



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 Moreno Valley, 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 the 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 \$4,517,406 at June 30, 2017. The difference between Measure A cash and investments of \$4,517,406 and fund balance of \$5,135,340 was \$617,934, or 12% 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 \$5,135,340 was restricted in the amount of \$5,135,340 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 #2001). The City recorded total revenues in the amount of \$4,484,233 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 \$289,731 between the Measure A revenues recorded by the City and the RCTC Measure A payment schedule. The difference is due to a June 2016 payment from RCTC in the amount of \$328,175, that was recorded by the City in fiscal year 2017; a fiscal year 2016 clean up adjustment payment from RCTC, in the amount of \$105,964, that was recorded by the City in fiscal year 2017, and a fiscal year 2017 clean-up adjustment payment from RCTC, in the amount of \$144,408, to be recorded by the City in FY 2018.

	RCTC	City of Moreno Valley
Measure A revenues recorded	\$ 3,816,753	\$ 4,106,484
2016 allocation payment for June	-	(328,175)
2016 clean-up adjustment payment	-	(105,964)
2017 clean-up adjustment payment	-	144,408
Measure A revenues reconciled	<u>\$ 3,816,753</u>	<u>\$ 3,816,753</u>

- iii. 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 \$76,966 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 #2001). The City recorded total Measure A expenditures in the amount of \$4,513,838 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 \$4,513,838. We selected \$1,465,617 or 32.4%, 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 \$1,064,000 to the Development Impact Fees (DIF) Arterial Streets Fund for Arterial Streets expenditures and \$1,487,422 to the Total Road Improvement Program (TRIP) Debt Service Fund for TRIP Certificates of Participation (COPs) 13A debt service expenditures. These transfers are 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, general or non-project-related indirect costs of \$296,240 were included in Measure A expenditures during the fiscal year ended June 30, 2017, which is 7% of Measure A revenue of \$4,106,484 for the fiscal year ended June 30, 2017. Indirect costs were included in the City's Five-Year CIP as Overhead costs. 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: Per discussion with City management, the City recorded transfers out of the Measure A Fund in the amount \$1,487,422 to the TRIP Debt Service Fund for TRIP COP 13A debt service expenditures 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	\$ 8,093,087	\$ 2,899,681	\$ 5,193,406
Transportation	1,755,702	1,242,596	513,106
Maintenance and operations	354,816	75,321	279,495
Indirect costs	296,240	296,240	-
Transfers Out	2,553,000	2,551,422	1,578
Total expenditures	<u>\$ 13,052,845</u>	<u>\$ 7,065,260</u>	<u>\$ 5,987,585</u>

Per discussion with City management, the budget to actual variance of \$5,987,585 is due to several projects, such as the San Timoteo Foothill Storm Drain and the Street Improvement Program, budgeted for FY 2016-17 that were not completed and the remaining budget was carried forward to FY 2017-18.

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 \$720,018. 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 City collected and remitted \$1,904,640 of TUMF fees during the fiscal year ended June 30, 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 \$65,736. 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 in prior years and not remitted to RCA 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 City collected and remitted \$1,307,483 of MSHCP fees during the fiscal year ended June 30, 2017.

- 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 \$3,411,026 were greater than the MOE base requirement of \$1,459,153 resulting in an excess MOE of \$1,951,873 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: No exceptions were noted as a result of applying this procedure. The City's discretionary funds spent during the fiscal year ended June 30, 2017 exceeded the MOE base year requirement. The City's MOE carryover at June 30, 2017 is calculated as follows:

MOE excess at July 1, 2016	<u>\$ 3,742,769</u>
Current year MOE expenditures	3,411,025
Less: MOE base year requirement	<u>(1,459,153)</u>
MOE excess for the fiscal year ended June 30, 2017	<u>1,951,872</u>
MOE excess at June 30, 2017	<u>\$ 5,694,641</u>

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
January 31, 2018

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenue:			
Measure A	\$ 3,703,000	\$ 4,106,484	\$ 403,484
Investment interest income	99,000	76,966	(22,034)
Miscellaneous income	11,500	83,174	71,674
Revenues from other Governments	<u>121,930</u>	<u>217,609</u>	<u>95,679</u>
Total revenue	<u>3,935,430</u>	<u>4,484,233</u>	<u>548,803</u>
Expenditures:			
Capital Projects	8,093,087	2,899,681	5,193,406
Transportation	1,755,702	1,242,596	513,106
Maintenance and Operations	354,816	75,321	279,495
Indirect costs	<u>296,240</u>	<u>296,240</u>	<u>-</u>
Total expenditures	<u>10,499,845</u>	<u>4,513,838</u>	<u>5,986,007</u>
Other financing use:			
Transfers Out	<u>2,553,000</u>	<u>2,551,422</u>	<u>1,578</u>
Deficiency of revenues under expenditures	<u>\$ (9,117,415)</u>	<u>\$ (2,581,027)</u>	<u>\$ 6,536,388</u>

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

City of Moreno Valley
 Maintenance of Effort Expense
 FY 2016-17 Construction and Maintenance Expenditures

G/L Account	Project Expenditures Included in General Ledger	Total Cost	General Fund
<i>Construction:</i>		\$ -	\$ -
<i>Maintenance:</i>			
1010-70-76-45110	Public Works - Transportation Engineering General	\$ 1,155,494	\$ 1,155,494
1010-70-76-45111	Public Works - Traffic Signal Maintenance	\$ 586,919	\$ 586,919
1010-70-76-45122	Public Works - Sign/Striping	\$ 67,480	\$ 67,480
1010-70-78-45311	Public Works - Street Maintenance	\$ 642,610	\$ 642,610
1010-70-78-45312	Public Works - Concrete Maintenance	\$ 32,901	\$ 32,901
1010-70-78-45315	Public Works - Tree Trimming	\$ 55,682	\$ 55,682
<i>Engineering/Administrative Overhead Not Allocated to Specific Projects:</i>			
1010-70-75-45010	Public Works - Administration	\$ 154,949	\$ 154,949
1010-70-77-45210	Public Works - Capital Projects General	\$ 554,990	\$ 554,990
1010-99-99-91010	Transfer to Gas Tax (Fund 2000)	\$ 160,000	\$ 160,000
Expenditure Totals		\$ 3,411,025	\$ 3,411,025

MOE Base Year Amount \$ 1,459,153

MOE Excess at June 30, 2017 \$ 1,951,872