

**ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY**

MEASURE M2 LOCAL FAIR SHARE

AGREED-UPON PROCEDURES REPORTS

Year Ended June 30, 2017

**ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY**

MEASURE M2 LOCAL FAIR SHARE

AGREED-UPON PROCEDURES REPORTS

Year Ended June 30, 2017

The cities listed below were selected by the Audit Subcommittee of the Taxpayers Oversight Committee to perform agreed-upon procedures for the fiscal year ended June 30, 2017. Please refer to the individual divider tab for our report on each Agency.

City of Cypress

City of Irvine

City of Laguna Beach

City of Los Alamitos

City of Rancho Santa Margarita

City of San Clemente

City of San Juan Capistrano

City of Villa Park



**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES — CITY OF CYPRESS**

Board of Directors

Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), on the City of Cypress' (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2017. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. The sufficiency of these procedures is solely the responsibility of the Taxpayers Oversight Committee of the OCLTA. 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.

The procedures and associated findings were as follows:

1. We obtained the OCLTA Maintenance of Effort (MOE) Calculation Report and identified the required minimum amount to be spent on MOE expenditures by the City.

Findings: The City was required to spend \$2,767,411 in MOE expenditures during the fiscal year ended June 30, 2017. No exceptions were found as a result of this procedure.

2. We described which funds the City used to track all street and road expenditures and inquired how the City identifies MOE expenditures in its general ledger.

Findings: All MOE expenditures are tracked in the general ledger by fund, program, and activity. The City recorded its MOE expenditures in its General Fund (001), Capital Project Fund (415) and the Lighting District Fund (251) under the Public Works Departments. No exceptions were found as a result of this procedure.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2017 and determined whether the City met the minimum MOE requirement. We agreed the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18), explaining any differences.

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2017 were \$5,200,817 (see Schedule A), which exceeded the requirement. We agreed the total expenditures of \$5,200,817 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), with no differences. No exceptions were found as a result of this procedure.

4. We selected a sample of MOE expenditures from the City’s general ledger expenditure detail, and described the percentage of total expenditures selected for testing. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
 - b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: MOE expenditures tested totaled \$1,838,665, representing approximately 35% of total MOE expenditures for the fiscal year ended June 30, 2017. No exceptions were found as a result of this procedure.

5. We identified whether or not indirect costs were charged as MOE expenditures. If applicable, we compared indirect costs identified to the amount reported on the Eligible Jurisdiction’s Expenditure Report (Schedule 3, line 1), explaining any differences. If applicable, we obtained detail of indirect costs charged, and selected a sample of charges for review. We reviewed the supporting documentation for reasonableness and appropriate methodology.

Findings: Based on inspection of the Expenditure Report (Schedule 3, line 1), the City reported \$1,010,500 as indirect costs. However, per discussions with the City’s accounting personnel and inspection of the general ledger expenditure detail, we identified additional indirect costs charged as MOE expenditures in Line 15 of the City’s Expenditure Report totaling \$167,320 for the fiscal year ended June 30, 2017. Indirect MOE expenditures tested totaled \$171,324. No other exceptions were found as a result of this procedure.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the fund balance of the City’s Measure M2 Local Fair Share Fund as of June 30, 2017, agreed to the balance as listed on the City’s Expenditure Report (Schedule 1, line 20), and determined whether funds were expended within three years of receipt, explaining any differences.

Findings: The City received \$2,537,340 for the past three fiscal years ended June 30, 2015, 2016 and 2017. The remaining fund balance of these funds was as follows:

<u>Allocation Year</u>	<u>Funding Source</u>	<u>Remaining Fund Balance</u>
2016/2017	Local Fair Share (M2)	\$ 729,803

We agreed the fund balance of \$729,803 to the City’s Expenditure Report (Schedule 1, line 20), with no differences. No exceptions were found as a result of this procedure.

7. We described which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2017. We agreed the total Local Fair Share expenditures per the general ledger to the amounts reflected on the City’s Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4), explaining any differences.

Findings: The City’s Measure M2 Local Fair Share expenditures are recorded in Fund 236, Measure M Local Fair Share Fund as a transfer out to Fund 415, Capital Projects Fund, and Fund 232, Gas Tax Fund. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2017 were \$867,699 (see Schedule A), which agrees to the City’s Expenditure Report (Schedule 2 line 17, and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

8. We obtained the City's Seven-Year Capital Improvement Program (CIP). We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. We selected a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail, and described the percentage of total expenditures selected for testing. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation.
 - b. Verified that the expenditures selected in (a) above were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects.

Findings: Measure M2 Local Fair Share expenditures tested totaled \$835,360 representing approximately 96% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2017. No exceptions were found as a result of this procedure.

9. We identified whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, we compared indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1), explaining any differences. If applicable, we selected a sample of charges. We reviewed the amounts charged and reviewed supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, no indirect costs were identified as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2017. No exceptions were found as a result of this procedure.

10. We reviewed the City's interest allocation methodology and amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. We agreed the amount reflected to the amount of interest listed on the City's Expenditure Report (Schedule 2, line 4), explaining any differences.

Findings: No exceptions were found as a result of this procedure.

11. We determined the City was found eligible by the TOC Eligibility Subcommittee.

Findings: We inspected the minutes of the TOC and verified that the TOC Eligibility Subcommittee found the City was eligible to receive Measure M2 Local Fair Share funds. No exceptions were found as a result of this procedure.

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 audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

At the request of OCLTA, the City's responses to certain findings are included in Exhibit 1. The responses are included for the purposes of additional information and were not subjected to the procedures described above. Accordingly, we did not perform any procedures on the City's responses and express no assurance or opinion on them.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be and should not be used by anyone other than those specified parties.

Vavinich Train, Dng & Co, LLP

Laguna Hills, California
March 12, 2018

CITY OF CYPRESS, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2017
(Unaudited)

Maintenance of Effort (MOE) Expenditures:

Maintenance:

Street Lights & Traffic Signals - Schedule 3, line 13	\$ 841,660
Other Street Purpose Maintenance - Schedule 3, line 15	1,576,551

Construction:

New Street Construction - Schedule 3, line 2	450,000
Street Reconstruction - Schedule 3, line 3	637,554
Pedestrian Ways & Bikepaths - Schedule 3, line 5	684,552
Administrative/Other (Indirect & Overhead) - Schedule 3, line 1	<u>1,010,500</u>
Total MOE Expenditures	<u>5,200,817</u>

Measure M2 Local Fair Share Expenditures (Schedule 4):

Residential Street Resurfacing Program	360,000
Arterial Regabilitation Program	<u>507,699</u>
Total Measure M2 Local Fair Share Expenditures	<u>867,699</u>

Total MOE and Measure M2 Local Fair Share Expenditures	<u><u>\$ 6,068,516</u></u>
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Note:

The above amounts were taken directly from the financial records of the City of Cypress and were not audited.



CITY of CYPRESS

5275 Orange Avenue, Cypress, California 90630

Phone 714-229-6700 www.cypressca.org

March 12, 2018

Board of Directors

Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Transportation Ordinance for the City of Cypress as of and for the fiscal year ended June 30, 2017.

Excerpts from Agreed Upon Procedures Report:

Procedure #5

We identified whether or not indirect costs were charged as MOE expenditures. If applicable, we compared indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, Line 1), explaining differences. If applicable, we obtained detail of indirect costs charged, and selected a sample of charges for review. We reviewed the supporting documentation for reasonableness and appropriate methodology.

Findings

Based on inspection of the Expenditure Report (Schedule 3, line 1), the City reported \$1,010,500 as indirect costs. However, per discussions with the City's accounting personnel and inspection of the general ledger expenditure detail, we identified additional indirect costs charged as MOE expenditures in Line 15 of the City's Expenditure Report totaling \$167,320 for the fiscal year ended June 30, 2017. Indirect MOE expenditures tested totaled \$171,324. No other exceptions were found as a result of this procedure.

Jon E. Peat, Mayor

Stacy Berry, Mayor Pro Tem
Paulo M. Morales, Council Member

Rob Johnson, Council Member
Mariellen Yarc, Council Member

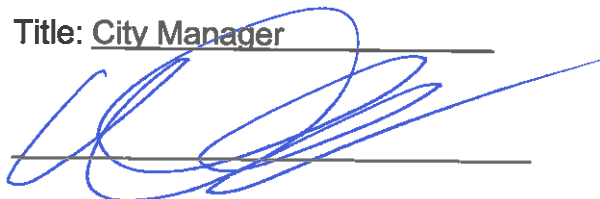
City's Response:

Total MOE expenditures of \$5,200,817 reported by the City are accurate. The indirect costs of \$167,320 reported on line 15 and identified above are costs attributable to the City's street maintenance programs, such as allocations of office operating costs, information technology services, and equipment costs. In the future, these maintenance costs will be reported on Schedule 3, line 1 of the M2 Expenditure Report, as requested in Procedure # 5 above.

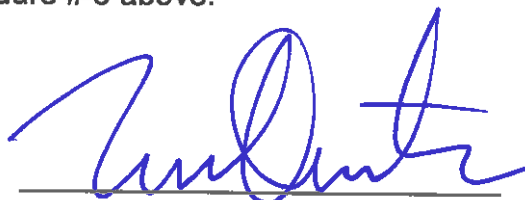
Sincerely,



Title: City Manager



Title: Director of Community Development



Title: Director of Finance



**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES — CITY OF IRVINE**

Board of Directors

Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), on the City of Irvine's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2017. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. The sufficiency of these procedures is solely the responsibility of the Taxpayers Oversight Committee of the OCLTA. 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.

The procedures and associated findings were as follows:

1. We obtained the OCLTA Maintenance of Effort (MOE) Calculation Report and identified the required minimum amount to be spent on MOE expenditures by the City.

Findings: The City was required to spend \$5,452,970 in MOE expenditures during the fiscal year ended June 30, 2017. No exceptions were found as a result of this procedure.

2. We described which funds the City used to track all street and road expenditures and inquired how the City identifies MOE expenditures in its general ledger.

Findings: All MOE expenditures are tracked in the general ledger by fund, program, and activity. The City recorded its MOE expenditures in its General Fund (001), under the Public Works Departments. No exceptions were found as a result of this procedure.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2017 and determined whether the City met the minimum MOE requirement. We agreed the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18), explaining any differences.

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2017 were \$20,068,761 (see Schedule A), which exceeded the requirement. We agreed the total expenditures of \$20,068,761 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), with no differences. No exceptions were found as a result of this procedure.

4. We selected a sample of MOE expenditures from the City’s general ledger expenditure detail, and described the percentage of total expenditures selected for testing. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
 - b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: MOE expenditures tested totaled \$4,374,515, representing approximately 22% of total MOE expenditures for the fiscal year ended June 30, 2017. We identified three expenditures, totaling \$112,469, which were not properly classified as local street and road expenditures, nor were the costs allowable per the Ordinance. However, after removing the amount from total MOE expenditures, the City continued to meet the minimum MOE requirement. No other exceptions were found as a result of this procedure.

5. We identified whether or not indirect costs were charged as MOE expenditures. If applicable, we compared indirect costs identified to the amount reported on the Eligible Jurisdiction’s Expenditure Report (Schedule 3, line 1), explaining any differences. If applicable, we obtained detail of indirect costs charged, and selected a sample of charges for review. We reviewed the supporting documentation for reasonableness and appropriate methodology.

Findings: Based on inspection of the Expenditure Report (Schedule 3, line 1), the City reported \$5,844,732 as indirect costs. Additionally, per discussions with the City’s accounting personnel and inspection of the general ledger expenditure detail, the City reported \$572,153 of costs related to internal fleet vehicle rental allocations charged as MOE expenditures in lines 12 and 15 of the expenditure report for the fiscal year ended June 30, 2017. Indirect MOE expenditures tested totaled \$3,076,659. No exceptions were found as a result of this procedure.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the fund balance of the City’s Measure M2 Local Fair Share Fund as of June 30, 2017, agreed to the balance as listed on the City’s Expenditure Report (Schedule 1, line 20), and determined whether funds were expended within three years of receipt, explaining any differences.

Findings: The City received \$13,058,840 for the past three fiscal years ended June 30, 2015, 2016 and 2017. The remaining fund balance of these funds was as follows:

<u>Allocation Year</u>	<u>Funding Source</u>	<u>Remaining Fund Balance</u>
2016/2017	Local Fair Share (M2)	\$ 2,159,451

We agreed the fund balance of \$2,159,451 to the City’s Expenditure Report (Schedule 1, line 20), with no differences. No exceptions were found as a result of this procedure.

7. We described which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2017. We agreed the total Local Fair Share expenditures per the general ledger to the amounts reflected on the City’s Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4), explaining any differences.

Findings: The City’s Measure M2 Local Fair Share expenditures are recorded in Fund 154, Renewed Measure M2 Fair Share Fund as a transfer out to Fund 132 – Slurry Seal and Fund 250 – Capital Improvement Projects Fund. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2017 were \$7,679,120 (see Schedule A), which agreed to the City’s Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

8. We obtained the City's Seven-Year Capital Improvement Program (CIP). We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. We selected a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail, and described the percentage of total expenditures selected for testing. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation.
 - b. Verified that the expenditures selected in (a) above were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects.

Findings: Measure M2 Local Fair Share expenditures tested totaled \$6,639,235 representing approximately 86% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2017. No exceptions were found as a result of this procedure.

9. We identified whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, we compared indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1), explaining any differences. If applicable, we selected a sample of charges. We reviewed the amounts charged and reviewed supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the Expenditure Report (Schedule 3, Line 1), the City reported \$101,731 as indirect costs for the fiscal year ended June 30, 2017. However, per discussions with the City's accounting personnel and inspection of the general ledger expenditure detail, we identified additional indirect costs charged as M2 expenditures in Line 3 of the City's Expenditure Report totaling \$19,528 for the fiscal year ended June 30, 2017. Indirect M2 expenditures tested totaled \$10,945. No other exceptions were found as a result of this procedure.

10. We reviewed the City's interest allocation methodology and amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. We agreed the amount reflected to the amount of interest listed on the City's Expenditure Report (Schedule 2, line 4), explaining any differences.

Findings: No exceptions were found as a result of this procedure.

11. We determined the City was found eligible by the TOC Eligibility Subcommittee.

Findings: We inspected the minutes of the TOC and verified that the TOC Eligibility Subcommittee found the City was eligible to receive Measure M2 Local Fair Share funds. No exceptions were found as a result of this procedure.

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 audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

At the request of OCLTA, the City's responses to certain findings are included in Exhibit 1. The responses are included for the purposes of additional information and were not subjected to the procedures described above. Accordingly, we did not perform any procedures on the City's responses and express no assurance or opinion on them.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be and should not be used by anyone other than those specified parties.

Vavrinek, Train, Douglas Co, LLC

Laguna Hills, California
March 12, 2018

CITY OF IRVINE, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2017
(Unaudited)

Maintenance of Effort (MOE) Expenditures:

Maintenance:

Overlay & Sealing - Schedule 3, line 12	\$ 5,685,510
Other Street Purpose Maintenance - Schedule 3, line 15	8,538,519
Administrative/Other (Indirect & Overhead) - Schedule 3, line 1	<u>5,844,732</u>
Total MOE Expenditures	<u>20,068,761</u>

Measure M2 Local Fair Share Expenditures (Schedule 4):

Arterial and Local Street Rehabilitation Projects

15-16 Slurry Seal and Street Rehabilitation (Job #311601)	4,536,306
Yale Avenue Pavement Rehabilitation (Job #311506)	2,597,682
Alton Parkway Pavement Rehabilitation (Job #311602)	105,333
Michelson Drive Pavement Rehabilitation (Job #311603)	24,016
Campus Street Pavement Rehabilitation (Job #311604)	67,458

New Traffic Signals

Kazan/Walnut Traffic Signal (Job #311607)	213,367
McGaw/Armstrong Traffic Signal (Job #311608)	127,441
Traffic Signal LED Rehabilitation and Upgrades (Job #311701)	<u>7,517</u>

Total Measure M2 Local Fair Share Expenditures	<u>7,679,120</u>
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Total MOE and Measure M2 Local Fair Share Expenditures	<u><u>\$ 27,747,881</u></u>
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Note:

The above amounts were taken directly from the financial records of the City of Irvine and were not audited.



Administrative Services Department

cityofirvine.org

P.O. Box 19575, Irvine, CA 92623-9575

(949) 724-6255

March 12, 2018

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Transportation Ordinance for the City of Irvine as of and for the fiscal year ended June 30, 2017.

Procedure #4

We selected a sample of Maintenance of Effort (MOE) expenditures from the City's general ledger expenditure detail, and described the percentage of total expenditures selected for testing. For each item selected, we performed the following:

- a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
- b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings

MOE expenditures tested totaled \$4,374,515, representing approximately 22 percent of total MOE expenditures for the fiscal year ended June 30, 2017. We identified three expenditures, totaling \$112,469, that were not properly classified as local street and road expenditures, nor were the costs allowable per the Ordinance. However, after removing the amount from total MOE expenditures, the City continued to meet the minimum MOE requirement. No other exceptions were found as a result of this procedure.

City's Response:

The City will update its accounting structure to provide staff a more accurate method to record vendor invoices that comingle non-street related expenditures with street expenditures associated with the MOE reporting calculation. Staff members in Public

March 12, 2018
M2 Response Letter
Page 2

Works and Fiscal Services will be trained on the new accounting structure. With the City's implementation of these new processes future reporting will only include street expenditures.

Procedure #9

We identified whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, we compared indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1), explaining any differences. If applicable, we selected a sample of charges. We reviewed the amounts charged and reviewed supporting documentation for reasonableness and appropriate methodology.


Findings

Based upon inspection of the Expenditure Report (Schedule 3, Line 1), the City reported \$101,731 as indirect costs for the fiscal year ended June 30, 2017. However, per discussions with the City's accounting personnel and inspection of the general ledger expenditure detail, we identified additional indirect costs charged as M2 expenditures in Line 3 of the City's Expenditure Report totaling \$19,528 for the fiscal year ended June 30, 2017. Indirect M2 expenditures tested totaled \$10,945. No other exceptions were found as a result of this procedure.


City's Response:

The twenty percent allowable overhead for construction projects is recorded with direct salaries and benefits due to financial system limitations. City staff will review the system setup with the IT Department to determine if it can create a modification to the construction project accounting setup. This proposed modification will separate the twenty percent overhead from the direct salaries and benefits.

Sincerely,

Signed: 
Print Name: Grace Leung

Title: City Manager Pro Tempore

Signed: 
Print Name: Manuel Gomez

Title: Director of Public Works

Signed: 
Print Name: Kristin Griffith

Title: Director of Administrative Services



**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES — CITY OF LAGUNA BEACH**

Board of Directors

Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), on the City of Laguna Beach’s (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2017. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. The sufficiency of these procedures is solely the responsibility of the Taxpayers Oversight Committee of the OCLTA. 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.

The procedures and associated findings were as follows:

1. We obtained the OCLTA Maintenance of Effort (MOE) Calculation Report and identified the required minimum amount to be spent on MOE expenditures by the City.

Findings: The City was required to spend \$1,417,616 in MOE expenditures during the fiscal year ended June 30, 2017. No exceptions were found as a result of this procedure.

2. We described which funds the City used to track all street and road expenditures and inquired how the City identifies MOE expenditures in its general ledger.

Findings: All MOE expenditures are tracked in the general ledger by fund, program, and activity. The City recorded its MOE expenditures in its General Fund (110), under the Public Works (3101), Street Lighting (3601), and Fleet Maintenance (3102) Departments, Street Light fund (134) under department 3601, Gas Tax fund (132), and Capital Improvement fund (116) under department 3300. No exceptions were found as a result of this procedure.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2017 and determined whether the City met the minimum MOE requirement. We agreed the total MOE expenditures to the amount reported on the City’s Expenditure Report (Schedule 3, line 18), explaining any differences.

Findings: The City’s MOE expenditures for the fiscal year ended June 30, 2017 were \$5,616,628 (see Schedule A), which exceeded the requirement. The total expenditures reported on the City’s Expenditure Report (Schedule 3, Line 18) were \$5,594,801, a difference of \$21,827. The difference is due to accruals posted by the City to the general ledger after the City’s Expenditure Report was generated. No other exceptions were found as a result of this procedure.

4. We selected a sample of MOE expenditures from the City’s general ledger expenditure detail, and described the percentage of total expenditures selected for testing. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
 - b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: MOE expenditures tested totaled \$1,890,588 representing approximately 34% of total MOE expenditures for the fiscal year ended June 30, 2017. No exceptions were found as a result of this procedure.

5. We identified whether or not indirect costs were charged as MOE expenditures. If applicable, we compared indirect costs identified to the amount reported on the Eligible Jurisdiction’s Expenditure Report (Schedule 3, line 1), explaining any differences. If applicable, we obtained detail of indirect costs charged, and selected a sample of charges for review. We reviewed the supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger expenditure detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City’s accounting personnel, no indirect costs were identified as MOE expenditures for fiscal year ended June 30, 2017. No exceptions were found as a result of this procedure.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the fund balance of the City’s Measure M2 Local Fair Share Fund as of June 30, 2017, agreed to the balance as listed on the City’s Expenditure Report (Schedule 1, line 20), and determined whether funds were expended within three years of receipt, explaining any differences.

Findings: The City received \$1,228,819 for the past three fiscal years ended June 30, 2015, 2016 and 2017. The remaining fund balance of these funds was as follows:

<u>Allocation Year</u>	<u>Funding Source</u>	<u>Remaining Fund Balance</u>
2016/2017	Local Fair Share (M2)	\$ 353,917

We agreed the fund balance of \$353,917 to the City’s Expenditure Report (Schedule 1, line 20) with no differences. No exceptions were found as a result of this procedure.

7. We described which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2017. We agreed the total Local Fair Share expenditures per the general ledger to the amounts reflected on the City’s Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4), explaining any differences.

Findings: The City’s Measure M2 Local Fair Share expenditures are recorded in Fund 132, Gas Tax Fund. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2017 were \$427,944 (see Schedule A), which agrees to the City’s Expenditure Report (Schedule 2 line 17 and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

8. We obtained the City's Seven-Year Capital Improvement Program (CIP). We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. We selected a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail, and described the percentage of total expenditures selected for testing. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation.
 - b. Verified that the expenditures selected in (a) above were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects.

Findings: Measure M2 Local Fair Share expenditures tested totaled \$376,577 representing approximately 88% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2017. No exceptions were found as a result of this procedure.

9. We identified whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, we compared indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1), explaining any differences. If applicable, we selected a sample of charges. We reviewed the amounts charged and reviewed supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger expenditure detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, no indirect costs were identified as Measure M2 Local Fair Share expenditures for fiscal year ended June 30, 2017. No exceptions were found as a result of this procedure.

10. We reviewed the City's interest allocation methodology and amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. We agreed the amount reflected to the amount of interest listed on the City's Expenditure Report (Schedule 2, line 2), explaining any differences.

Findings: Per inspection of the City's interest allocation, the City recorded \$5,113 of interest for the Measure M2 fund for the year ended June 30, 2017. The amount reported on the City's Expenditure Report (Schedule 2, Line 4) was \$5,074, a difference of \$39. No other exceptions were found as a result of this procedure.

11. We determined the City was found eligible by the TOC Eligibility Subcommittee.

Findings: We inspected the minutes of the TOC and verified that the TOC Eligibility Subcommittee found the City was eligible to receive Measure M2 Local Fair Share funds. No exceptions were found as a result of this procedure.

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 audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

At the request of OCLTA, the City's responses to certain findings are included in Exhibit 1. The responses are included for the purposes of additional information and were not subjected to the procedures described above. Accordingly, we did not perform any procedures on the City's responses and express no assurance or opinion on them.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be and should not be used by anyone other than those specified parties.

Vavriach, Travis, Dog & Co, LLP

Laguna Hills, California
March 12, 2018

CITY OF LAGUNA BEACH, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2017
(Unaudited)

Maintenance of Effort (MOE) Expenditures:

Maintenance:

Patching - Schedule 3, line 11	\$ 841,204
Overlay & Sealing - Schedule 3, line 12	753,303
Street Lights & Traffic Signals - Schedule 3, line 13	18,600
Other Street Purpose Maintenance - Schedule 3, line 15	1,957,411

Construction:

Street Reconstruction - Schedule 3, line 3	138,242
Signals, Safety Devices & Street Lights - Schedule 3, line 4	86,165
Pedestrian Ways & Bikepaths - Schedule 3, line 5	314,349
Storm Drains - Schedule 3, line 6	1,485,527

Total MOE Expenditures	<u>5,594,801</u>
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Measure M2 Local Fair Share Expenditures (Schedule 4):

Street Slurry and Rehabilitation	<u>427,944</u>
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Total MOE and Measure M2 Local Fair Share Expenditures	<u><u>\$ 6,022,745</u></u>
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Note:

The above amounts were taken directly from the financial records of the City of Laguna Beach and were not audited.



March 12, 2018

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Transportation Ordinance for the City of Laguna Beach as of and for the fiscal year ended June 30, 2017.

Procedure #3

We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2017 and determined whether the City met the minimum MOE requirement. We agreed the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18), explaining any differences.

Findings

The City's MOE expenditures for the fiscal year ended June 30, 2017 were \$5,616,628 (see Schedule A), which exceeded the requirement. The total expenditures reported on the City's Expenditure Report (Schedule 3, Line 18) were \$5,594,801, a difference of \$21,827. The difference is due to accruals posted by the City to the general ledger after the City's Expenditure Report was generated. No other exceptions were found as a result of this procedure.

City's Response:

The Finance Staff has implemented additional procedures and will continue to work with departments to submit invoices within the 90-day period of the fiscal year-end to meet requirements.

Procedure #10

We reviewed the City's interest allocation methodology and amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. We agreed the amount reflected to the amount of interest listed on the City's Expenditure Report (Schedule 2, line 2), explaining any differences.

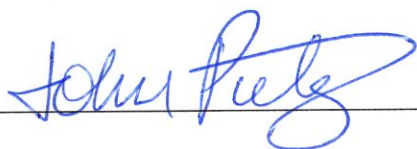
Findings

Per inspection of the City's interest allocation, the City recorded \$5,113 of interest for the Measure M2 fund for the year ended June 30, 2017. The amount reported on the City's Expenditure Report (Schedule 2, Line 4) was \$5,074, a difference of \$39. No other exceptions were found as a result of this procedure.

City's Response:

The Finance Staff has implemented additional procedures including having a finance employee outside of the reporting process review the entry.

Sincerely,

A handwritten signature in blue ink, appearing to read "John Pulez", written over a horizontal line.

Title: City Manager

A handwritten signature in blue ink, appearing to be a stylized name, written over a horizontal line.

Title: Director of Administrative Services



**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES — CITY OF LOS ALAMITOS**

Board of Directors

Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), on the City of Los Alamitos' (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2017. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. The sufficiency of these procedures is solely the responsibility of the Taxpayers Oversight Committee of the OCLTA. 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.

The procedures and associated findings were as follows:

1. We obtained the OCLTA Maintenance of Effort (MOE) Calculation Report and identified the required minimum amount to be spent on MOE expenditures by the City.

Findings: The City was required to spend \$147,465 in MOE expenditures during the fiscal year ended June 30, 2017. No exceptions were found as a result of this procedure.

2. We described which funds the City used to track all street and road expenditures and inquired how the City identifies MOE expenditures in its general ledger.

Findings: All MOE expenditures are tracked in the general ledger by fund, program, and activity. The City recorded its MOE expenditures in its General Fund (10), under the Street Maintenance Division. No exceptions were found as a result of this procedure.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2017 and determined whether the City met the minimum MOE requirement. We agreed the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18), explaining any differences.

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2017 were \$555,082, (see Schedule A), which exceeded the requirement. We agreed the total expenditures of \$555,082 to the amount reported on the City's Expenditure Report (Schedule 3, Line 18) with no differences. No exceptions were found as a result of this procedure.

4. We selected a sample of MOE expenditures from the City’s general ledger expenditure detail, and described the percentage of total expenditures selected for testing. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
 - b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: MOE expenditures tested totaled \$166,100, representing approximately 30% of total MOE expenditures for the fiscal year ended June 30, 2017. We identified one expenditure, totaling \$2,449 that was not properly classified as a local street and road expenditure, nor was the cost allowable per the Ordinance. However, after removing the amount from total MOE expenditures, the City continued to meet the minimum MOE requirement. No other exceptions were found as a result of this procedure.

5. We identified whether or not indirect costs were charged as MOE expenditures. If applicable, we compared indirect costs identified to the amount reported on the Eligible Jurisdiction’s Expenditure Report (Schedule 3, line 1), explaining any differences. If applicable, we obtained detail of indirect costs charged, and selected a sample of charges for review. We reviewed the supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger expenditure detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City’s accounting personnel, no indirect costs were identified as MOE expenditures for the fiscal year ended June 30, 2017. No exceptions were found as a result of this procedure.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the fund balance of the City’s Measure M2 Local Fair Share Fund as of June 30, 2017, agreed to the balance as listed on the City’s Expenditure Report (Schedule 1, line 20), and determined whether funds were expended within three years of receipt, explaining any differences.

Findings: The City received \$624,827 for the past three fiscal years ended June 30, 2015, 2016 and 2017. The remaining fund balance of these funds was as follows:

<u>Allocation Year</u>	<u>Funding Source</u>	<u>Remaining Fund Balance</u>
2016/2017	Local Fair Share (M2)	\$ 115,086

We agreed the fund balance of \$115,086 to the City’s Expenditure Report (Schedule 1, lines 20) with no differences. No exceptions were found as a result of this procedure.

7. We described which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2017. We agreed the total Local Fair Share expenditures per the general ledger to the amounts reflected on the City’s Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4), explaining any differences.

Findings: The City’s Measure M2 Local Fair Share expenditures are recorded in Fund 26, Measure M Fund. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2017 were \$389,153 (see Schedule A), which agreed to the City’s Expenditure Report (Schedule 2 line 17 and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

8. We obtained the City's Seven-Year Capital Improvement Program (CIP). We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. We selected a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail, and described the percentage of total expenditures selected for testing. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation.
 - b. Verified that the expenditures selected in (a) above were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects.

Findings: Measure M2 Local Fair Share expenditures tested totaled \$352,156 representing approximately 90% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2017. No exceptions were found as a result of this procedure.

9. We identified whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, we compared indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1), explaining any differences. If applicable, we selected a sample of charges. We reviewed the amounts charged and reviewed supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger expenditure detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, no indirect costs were identified as Measure M2 Local Fair Share expenditures for fiscal year ended June 30, 2017. No exceptions were found as a result of this procedure.

10. We reviewed the City's interest allocation methodology and amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. We agreed the amount reflected to the amount of interest listed on the City's Expenditure Report (Schedule 2, line 2), explaining any differences.

Findings: No exceptions were found as a result of this procedure.

11. We determined the City was found eligible by the TOC Eligibility Subcommittee.

Findings: We inspected the minutes of the TOC and verified that the TOC Eligibility Subcommittee found the City was eligible to receive Measure M2 Local Fair Share funds. No exceptions were found as a result of this procedure.

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 audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

At the request of OCLTA, the City's response to certain findings are included in Exhibit 1. The response is included for the purposes of additional information and was not subjected to the procedures described above. Accordingly, we did not perform any procedures on the City's response and express no assurance or opinion on it.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be and should not be used by anyone other than those specified parties.

Vannich, Travis, Dugan & Co., LLP

Laguna Hills, California

March 12, 2018

CITY OF LOS ALAMITOS, CALIFORNIA
Schedule of MOE and Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2017
(Unaudited)

Maintenance of Effort (MOE) Expenditures:

Maintenance:

Other Street Purpose Maintenance - Schedule 3, line 15	<u>\$ 555,082</u>
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Measure M2 Local Fair Share Expenditures (Schedule 4):

Alley Improvement Program	8,838
Street Tree program	15,000
Street Marking/Striping	2,000
Crosswalk Improvements	1,562
ADA Ramps/Sidewalks	47,712
Catalina Trucks Crossing Rehab	33,178
Old Dutch Haven	<u>280,863</u>

Total Measure M2 Local Fair Share Expenditures	<u>389,153</u>
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Total MOE and Measure M2 Local Fair Share Expenditures	<u><u>\$ 944,235</u></u>
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Note:

The above amounts were taken directly from the financial records of the City of Los Alamitos and were not audited.



March 12, 2018

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Transportation Ordinance for the City of Los Alamitos as of and for the fiscal year ended June 30, 2017.

Procedure #4

We selected a sample of MOE expenditures from the City's general ledger expenditure detail, and described the percentage of total expenditures selected for testing. For each item selected, we performed the following:

- a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
- b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

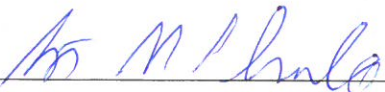
Finding

MOE expenditures tested totaled \$166,100, representing approximately 30% of total MOE expenditures for the fiscal year ended June 30, 2017. We identified one expenditure, totaling \$2,449 that was not properly classified as a local street and road expenditure, nor was the cost allowable per the Ordinance. However, after removing the amount from total MOE expenditures, the City continued to meet the minimum MOE requirement.

City's Response:

There was a charge found in error that was coded to the MOE expenditures. The partial water bill pertaining to Lewis Park was charged to Streets and Maintenance instead of Park Maintenance. This clerical error in the allocation of our spreadsheet to allocate cost is an isolated error. We have ensured all other MOE charges were valid and for streets maintenance.

Sincerely,



Title: Bret Plumlee, City Manager



Title: Maria-Luisa Valdez, Interim Admin. Services Director



Title: Steven Mendoza, Development Services Director



**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES — CITY OF RANCHO SANTA MARGARITA**

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), on the City of Rancho Santa Margarita’s (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2017. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. The sufficiency of these procedures is solely the responsibility of the Taxpayers Oversight Committee of the OCLTA. 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.

The procedures and associated findings were as follows:

1. We obtained the OCLTA Maintenance of Effort (MOE) Calculation Report and identified the required minimum amount to be spent on MOE expenditures by the City.

Findings: The City was required to spend \$358,155 in MOE expenditures during the fiscal year ended June 30, 2017. No exceptions were found as a result of this procedure.

2. We described which funds the City used to track all street and road expenditures and inquired how the City identifies MOE expenditures in its general ledger.

Findings: All MOE expenditures are tracked in the general ledger by fund, program, and activity. The City recorded its MOE expenditures in its General Fund (100), under the Street Maintenance Division (620). No exceptions were found as a result of this procedure.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2017 and determined whether the City met the minimum MOE requirement. We agreed the total MOE expenditures to the amount reported on the City’s Expenditure Report (Schedule 3, line 18), explaining any differences.

Findings: The City’s MOE expenditures for the fiscal year ended June 30, 2017 were \$358,155 (see Schedule A), which met the requirement. We agreed the total expenditures of \$358,155 to the amount reported on the City’s Expenditure Report (Schedule 3, line 18) with no differences. No exceptions were found as a result of this procedure.

4. We selected a sample of MOE expenditures from the City’s general ledger expenditure detail, and described the percentage of total expenditures selected for testing. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
 - b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: MOE expenditures tested totaled \$273,347, representing approximately 76% of total MOE expenditures for the fiscal year ended June 30, 2017. No exceptions were found as a result of this procedure.

5. We identified whether or not indirect costs were charged as MOE expenditures. If applicable, we compared indirect costs identified to the amount reported on the Eligible Jurisdiction’s Expenditure Report (Schedule 3, line 1), explaining any differences. If applicable, we obtained detail of indirect costs charged, and selected a sample of charges for review. We reviewed the supporting documentation for reasonableness and appropriate methodology.

Findings: Based on inspection of the general ledger expenditure detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City’s accounting personnel, no indirect costs were identified as MOE expenditures for the fiscal year ended June 30, 2017. No exceptions were found as a result of this procedure.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the fund balance of the City’s Measure M2 Local Fair Share Fund as of June 30, 2017, agreed to the balance as listed on the City’s Expenditure Report (Schedule 1, line 20), and determined whether funds were expended within three years of receipt, explaining any differences.

Findings: The City received \$2,035,651 for the past three fiscal years ended June 30, 2015, 2016 and 2017. The remaining fund balance of these funds was as follows:

<u>Allocation Year</u>	<u>Funding Source</u>	<u>Remaining Fund Balance</u>
2016/2017	Local Fair Share (M2)	\$ 124,412

We agreed the fund balance of \$124,412 to the City’s Expenditure Report (Schedule 1, line 20) with no differences. No exceptions were found as a result of this procedure.

7. We described which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2017. We agreed the total Local Fair Share expenditures per the general ledger to the amounts reflected on the City’s Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4), explaining any differences.

Findings: The City’s Measure M2 Local Fair Share expenditures are recorded in Fund 212, Measure M Fund as transfers to other funds. The underlying expenditures are recorded in the General Fund (100), under the Street Maintenance Division (620) and in the CIP Fund (410). Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2017 were \$791,586 (see Schedule A), which agreed to the City’s Expenditure Report (Schedule 2 line 17, and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

8. We obtained the City's Seven-Year Capital Improvement Program (CIP). We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. We selected a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail, and described the percentage of total expenditures selected for testing. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation.
 - b. Verified that the expenditures selected in (a) above were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects.

Findings: Measure M2 Local Fair Share expenditures tested totaled \$588,315 representing approximately 74% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2017. No exceptions were found as a result of this procedure.

9. We identified whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, we compared indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1), explaining any differences. If applicable, we selected a sample of charges. We reviewed the amounts charged and reviewed supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger expenditure detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, no indirect costs were identified as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2017. No exceptions were found as a result of this procedure.

10. We reviewed the City's interest allocation methodology and amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. We agreed the amount reflected to the amount of interest listed on the City's Expenditure Report (Schedule 2, line 4), explaining any differences.

Findings: No exceptions were found as a result of this procedure.

11. We determined the City was found eligible by the TOC Eligibility Subcommittee.

Findings: We inspected the minutes of the TOC and verified that the TOC Eligibility Subcommittee found the City was eligible to receive Measure M2 Local Fair Share funds. No exceptions were found as a result of this procedure.

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 audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion or conclusion. 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 Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be and should not be used by anyone other than those specified parties.

Varinich Train, Dns & Co, LLP

Laguna Hills, California
March 12, 2018

CITY OF RANCHO SANTA MARGARITA, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2017
(Unaudited)

Maintenance of Effort (MOE) Expenditures:

Maintenance:

Other Street Purpose Maintenance - Schedule 3, line 15	<u>\$ 358,155</u>
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Measure M2 Local Fair Share Expenditures (Schedule 4):

Annual Residential Overlay	136,465
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Street Maintenance Program	543,184
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Median Hardscape Renovation	35,988
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Traffic Signal Enhancements	42,472
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Avenida De Las Banderas and Camino Altozano Traffic Signal Modification	<u>33,477</u>
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Total Measure M2 Local Fair Share Expenditures	<u>791,586</u>
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Total MOE and Measure M2 Local Fair Share Expenditures	<u><u>\$ 1,149,741</u></u>
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Note:

The above amounts were taken directly from the financial records of the City of Rancho Santa Margarita and were not audited.



**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES — CITY OF SAN CLEMENTE**

Board of Directors

Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), on the City of San Clemente's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2017. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. The sufficiency of these procedures is solely the responsibility of the Taxpayers Oversight Committee of the OCLTA. 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.

The procedures and associated findings were as follows:

1. We obtained the OCLTA Maintenance of Effort (MOE) Calculation Report and identified the required minimum amount to be spent on MOE expenditures by the City.

Findings: The City was required to spend \$951,000 in MOE expenditures during the fiscal year ended June 30, 2017. No exceptions were found as a result of this procedure.

2. We described which funds the City used to track all street and road expenditures and inquired how the City identifies MOE expenditures in its general ledger.

Findings: All MOE expenditures are tracked in the general ledger by fund, program, and activity. The City recorded its MOE expenditures in its General Fund (001), under various program codes such as Development Engineering (411), Traffic (413), Design and Development (414), Major Street Maintenance (416), and City Administration (203). No exceptions were found as a result of this procedure.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2017 and determined whether the City met the minimum MOE requirement. We agreed the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18), explaining any differences.

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2017 were \$5,334,565 (see Schedule A), which exceeded the requirement. We agreed the total expenditures of \$5,334,565 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), with no differences. No exceptions were found as a result of this procedure.

4. We selected a sample of MOE expenditures from the City’s general ledger expenditure detail, and described the percentage of total expenditures selected for testing. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
 - b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: MOE expenditures tested totaled \$2,074,907 representing approximately 39% of total MOE expenditures for the fiscal year ended June 30, 2017. We identified one expenditure totaling \$397,250 which was not properly classified as a local street and road expenditure, nor was the cost allowable per the Ordinance. However, after removing the amount from total MOE expenditures, the City continued to meet the minimum MOE requirement. No other exceptions were found as a result of this procedure.

5. We identified whether or not indirect costs were charged as MOE expenditures. If applicable, we compared indirect costs identified to the amount reported on the Eligible Jurisdiction’s Expenditure Report (Schedule 3, line 1), explaining any differences. If applicable, we obtained detail of indirect costs charged, and selected a sample of charges for review. We reviewed the supporting documentation for reasonableness and appropriate methodology.

Findings: Based on inspection of the Expenditure Report (Schedule 3, line 1), the City reported \$1,209,874 as indirect costs. Indirect MOE expenditures tested totaled \$469,231. No exceptions were found as a result of this procedure.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the fund balance of the City’s Measure M2 Local Fair Share Fund as of June 30, 2017, agreed to the balance as listed on the City’s Expenditure Report (Schedule 1, line 20), and determined whether funds were expended within three years of receipt, explaining any differences.

Findings: The City received \$2,678,720 for the past three fiscal years ended June 30, 2015, 2016 and 2017. The remaining fund balance of these funds was as follows:

<u>Allocation Year</u>	<u>Funding Source</u>	<u>Remaining Fund Balance</u>
2016/2017	Local Fair Share (M2)	\$ 927,806
2015/2016	Local Fair Share (M2)	\$ 585,042

We agreed the fund balance of \$1,512,848 to the City’s Expenditure Report (Schedule 1, line 20), with no differences. No exceptions were found as a result of this procedure.

7. We described which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2017. We agreed the total Local Fair Share expenditures per the general ledger to the amounts reflected on the City’s Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4), explaining any differences.

Findings: The City’s Measure M2 Local Fair Share expenditures are recorded in Fund 042, Street Improvement Fund under the Ave Presidio Rehab project #14331. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2017 were \$11,677 (see Schedule A), which agreed to the City’s Expenditure Report (Schedule 2 line 17, and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

8. We obtained the City's Seven-Year Capital Improvement Program (CIP). We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. We selected a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail, and described the percentage of total expenditures selected for testing. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation.
 - b. Verified that the expenditures selected in (a) above were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects.

Findings: Measure M2 Local Fair Share expenditures tested totaled \$8,187 representing approximately 70% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2017. We identified two expenditures, totaling \$3,878, related to payroll overhead costs. The City allocates 90% of direct payroll as overhead to account for administration costs. The 90% rate was determined as part of an analysis performed in 2008 to estimate overhead costs for staff time. We were unable to verify through a recent cost study the current overhead allocation rate of 90%. Total overhead in the population for the year ended June 30, 2017 was \$5,886. No other exceptions were found as a result of this procedure.

9. We identified whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, we compared indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1), explaining any differences. If applicable, we selected a sample of charges. We reviewed the amounts charged and reviewed supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the Expenditure Report (Schedule 3, Line 1), the City reported \$0 as indirect costs for the fiscal year ended June 30, 2017. However, per discussions with the City's accounting personnel and inspection of the general ledger expenditure detail, we identified indirect costs charged as M2 expenditures in Line 3 of the City's Expenditure Report totaling \$5,886 for the fiscal year ended June 30, 2017. Refer to discussion under procedure 8.

10. We reviewed the City's interest allocation methodology and amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. We agreed the amount reflected to the amount of interest listed on the City's Expenditure Report (Schedule 2, line 4), explaining any differences.

Findings: Based on inspection of the Expenditure Report (Schedule 2, line 4), the City reported \$0 as interest revenues for the fiscal year ended June 30, 2017. However, per discussions with City's accounting personnel and inspection of the general ledger expenditure detail, the City recorded \$10,697 in interest income. No other exceptions were found as a result of this procedure.

11. We determined the City was found eligible by the TOC Eligibility Subcommittee.

Findings: We inspected the minutes of the TOC and verified that the TOC Eligibility Subcommittee found the City was eligible to receive Measure M2 Local Fair Share funds. No exceptions were found as a result of this procedure.

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 audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

At the request of OCLTA, the City's responses to certain findings are included in Exhibit 1. The responses are included for the purposes of additional information and were not subjected to the procedures described above. Accordingly, we did not perform any procedures on the City's responses and express no assurance or opinion on them.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be and should not be used by anyone other than those specified parties.

Vavinich Train, D&S Co, LLC

Laguna Hills, California

March 12, 2018

CITY OF SAN CLEMENTE, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2017
(Unaudited)

Maintenance of Effort (MOE) Expenditures:

Maintenance:

Patching - Schedule 3, line 11	\$ 354,022
Overlay & Sealing - Schedule 3, line 12	1,317,784
Street Lights & Traffic Signals - Schedule 3, line 13	1,696,595

Construction:

Street Reconstruction - Schedule 3, line 3	756,290
Administrative/Other (Indirect & Overhead) - Schedule 3, line 1	<u>1,209,874</u>

Total MOE Expenditures	<u>5,334,565</u>
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Measure M2 Local Fair Share Expenditures (Schedule 4):

Avenida Presidio Rehabilitation - Phase II	<u>11,677</u>
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Total MOE and Measure M2 Local Fair Share Expenditures	<u><u>\$ 5,346,242</u></u>
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Note:

The above amounts were taken directly from the financial records of the City of San Clemente and were not audited.



March 12, 2018

Board of Directors

Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Transportation Ordinance for the City of San Clemente as of and for the fiscal year ended June 30, 2017.

Procedure #4

We selected a sample of MOE expenditures from the City's general ledger expenditure detail, and described the percentage of total expenditures selected for testing. For each item selected, we performed the following:

- a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
- b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings:

MOE expenditures tested totaled \$2,074,907 representing approximately 39% of total MOE expenditures for the fiscal year ended June 30, 2017. We identified one expenditure totaling \$397,250 which was not properly classified as a local street and road expenditure, nor was the cost allowable per the Ordinance. However, after removing the amount from total MOE expenditures, the City continued to meet the minimum MOE requirement. No other exceptions were found as a result of this procedure.

City's Response:

The Finance Department received a request from Engineering to move this project (19907 – Shoreline Feasibility Study – Phase III) from the Engineering street program to Beaches, Parks and Recreation in the new year, so that these costs will be appropriately classified.

Procedure #8

We obtained the City's Seven-Year Capital Improvement Program (CIP). We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. We selected a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail, and described the percentage of total expenditures selected for testing. For each item selected, we performed the following:

- a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation.
- b. Verified that the expenditures selected in (a) above were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects.

Findings:

Measure M2 Local Fair Share expenditures tested totaled \$8,187 representing approximately 70% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2017. We identified two expenditures, totaling \$3,878, related to payroll overhead costs. The City allocates 90% of direct payroll as overhead to account for administration costs. The 90% rate was determined as part of an analysis performed in 2008 to estimate overhead costs for staff time. We were unable to verify through a recent cost study the current overhead allocation rate of 90%. Total overhead in the population for the year ended June 30, 2017 was \$5,886. No other exceptions were found as a result of this procedure.

City's Response:

The City will provide a detailed methodology that represents the administration costs and will need to update its cost allocation recovery percentages.

Procedure #9

We identified whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, we compared indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1), explaining any differences. If applicable, we selected a sample of charges. We reviewed the amounts charged and reviewed supporting documentation for reasonableness and appropriate methodology.

Findings:

Based upon inspection of the Expenditure Report (Schedule 3, Line 1), the City reported \$0 as indirect costs for the fiscal year ended June 30, 2017. However, per discussions with the City's accounting personnel and inspection of the general ledger expenditure detail, we identified indirect costs charged as M2 expenditures in Line 3 of the City's Expenditure Report totaling \$5,886 for the fiscal year ended June 30, 2017. Refer to discussion under procedure 8.

City's Response:

The City will implement procedures to ensure these costs are appropriately reported on the correct line of the City's Measure M2 Expenditure Report. The City will provide a detailed methodology that represents the administration costs and will need to update its cost allocation recovery percentages.

Procedure #10

We reviewed the City's interest allocation methodology and amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. We agreed the amount reflected to the amount of interest listed on the City's Expenditure Report (Schedule 2, line 4), explaining any differences.

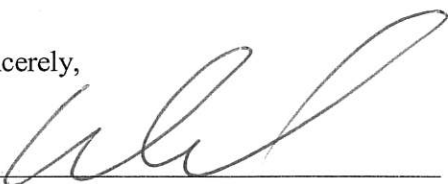
Findings:

Based on inspection of the Expenditure Report (Schedule 2, line 4), the City reported \$0 as interest revenues for the fiscal year ended June 30, 2017. However, per discussions with City's accounting personnel and inspection of the general ledger expenditure detail, the City recorded \$10,697 in interest income. No other exceptions were found as a result of this procedure.

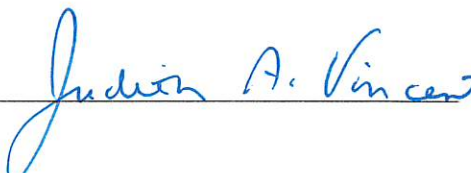
City's Response:

The City will implement procedures to ensure interest earned is appropriately reported on the City's Measure M2 Expenditure Report.

Sincerely,



Title: Assistant City Manager



Title: Deputy Administrative Services Director



Title: Public Works Director



**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES — CITY OF SAN JUAN CAPISTRANO**

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), on the City of San Juan Capistrano’s (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2017. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. The sufficiency of these procedures is solely the responsibility of the Taxpayers Oversight Committee of the OCLTA. 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.

The procedures and associated findings were as follows:

1. We obtained the OCLTA Maintenance of Effort (MOE) Calculation Report and identified the required minimum amount to be spent on MOE expenditures by the City.

Findings: The City was required to spend \$390,383 in MOE expenditures during the fiscal year ended June 30, 2017. No exceptions were found as a result of this procedure.

2. We described which funds the City used to track all street and road expenditures and inquired how the City identifies MOE expenditures in its general ledger.

Findings: All MOE expenditures are tracked in the general ledger by fund, program, and activity. The City recorded its MOE expenditures in its General Fund (1), under Department (8) Public Works. No exceptions were found as a result of this procedure.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2017 and determined whether the City met the minimum MOE requirement. We agreed the total MOE expenditures to the amount reported on the City’s Expenditure Report (Schedule 3, line 18), explaining any differences.

Findings: The City’s MOE expenditures for the fiscal year ended June 30, 2017 were \$2,332,212 (see Schedule A), which exceeded the requirement. We agreed the total expenditures of \$2,332,212 to the amount reported on the City’s Expenditure Report (Schedule 3, line 18), with no differences. No exceptions were found as a result of this procedure.

4. We selected a sample of MOE expenditures from the City’s general ledger expenditure detail, and described the percentage of total expenditures selected for testing. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
 - b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: MOE expenditures tested totaled \$348,415, representing approximately 15% of total MOE expenditures for the fiscal year ended June 30, 2017. We identified three expenditures, totaling \$3,990 that were not properly classified as local street and road expenditures, nor were the costs allowable per the Ordinance. Additionally, we identified expenditures, totaling \$102,447, related to overhead costs. The City allocated 60% of general ledger expenditures for administration costs related to street and road maintenance, but was not able to provide support to substantiate the 60% allocation basis. MOE expenditures subject to the 60% allocation totaled \$1,034,610. However, after removing the amounts from total MOE expenditures and subject to the exceptions described above, the City met the minimum MOE requirement.

5. We identified whether or not indirect costs were charged as MOE expenditures. If applicable, we compared indirect costs identified to the amount reported on the Eligible Jurisdiction’s Expenditure Report (Schedule 3, line 1), explaining any differences. If applicable, we obtained detail of indirect costs charged, and selected a sample of charges for review. We reviewed the supporting documentation for reasonableness and appropriate methodology.

Findings: Based on inspection of the Expenditure Report (Schedule 3, line 1), the City reported \$817,978 as indirect costs. Per discussions with the City’s accounting personnel and inspection of the general ledger expenditure detail, we identified indirect costs charged as MOE expenditures for the fiscal year ended June 30, 2017. Indirect MOE expenditures tested totaled \$114,707 of which \$102,447 was not appropriately supported as described in Procedure 4. Of the \$817,978 reported by the City, \$565,610 was related to the 60% allocation, which could not be substantiated, and were removed from the total MOE expenditures, as described in procedure 4. No other exceptions were found as a result of this procedure.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the fund balance of the City’s Measure M2 Local Fair Share Fund as of June 30, 2017, agreed to the balance as listed on the City’s Expenditure Report (Schedule 1, line 20), and determined whether funds were expended within three years of receipt, explaining any differences.

Findings: The City received \$1,825,580 for the past three fiscal years ended June 30, 2015, 2016 and 2017. The remaining fund balance of these funds was as follows:

<u>Allocation Year</u>	<u>Funding Source</u>	<u>Remaining Fund Balance</u>
2016/2017	Local Fair Share (M2)	\$ 614,421
2015/2016	Local Fair Share (M2)	90,357

We agreed the fund balance of \$704,778 to the City’s Expenditure Report (Schedule 1, line 20), with no differences. No exceptions were found as a result of this procedure.

7. We described which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2017. We agreed the total Local Fair Share expenditures per the general ledger to the amounts reflected on the City's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4), explaining any differences.

Findings: The City's Measure M2 Local Fair Share expenditures are recorded in Fund 32, Measure M Fund as transfers out to Fund 50 Capital Projects Fund. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2017 were \$623,549 (see Schedule A), which agreed to the City's Expenditure Report (Schedule 2 line 17, and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

8. We obtained the City's Seven-Year Capital Improvement Program (CIP). We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. We selected a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail, and described the percentage of total expenditures selected for testing. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation.
 - b. Verified that the expenditures selected in (a) above were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects.

Findings: Measure M2 Local Fair Share expenditures tested totaled \$465,384 representing approximately 75% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2017. No exceptions were found as a result of this procedure.

9. We identified whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, we compared indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1), explaining any differences. If applicable, we selected a sample of charges. We reviewed the amounts charged and reviewed supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger expenditure detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, the City reported \$322 as indirect costs for the fiscal year ended June 30, 2017. Indirect M2 expenditures tested totaled \$127. No exceptions were found as a result of this procedure.

10. We reviewed the City's interest allocation methodology and amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. We agreed the amount reflected to the amount of interest listed on the City's Expenditure Report (Schedule 2, line 4), explaining any differences.

Findings: No exceptions were found as a result of this procedure.

11. We determined the City was found eligible by the TOC Eligibility Subcommittee.

Findings: We inspected the minutes of the TOC and verified that the TOC Eligibility Subcommittee found the City was eligible to receive Measure M2 Local Fair Share funds. No exceptions were found as a result of this procedure.

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 audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

At the request of OCLTA, the City's responses to certain findings are included in Exhibit 1. The responses are included for the purposes of additional information and were not subjected to the procedures described above. Accordingly, we did not perform any procedures on the City's responses and express no assurance or opinion on them.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink that reads "Vavrinch, Train, Day & Co., LLP". The signature is written in a cursive, flowing style.

Laguna Hills, California
March 12, 2018

CITY OF SAN JUAN CAPISTRANO, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2017
(Unaudited)

Maintenance of Effort (MOE) Expenditures:

Maintenance:

Patching - Schedule 3, line 11	\$ 119,677
Street Lights & Traffic Signals - Schedule 3, line 13	325,026
Storm Damage - Schedule 3, line 14	59,190
Other Street Purpose Maintenance - Schedule 3, line 15	1,010,341
Administrative/Other (Indirect & Overhead) - Schedule 3, line 1	<u>817,978</u>
Total MOE Expenditures	<u>2,332,212</u>

Measure M2 Local Fair Share Expenditures (Schedule 4):

Bridge at Acjachema Street and La Calera Street (CIP 13102)	246
Traffic Signal Cabinet Upgrades (CIP 16101)	6,961
Second Eastbound Turn Lane at Del Obispo & Camino Capistrano (CIP 16103)	3,512
City Pavement Rehabilitation (CIP 16105)	445,585
Arterial Street Pavement Rehabilitation (CIP 16109)	<u>167,245</u>
Total Measure M2 Local Fair Share Expenditures	<u>623,549</u>
Total MOE and Measure M2 Local Fair Share Expenditures	<u><u>\$ 2,955,761</u></u>

Note:

The above amounts were taken directly from the financial records of the City of San Juan Capistrano and were not audited.

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MEMBERS OF THE CITY COUNCIL

SERGIO FARIAS
 KERRY K. FERGUSON
 BRIAN L. MARYOTT
 PAM PATTERSON, ESQ.
 DEREK REEVE

March 12, 2018

Board of Directors
 Orange County Local Transportation Authority
 and the Taxpayers Oversight Committee of the
 Orange County Local Transportation Authority

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Transportation Ordinance for the City of San Juan Capistrano as of and for the fiscal year ended June 30, 2017.

Procedure #4

We selected a sample of MOE expenditures from the City's general ledger expenditure detail, and described the percentage of total expenditures selected for testing. For each item selected, we performed the following:

- a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
- b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings

MOE expenditures tested totaled \$348,415, representing approximately 15% of total MOE expenditures for the fiscal year ended June 30, 2017. We identified three expenditures, totaling \$3,990 that were not properly classified as local street and road expenditures, nor were the costs allowable per the Ordinance. Additionally, we identified expenditures, totaling \$102,447, related to overhead costs. The City allocated 60% of general ledger expenditures for administration costs related to street and road maintenance, but was not able to provide support to substantiate the 60% allocation basis. MOE expenditures subject to the 60% allocation totaled \$1,034,610. However, after removing the amounts from total MOE expenditures and subject to the exceptions described above, the City met the minimum MOE requirement.

City's Response:

The expenditures noted by the auditors will be reclassified to divisions that are not involved in the maintenance of effort computation. On a go-forward basis, these costs and any other costs that are not street-related will also be coded to divisions that are not involved in the maintenance of effort computation. We will also remove from the City's maintenance of effort computation the overhead and indirect costs noted above, including any payroll and administrative costs associated with the 60% allocation described in the audit finding. As noted by the auditors, after removing these costs, the City's maintenance of effort expenditures exceed the amount required by over \$1 million.

San Juan Capistrano: Preserving the Past to Enhance the Future

Procedure #5

We identified whether or not indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1), explaining any differences. If applicable, we obtained detail of indirect costs charged, and selected a sample of charges for review. We reviewed the supporting documentation for reasonableness and appropriate methodology.

Findings

Based on inspection of the Expenditure Report (Schedule 3, line 1), the City reported \$817,978 as indirect costs. Per discussions with the City's accounting personnel and inspection of the general ledger expenditure detail, we identified indirect costs charged as MOE expenditures for the fiscal year ended June 30, 2017. Indirect MOE expenditures tested totaled \$114,707 of which \$102,447 was not appropriately supported as described in Procedure 4. Of the \$817,978 reported by the City, \$565,610 was related to the 60% allocation, which could not be substantiated, and were removed from the total MOE expenditures, as described in procedure 4. No other exceptions were found as a result of this procedure.

City's Response:

See our response to the findings noted for Procedure #4.

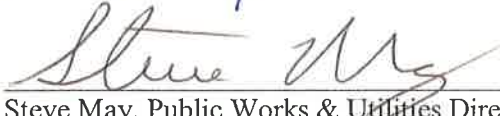
Sincerely,

ae 

Benjamin Siegel, City Manager



Ken Al-Imam, Chief Financial Officer



Steve May, Public Works & Utilities Director



**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES — CITY OF VILLA PARK**

Board of Directors

Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), on the City of Villa Park's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2017. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. The sufficiency of these procedures is solely the responsibility of the Taxpayers Oversight Committee of the OCLTA. 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.

The procedures and associated findings were as follows:

1. We obtained the OCLTA Maintenance of Effort (MOE) Calculation Report and identified the required minimum amount to be spent on MOE expenditures by the City.

Findings: The City was required to spend \$279,227 in MOE expenditures during the fiscal year ended June 30, 2017. No exceptions were found as a result of this procedure.

2. We described which funds the City used to track all street and road expenditures and inquired how the City identifies MOE expenditures in its general ledger.

Findings: All MOE expenditures are tracked in the general ledger by fund, program, and activity. The City recorded its MOE expenditures in its General Fund (01), under the Public Works, Street Maintenance, Storm Drain Maintenance, and Engineering Departments. No exceptions were found as a result of this procedure.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2017 and determined whether the City met the minimum MOE requirement. We agreed the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18), explaining any differences.

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2017 were \$284,019 (see Schedule A), which exceeded the requirement. We agreed the total expenditures of \$284,019 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), with no differences. No exceptions were found as a result of this procedure.

4. We selected a sample of MOE expenditures from the City’s general ledger expenditure detail, and described the percentage of total expenditures selected for testing. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
 - b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: MOE expenditures tested totaled \$102,383, representing approximately 36% of total MOE expenditures for the fiscal year ended June 30, 2017. We identified one expenditure, totaling \$1,350, was not properly classified as a local street and road expenditure, nor was the cost allowable per the Ordinance. We also were unable to agree the dollar amount listed on the general ledger to supporting documentation for 10 samples totaling \$6,935; however, the City asserted that the nature of the expenditures were properly classified as local street and road expenditures, and allowable per the Ordinance. After removing \$8,285 from total MOE expenditures, the City no longer met the minimum MOE requirement.

Per discussions with the City’s management and inspection of the general ledger, the City identified an additional \$7,000 of allowable cost not previously reported in the City’s Expenditure Report. After including the additional transactions to the total MOE expenditures, the City met the minimum MOE requirement.

5. We identified whether or not indirect costs were charged as MOE expenditures. If applicable, we compared indirect costs identified to the amount reported on the Eligible Jurisdiction’s Expenditure Report (Schedule 3, line 1), explaining any differences. If applicable, we obtained detail of indirect costs charged, and selected a sample of charges for review. We reviewed the supporting documentation for reasonableness and appropriate methodology.

Findings: Based on inspection of the Expenditure Report (Schedule 3, line 1), the City reported \$151,573 as indirect costs. Indirect MOE expenditures tested totaled \$14,376 of which \$1,980 was not appropriately supported as described in Procedure 4. No other exceptions were found as a result of this procedure.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the fund balance of the City’s Measure M2 Local Fair Share Fund as of June 30, 2017, agreed to the balance as listed on the City’s Expenditure Report (Schedule 1, line 20), and determined whether funds were expended within three years of receipt, explaining any differences.

Findings: The City received \$251,683 for the past three fiscal years ended June 30, 2015, 2016 and 2017. The remaining fund balance of these funds was as follows:

<u>Allocation Year</u>	<u>Funding Source</u>	<u>Remaining Fund Balance</u>
2016/2017	Local Fair Share (M2)	\$ 86,388
2015/2016	Local Fair Share (M2)	2,858

We agreed the fund balance of \$89,246 to the City’s Expenditure Report (Schedule 1, line 20), with no differences. No exceptions were found as a result of this procedure.

7. We described which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2017. We agreed the total Local Fair Share expenditures per the general ledger to the amounts reflected on the City's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4), explaining any differences.

Findings: The City's Measure M2 Local Fair Share expenditures are recorded in Fund 05, Measure M Fund. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2017 were \$0 (see Schedule A), which agreed to the City's Expenditure Report (Schedule 2 line 17, and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

8. We obtained the City's Seven-Year Capital Improvement Program (CIP). We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. We selected a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail, and described the percentage of total expenditures selected for testing. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation.
 - b. Verified that the expenditures selected in (a) above were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects.

Findings: Total Measure M2 Local Fair Share expenditures during the fiscal year ended June 30, 2017 were \$0. As such, this procedure was not applicable. Further, no projects were listed on Schedule 4.

9. We identified whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, we compared indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1), explaining any differences. If applicable, we selected a sample of charges. We reviewed the amounts charged and reviewed supporting documentation for reasonableness and appropriate methodology.

Findings: Total Measure M2 Local Fair Share expenditures during the fiscal year ended June 30, 2017 were \$0. As such, this procedure was not applicable. Further, no projects were listed on Schedule 4.

10. We reviewed the City's interest allocation methodology and amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. We agreed the amount reflected to the amount of interest listed on the City's Expenditure Report (Schedule 2, line 4), explaining any differences.

Findings: No exceptions were found as a result of this procedure.

11. We determined the City was found eligible by the TOC Eligibility Subcommittee.

Findings: We inspected the minutes of the TOC and verified that the TOC Eligibility Subcommittee found the City was eligible to receive Measure M2 Local Fair Share funds. No exceptions were found as a result of this procedure.

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 audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

At the request of OCLTA, the City's responses to certain findings are included in Exhibit 1. The responses are included for the purposes of additional information and were not subjected to the procedures described above. Accordingly, we did not perform any procedures on the City's responses and express no assurance or opinion on them.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be and should not be used by anyone other than those specified parties.

Vavrinch, Train, Douglas Co, LLP

Laguna Hills, California
March 12, 2018

CITY OF VILLA PARK, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2017
(Unaudited)

Maintenance of Effort (MOE) Expenditures:

Maintenance:

Overlay & Sealing - Schedule 3, line 12	\$ 59,295
Street Lights & Traffic Signals - Schedule 3, line 13	13,521
Storm Damage - Schedule 3, line 14	12,124
Other Street Purpose Maintenance - Schedule 3, line 15	47,506
Administrative/Other (Indirect & Overhead) - Schedule 3, line 1	<u>151,573</u>
Total MOE and Measure M2 Local Fair Share Expenditures	<u><u>\$ 284,019</u></u>

Note:

The above amounts were taken directly from the financial records of the City of Villa Park and were not audited.



City of Villa Park

EXHIBIT 1

17855 Santiago Boulevard, Villa Park, California 92861-4187
(714) 998-1500 • Fax: (714) 998-1508

www.villapark.org

March 12, 2018

Board of Directors

Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Transportation Ordinance for the City of Villa Park as of and for the fiscal year ended June 30, 2017.

Procedure #4

We selected a sample of MOE expenditures from the City's general ledger expenditure detail, and described the percentage of total expenditures selected for testing. For each item selected, we performed the following:

- a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
- b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings

MOE expenditures tested totaled \$102,383, representing approximately 36% of total MOE expenditures for the fiscal year ended June 30, 2017. We identified one expenditure, totaling \$1,350, was not properly classified as a local street and road expenditure, nor was the cost allowable per the Ordinance. We also were unable to agree the dollar amount listed on the general ledger to supporting documentation for 10 samples totaling \$6,935; however, the City asserted that the nature of the expenditures were properly classified as local street and road expenditures, and allowable per the Ordinance. After removing \$8,285 from total MOE expenditures, the City no longer met the minimum MOE requirement.

Per discussions with the City's management and inspection of the general ledger, the City identified an additional \$7,000 of allowable cost not previously reported in the City's Expenditure Report. After including the additional transactions to the total MOE expenditures, the City met the minimum MOE requirement

City's Response:

The city acknowledges that the expenditure of \$1,350 was incorrectly classified. While the expenditures totaling \$6,935 relate to labor on an allowable local street and road project, the hours worked were not specifically detailed on timesheets.

The city agrees that expenditures should be supported by appropriate documentation. The city will work with staff to ensure that work on local street and road projects is identified as such on documentation such as timesheets.

Procedure #5

We identified whether or not indirect costs were charged as MOE expenditures. If applicable, we compared indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1), explaining any differences. If applicable, we obtained detail of indirect costs charged, and selected a sample of charges for review. We reviewed the supporting documentation for reasonableness and appropriate methodology.

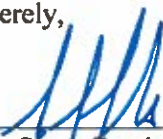
Findings

Based on inspection of the Expenditure Report (Schedule 3, line 1), the City reported \$151,573 as indirect costs. Indirect MOE expenditures tested totaled \$14,376 of which \$1,980 was not appropriately supported as described in Procedure 4. No other exceptions were found as a result of this procedure.

City's Response:

The city agrees that expenditures should be supported by appropriate documentation. The city will work with staff to ensure that work on local street and road projects is identified as such on documentation such as timesheets.

Sincerely,



Title: Steve Franks, City Manager



Title: Frank Davies, Director of Finance