmel</u>	<u>Del Rey Oaks</u>	<u>Gonzales</u>	<u>Greenfield</u>	<u>King City</u>	<u>Marina</u>	<u>Monterey</u>	<u>Pacific Grove</u>	<u>Salinas</u>	<u>Sand City</u>	<u>Seaside</u>	<u>Soledad</u>	<u>County of Monterey</u>	<u>Total</u>
<b>Revenues in Local Measure X Funds:</b>														
Measure X allocation received	\$ 180,580	\$ 67,453	\$ 184,093	\$ 315,835	\$ 305,107	\$ 618,260	\$ 947,335	\$ 430,205	\$ 4,887,167	\$ 26,017	\$ 1,159,700	\$ 569,545	\$ 6,647,661	\$ 16,338,958
Measure X loan proceeds			2,500,000											2,500,000
Interest earned	4,034			1,768	1,294			1,153	634			849	48,072	57,804
<b>Total Measure X revenue available</b>	<u>184,614</u>	<u>67,453</u>	<u>2,684,093</u>	<u>317,603</u>	<u>306,401</u>	<u>618,260</u>	<u>947,335</u>	<u>431,358</u>	<u>4,887,801</u>	<u>26,017</u>	<u>1,159,700</u>	<u>570,394</u>	<u>6,695,733</u>	<u>18,896,762</u>
<b>Expenditures in Local Measure X Funds:</b>														
Expenditures:	144,000		2,684,093	58,073	8,117	38,630	321,585	329,825	741,183		83,235	72,275	1,068,843	5,549,859
<b>Total Measure X funding spent</b>	<u>144,000</u>		<u>2,684,093</u>	<u>58,073</u>	<u>8,117</u>	<u>38,630</u>	<u>321,585</u>	<u>329,825</u>	<u>741,183</u>		<u>83,235</u>	<u>72,275</u>	<u>1,068,843</u>	<u>5,549,859</u>
<b>Net change in fund balance</b>	<u>40,614</u>	<u>67,453</u>		<u>259,530</u>	<u>298,284</u>	<u>579,630</u>	<u>625,750</u>	<u>101,533</u>	<u>4,146,618</u>	<u>26,017</u>	<u>1,076,465</u>	<u>498,119</u>	<u>5,626,890</u>	<u>13,346,903</u>
<b>Fund balance, beginning of fiscal year</b>				49,969	(91,629)			84,020	(222,785)			85,771		(94,654)
<b>Ending fund balance</b>	<u>\$ 40,614</u>	<u>\$ 67,453</u>	<u>\$ -</u>	<u>\$ 309,499</u>	<u>\$ 206,655</u>	<u>\$ 579,630</u>	<u>\$ 625,750</u>	<u>\$ 185,553</u>	<u>\$ 3,923,833</u>	<u>\$ 26,017</u>	<u>\$ 1,076,465</u>	<u>\$ 583,890</u>	<u>\$ 5,626,890</u>	<u>\$ 13,252,249</u>
<b>Compliance with Maintenance of Effort:</b>														
General Fund Street Expenditures 2014-15	\$ 804,641	\$ 14,819	\$ -	\$ -	\$ -	\$ 531,903	\$ 2,440,234	\$ 285,680	\$ 2,763,928	\$ 175,365	\$ 656,888	\$ -	\$ 3,768,551	
General Fund Street Expenditures 2015-16	314,328					135,070	2,555,294	137,023	3,984,744	398,323	476,040		4,478,822	
General Fund Street Expenditures 2016-17	175,508	61,043			51,308	434,257	2,919,095	175,176	4,429,476	497,886	653,790		4,940,363	
Average of prior 3 years:	431,492	25,287			17,103	367,077	2,638,208	199,293	3,726,049	357,191	595,573		4,395,912	
General Fund Street Expenditures 2017-18	1,428,859	40,826			92,428	633,942	2,794,699	204,506	4,494,506	632,217	-		5,480,243	
<b>In Compliance?</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>No</b>	<b>Yes</b>	<b>Yes</b>	
											<i>See finding 2018-1.</i>			
Statement from Independent Auditor stating compliance with the Measure X funding agreement and Investment Plan?	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Qualified</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	
						<i>See finding 2018-2.</i>								

**TRANSPORTATION AGENCY FOR MONTEREY COUNTY**  
**Compilation Report on Compliance with Ordinance No. 2016-01 and the Measure X Master Programs Funding Agreement**  
**Findings**  
**For the Fiscal Year Ended June 30, 2018**

**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.

**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 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.

**TRANSPORTATION AGENCY FOR MONTEREY COUNTY**  
**Compilation Report on Compliance with Ordinance No. 2016-01 and the Measure X Master Programs Funding Agreement**  
**Findings**  
**For the Fiscal Year Ended June 30, 2018**

**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.