



Independent Accountant's Report On Applying Agreed-Upon Procedures

The Board of Commissioners
Riverside County Transportation Commission
Riverside, California

We have performed the procedures enumerated below, which were agreed to by the Riverside County Transportation Commission (RCTC) (specified party), solely to assist RCTC in determining whether the City of Murrieta, California (the City) (responsible party), was in compliance with the Measure A Local Streets and Roads Program grant terms and conditions for the fiscal year ended June 30, 2017. The City's management is responsible for compliance with the grant terms and conditions of the Measure A Local Streets and Roads Program. 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.

Our procedures and related findings are as follows:

1. Review the 2009 Measure A (Ordinance 02-001) compliance requirements. Western County jurisdictions are required to participate in the Transportation Uniform Mitigation Fee (TUMF) program and in the Multi-Species Habitat Conservation Plan (MSHCP), which are administered by the Western Riverside Council of Governments (WRCOG) and the Western Riverside County Regional Conservation Authority (RCA), respectively. Coachella Valley jurisdictions are required to participate in the TUMF program administered by the Coachella Valley Association of Governments (CVAG). Indicate participation in TUMF and/or MSHCP programs.

Finding: No exceptions were noted as a result of applying this procedure. The City participates in the TUMF program administered by WRCOG and the MSHCP administered by RCA.

2. Obtain from RCTC the approved Five-Year Capital Improvement Plan (CIP) for the fiscal year.

Finding: No exceptions were noted as a result of applying this procedure.

3. Obtain from the jurisdiction a detail general ledger and balance sheet for the fiscal year.

- a. Identify the amount of Measure A cash and investments recorded at the end of the fiscal year. Compare amount to Measure A fund balance and provide an explanation for any differences greater than 25% of fund balance.

Finding: Measure A cash and investments were \$7,624,550 at June 30, 2017. The difference between Measure A cash and investments of \$7,624,550 and fund balance of \$7,150,588 was \$(473,962) or (6.6%) of the fund balance.

- b. Identify any amounts due from other funds.

Finding: There were no amounts due from other funds at June 30, 2017.

- c. Identify the components of ending fund balance for the Measure A activity (e.g., nonspendable, restricted, assigned, committed, unassigned).

Finding: The ending fund balance for Measure A activity in the amount of \$7,150,588 was restricted at June 30, 2017.

- d. Identify the existence of any restatement of Measure A fund balance; inquire of management as to the reason for any restatement and provide a summary of the restatement items.

Finding: We noted no restatement of the Measure A fund balance reported at June 30, 2016.

- 4. Obtain an operating statement for the Measure A activity for the fiscal year, including budget amounts; include the operating statement as an exhibit to the report.

- a. Review the revenues in the operating statement.

- i. Inquire of management as to what fund is used to record Measure A revenues received from RCTC and identify what the total revenues were for the fiscal year.

Finding: The City accounts for Measure A revenues in its Measure A Fund (Fund #302). The City recorded total revenues in the amount of \$2,346,957 for the fiscal year ended June 30, 2017 (refer to Exhibit A).

- ii. Obtain from RCTC a listing of Measure A payments to the jurisdiction. Compare the Measure A sales tax revenues recorded by the jurisdiction to the listing of payments made by RCTC.

Finding: We identified a variance of \$24,441 between the Measure A revenues recorded by the City and the RCTC Measure A payment schedule. The difference is due to a fiscal year 2016 clean-up adjustment payment from RCTC in the amount of \$62,281 recorded by the City in fiscal year 2017; and a fiscal year 2017 clean-up adjustment payment by RCTC in the amount of \$86,722 recorded by the City in fiscal year 2018. The following schedule summarizes these differences.

	RCTC	City of Murrieta
Measure A revenues recorded	\$ 2,292,091	\$ 2,267,650
2016 clean-up adjustment payment	-	(62,281)
2017 clean-up adjustment payment	-	86,722
Measure A revenues reconciled	<u>\$ 2,292,091</u>	<u>\$ 2,292,091</u>

- i. Obtain from the jurisdiction an interest allocation schedule for the fiscal year.
 - 1. Identify the allocation amount of interest income to Measure A activity and what the amount of interest income was for the fiscal year. If no interest was allocated, inquire of management as to reason for not allocating interest income.

Finding: The City allocated interest in the amount of \$79,307 to Measure A activity for the fiscal year ended June 30, 2017.

b. Review the expenditures in the operating statement.

- i. Inquire of management as to what fund is used to record Measure A expenditures and what the total expenditures were for the fiscal year.

Finding: The City accounts for Measure A expenditures in its Measure A Fund (Fund #302). The City recorded total Measure A expenditures in the amount of \$1,656,069 for the fiscal year ended June 30, 2017 (refer to Exhibit A).

- ii. Select expenditures for testing that comprise at least 20 of the total Measure A expenditures.

Finding: The City recorded Measure A expenditures in the amount of \$1,656,069. We selected expenditures in the amount of \$528,304 or 31.9%, for testing.

1. For the expenditures selected for testing, compare the dollar amount listed on the general ledger to the supporting documentation.

Finding: No exceptions were noted as a result of applying this procedure.

2. For the expenditures selected for testing, review the Five-Year CIP and note if the project is included in the Five-Year CIP and is an allowable cost.

Finding: The expenditures selected for testing were included in the Five-Year CIP and were allowable costs. No exceptions were noted as a result of applying this procedure.

- iii. Inquire of management as to the nature of any transfers in or out recorded in the Measure A Fund. For any transfers out, determine if nature of transfer out was included in the Five-Year CIP.

Finding: Per discussion with City management, the City recorded transfers out of the Measure A Fund in the amount of \$727,425 to the 2007 Refunding Certificates of Participation Bond Fund for debt service which is included in the Five-Year CIP.

- iv. Inquire of management as to the amount of general or non-project-related indirect costs, if any, included in expenditures. If indirect costs exceed 8% of Measure A revenue, inquire of management as to the basis for indirect costs charged to Measure A. If indirect costs are identified, determine if such costs are included in the Five-Year CIP.

Finding: Per discussion with City management, there were no general or non-project related costs allocated to the Measure A Fund as of June 30, 2017. No exceptions were noted as a result of applying this procedure.

- v. Inquire of management as to the amount of debt service expenditures recorded in the Measure A fund.

1. For cities with advance funding agreements with RCTC, compare debt service expenditures to Measure A payments withheld by RCTC.

Finding: There was no advance funding agreement with RCTC noted.

2. For cities with other indebtedness, determine if such costs are included in the Five-Year CIP.

Finding: The city recorded debt service expenditures for the 2007 Refunding Certificates of Participation Bond in the amount of \$727,425 that is included in the Five-Year CIP.

5. Compare the budgeted expenditures to actual amounts; inquire of management as to the nature of significant budget variances.

Finding: The following schedule compares budgeted expenditures to actual amounts.

	Budget	Actual	Variance
Capital Projects	\$ 8,301,608	\$ 1,650,966	\$ 6,650,642
Contract Audit Services	362	362	-
Investment Administration Fees	4,500	4,741	(241)
Transfers Out	729,145	727,425	1,720
Total expenditures	<u>\$ 9,035,615</u>	<u>\$ 2,383,494</u>	<u>\$ 6,652,121</u>

Per discussion with City management, the variance in Capital Projects is due to projects that did not start as anticipated, projects that are not complete, or the City using Measure A fund as the last funding source for transportation projects.

6. Obtain from RCTC a listing of jurisdictions who participate in the Western County or Coachella Valley TUMF programs.
 - a. If the jurisdiction is a participant in the TUMF program, select at least one disbursement for validation as to the amount remitted to WRCOG or CVAG, as applicable.

Finding: We selected one disbursement in the amount of \$136,695. The payment selected for testing indicated that TUMF was collected and remitted to WRCOG, as required.

- b. Indicate the total amount of TUMF fees collected and remitted during the fiscal year.

Finding: The total amount of TUMF fees collected and remitted during the fiscal year ended June 30, 2017, were \$2,310,515 and \$2,173,819, respectively. The difference of \$136,696 was due to a timing difference between collections and remittances. TUMF fees of \$136,696 for June 2017 were remitted in July 2017.

7. Obtain from RCTC a listing of jurisdictions who participate in the Western County MSHCP program.
 - a. If the jurisdiction is a participant in the MSHCP program, select at least one disbursement for validation as to the amount remitted to RCA, as applicable.

Finding: We selected one disbursement in the amount of \$43,444. The payment selected for testing indicated that MSHCP was collected and remitted to RCA, as required.

- b. Inquire of management as to the existence of any fees collected in prior years and not remitted to RCA as of the end of the fiscal year.

Finding: Per discussion with City management, there were no fees collected nor remitted to RCA in prior years as of the end of the fiscal year.

- c. Indicate the total amount of MSHCP fees collected and remitted during the fiscal year.

Finding: The total amount of Western County MSHCP fees collected and remitted during the fiscal year ended June 30, 2017, was \$85,054, respectively.

- 8. Obtain from RCTC the Maintenance of Effort (MOE) base year requirement, including supporting detail of the calculations for the City, and the carryover amount allowed as of the beginning of the fiscal year.

- a. Obtain from the City a calculation of its current year MOE amount in the format similar to its base year calculation. Attach a copy of the calculation worksheet provided by the City as an exhibit to the report.

Finding: No exceptions were noted as a result of applying this procedure. Refer to Exhibit B for a copy of the City’s MOE calculation.

- b. Compare the current year MOE amounts from the General Fund to the general ledger.

Finding: No exceptions were noted as a result of applying this procedure.

- c. Review the General Fund general ledger to determine if there were any transfers in to fund any MOE amounts.

Finding: No transfers in were noted as a result of applying this procedure.

- d. Compare the amount of current year MOE expenditures to the MOE base requirement and add any excess to, or subtract any deficiency from, the carryover amount.

Finding: We noted that current year MOE expenditures of \$420,221 were less than the MOE base requirement of \$595,702 resulting in a \$175,481 deficiency for the fiscal year ended June 30, 2017.

- e. If the amount of discretionary funds spent is less than the MOE base requirement (MOE deficiency), determine the amount of any prior year MOE carryover using the information obtained from RCTC, and reduce the MOE deficiency by any available MOE carryover to determine an adjusted current year expenditure amount.

Finding: We noted that the City’s discretionary funds spent during the fiscal year ended June 30, 2017, were less than the MOE base year requirement. The deficiency of \$175,481 reduced the MOE excess of \$534,647 from previous years to \$359,166. The City’s MOE carryover at June 30, 2017 is calculated as follows:

MOE excess at July 1, 2016	\$ 534,647
Current year MOE expenditures	420,221
Less: MOE base year requirement	(595,702)
MOE excess (deficiency) for the fiscal year ended June 30, 2017	(175,481)
MOE excess at June 30, 2017	\$ 359,166

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the City's compliance with the grant terms and conditions of the Measure A Local Streets and Roads Program. 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 and use of the Board of Commissioners and management of RCTC and is not intended to be and should not be used by anyone other than this specified party.

Macias Gini & O'Connell LLP

Newport Beach, California
February 9, 2018

CITY OF MURRIETA, CALIFORNIA
Measure A Operating Statement
For the Fiscal Year Ended June 30, 2017
(Unaudited)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Interest Income	\$ 44,270	\$ 79,307	\$ 35,037
Measure A	<u>2,156,000</u>	<u>2,267,650</u>	<u>111,650</u>
Total revenues	<u>2,200,270</u>	<u>2,346,957</u>	<u>146,687</u>
Expenditures:			
Capital Projects	8,301,608	1,650,966	6,650,642
Contract Audit Services	362	362	-
Investment Administration Fees	<u>4,500</u>	<u>4,741</u>	<u>(241)</u>
Total expenditures	<u>8,306,470</u>	<u>1,656,069</u>	<u>6,650,401</u>
Other financing use:			
Transfers Out	<u>729,145</u>	<u>727,425</u>	<u>1,720</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (6,835,345)</u>	<u>\$ (36,537)</u>	<u>\$ 6,798,808</u>

**CITY OF MURRIETA, CALIFORNIA
MOE Calculation
For the Fiscal Year Ended June 30, 2017
(Unaudited)**

Project Expenditures Included in General Ledger	Funding Breakdown						
	Total Cost	General Fund	Meas A	Federal	State	City Funds	Other
<i>Construction:</i>							
<i>Maintenance:</i>							
Public Works Maintenance Salary & Benefits	\$ 227,631	\$ 113,816					
Street Lighting	\$ 77,052	\$ 77,052					
Traffic Signal Maintenance	\$ 157,284	\$ 157,284					
Engineering/Administrative Overhead	\$ 720,689	\$ 72,069					
<i>Engineering/Administrative Overhead Not Allocated to Specific Projects:</i>							
Expenditure Totals	\$ 1,182,656	\$ 420,221	\$ -	\$ -	\$ -	\$ -	\$ -
Deductions for Special Consideration (Deductions Must Also Be Included in Project Expenditures Above):							
<i>Construction:</i>	Total Project Cost	General Fund	State Reason Why Project Expenditure Should Be Deducted from MOE				
<i>Maintenance:</i>							
<i>Engineering/Administrative Overhead Not Allocated to Specific Projects:</i>							
Deduct Totals							

Total GF Expenditures	420,221
minus Deductions	-
MOE Base Year	595,702

MOE deficiency for
fiscal year ended June
30, 2017 \$ (175,481)