

**ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY**

MEASURE M2 LOCAL FAIR SHARE

AGREED-UPON PROCEDURES REPORTS

Year Ended June 30, 2016

**ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY**

MEASURE M2 LOCAL FAIR SHARE

AGREED-UPON PROCEDURES REPORTS

Year Ended June 30, 2016

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, 2016. Please refer to the individual divider tab for our report on each Agency.

City of Fountain Valley

City of Fullerton

City of Laguna Niguel

City of Laguna Woods

City of Lake Forest

City of Newport Beach

City of Placentia

City of San Juan Capistrano

City of Yorba Linda



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

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), solely to assist you in evaluating the City of Fountain Valley's (City) level of compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of, and for the fiscal year ended, June 30, 2016. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures 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.

Results: The City was required to spend \$1,180,712 in MOE expenditures during the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

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

Results: All MOE expenditures are tracked in the general ledger by fund, program, and activity. The City recorded its MOE expenditures in its General Fund (11), under the Public Works and Field Services Departments. No exceptions were noted as a result of our procedures.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2016 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.

Results: The City's MOE expenditures for the fiscal year ended June 30, 2016 were \$2,493,170 (see Schedule A), which exceeded the requirement. We agreed the total expenditures of \$2,493,170 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), noting no differences. No exceptions were noted as a result of our procedures.

4. We selected a sample of MOE expenditures from the City’s general ledger expenditure detail. 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.

Results: MOE expenditures tested totaled \$607,465, representing approximately 24% of total MOE expenditures for the fiscal year ended June 30, 2016. We noted one expenditure, totaling \$1,629, 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.

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.

Results: Based on our review of the Expenditure Report (Schedule 3, line 1), the City reported \$0 as indirect costs. However, per discussions with the City’s accounting personnel and review of the general ledger expenditure detail, we identified indirect costs charged as MOE expenditures for the fiscal year ended June 30, 2016. Indirect MOE expenditures tested totaled \$44,826. No other exceptions were noted as a result of our procedures.

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, 2016, agreed to the balance as listed on the City’s Expenditure Report (Schedule 1, lines 12 and 13), and determined whether funds were expended within three years of receipt, explaining any differences.

Results: The City received \$2,894,157 for the past three fiscal years ended June 30, 2014, 2015 and 2016. The remaining fund balance of these funds was as follows:

<u>Allocation Year</u>	<u>Funding Source</u>	<u>Remaining Fund Balance</u>
2015/2016	Local Fair Share (M2)	\$ 997,308
2014/2015	Local Fair Share (M2)	976,550
2013/2014	Local Fair Share (M2)	749,434

We agreed the fund balance of \$2,723,292 to the City’s Expenditure Report (Schedule 1, lines 12 and 13), noting no differences. No exceptions were noted as a result of our procedures.

7. We documented 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, 2016. We agreed the total Local Fair Share expenditures per the general ledger to the amounts reflected on the City’s Expenditure Report (Schedule 2, lines 9 and 10, and detail listed at Schedule 4), explaining any differences.

Results: The City’s Measure M2 Local Fair Share expenditures are recorded in Fund 25, Measure M2 Fund as transfers out to Fund 24 Traffic Improvement Fund. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2016 were \$39,751 (see Schedule A), which agrees to the City’s Expenditure Report (Schedule 2 lines 9 and 10, and detail listed at Schedule 4). No exceptions were noted as a result of our procedures.

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. 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.

Results: Measure M2 Local Fair Share expenditures tested totaled \$27,628 representing approximately 70% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

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.

Results: Based upon our review of the general ledger expenditure detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, the City reported \$7,876 as indirect costs for the fiscal year ended June 30, 2016. Indirect M2 expenditures tested totaled \$2,762, representing approximately 35% of the total indirect costs per Schedule 3, line 1. No exceptions were noted as a result of our procedures.

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.

Results: No exceptions were noted as a result of our procedures.

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

Results: We reviewed 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 noted as a result of our procedures.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion 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. 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, Dry Co, Ltd

Laguna Hills, California
March 8, 2017

CITY OF FOUNTAIN VALLEY, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2016
(Unaudited)

Maintenance of Effort (MOE) Expenditures:

Maintenance:

Patching - Schedule 3, line 11	\$ 471,757
Street Lights & Traffic Signals - Schedule 3, line 13	1,111,838
Other Street Purpose Maintenance - Schedule 3, line 15	<u>909,575</u>
Total MOE Expenditures	<u>2,493,170</u>

Measure M2 Local Fair Share Expenditures (Schedule 4):

City-Wide Signal Timing Maintenance	20,450
Harbor N City/Sa River	7,776
Edinger-Brookhurst to Euclid	7,110
Harbor Avenue Signal Sync	<u>4,415</u>
Total Measure M2 Local Fair Share Expenditures	<u>39,751</u>
Total MOE and Measure M2 Local Fair Share Expenditures	<u><u>\$ 2,532,921</u></u>

Note:

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



CITY OF FOUNTAIN VALLEY

www.fountainvalley.org

10200 SLATER AVE – FOUNTAIN VALLEY, CA 92708-4736 (714) 593-4400, FAX (714)593-4498

March 8, 2017

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 Fountain Valley as of and for the fiscal year ended June 30, 2016.

Procedure #4

We selected a sample of MOE expenditures from the City's general ledger expenditure detail. 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.

Results:

MOE expenditures tested totaled \$607,465 representing approximately 24% of total MOE expenditures for the fiscal year ended June 30, 2016. We noted one expenditure, totaling \$1,629, was not properly classified as a local street and road expenditure, 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.

City's Response:

City staff will closely review expenditures for proper classification and restrict MOE expenditures to only include expenditures related to local street and roads. WE are comfortable that except for the expenditure noted above all other expenditures meet the MOE requirements.

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.

Results:

Based on our review of the Expenditure Report (Schedule 3, line 1), the City reported \$0 as indirect costs. However, per discussions with the City's accounting personnel and review of the general ledger expenditure detail, we identified indirect costs charged as MOE expenditures for the fiscal year ended June 30, 2016. Indirect MOE expenditure tested totaled \$44,826. No other exceptions were noted as a result of our procedures.

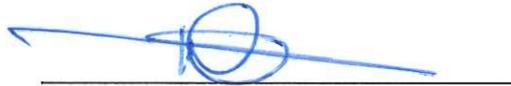
City's Response:

The correction has been noted. Going forward, indirect costs will be properly reported on the Expenditure Report (Schedule 3, line 1).

Sincerely,



Title: Interim City Manager



Title: Director of Finance / City Treasurer



Title: Director of Public Works



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

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), solely to assist you in evaluating the City of Fullerton's (City) level of compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of, and for the fiscal year ended, June 30, 2016. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures 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.

Results: The City was required to spend \$3,427,988 in MOE expenditures during the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

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

Results: 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) and Sanitation Fund (23), under the Public Works Department. No exceptions were noted as a result of our procedures.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2016 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.

Results: The City's MOE expenditures for the fiscal year ended June 30, 2016 were \$5,740,353 (see Schedule A), which exceeded the requirement. We agreed the total expenditures of \$5,740,353 to the amount reported on the City's Expenditure Report (Schedule 3, Line 18), noting no differences. No exceptions were noted as a result of our procedures.

4. We selected a sample of MOE expenditures from the City’s general ledger expenditure detail. 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.

Results: MOE expenditures tested totaled \$655,532 representing approximately 11% of total MOE expenditures for the fiscal year ended June 30, 2016. We noted one expenditure, totaling \$14,493, 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.

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 City’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, explaining any differences between detail and the Expenditure Report. We reviewed the supporting documentation for reasonableness and appropriate methodology.

Results: Based on our review of the Expenditure Report (Schedule 3, line 1), the City reported \$0 as indirect costs. However, per discussions with the City’s accounting personnel and review of the general ledger expenditure detail, we identified indirect costs charged as MOE expenditures for the fiscal year ended June 30, 2016. Indirect MOE expenditures tested totaled \$380,219. No other exceptions were noted as a result of our procedures.

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, 2016, agreed to the balance as listed on the City’s Expenditure Report (Schedule 1, lines 12 and 13), and determined whether funds were expended within three years of receipt, explaining any differences.

Results: The City received \$6,037,218 for the past three fiscal years ended June 30, 2014, 2015 and 2016. The remaining fund balance was as follows:

<u>Allocation Year</u>	<u>Funding Source</u>	<u>Remaining Fund Balance</u>
2015/2016	Local Fair Share (M2)	\$ 2,083,616
2014/2015	Local Fair Share (M2)	\$ 1,113,716

We agreed the fund balance of \$3,197,332 to the City’s Expenditure Report (Schedule 1, lines 12 and 13), noting no differences. No exceptions were noted as a result of our procedures.

7. We documented 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, 2016. We agreed the total Local Fair Share expenditures per the general ledger to the amounts per the City’s Expenditure Report (Schedule 2, lines 9 and 10, and detail listed at Schedule 4), explaining any differences.

Results: The City’s Measure M2 Local Fair Share expenditures are recorded in Fund 25, Measure M2 as transfers out to Fund 74, Capital Improvement Projects. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2016 were \$2,360,818 (see Schedule A), which agreed to the City’s Expenditure Report (Schedule 2 lines 9 and 10 and detail listed at Schedule 4). No exceptions were noted as a result of our procedures.

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, noting any differences. We selected a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail. 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 properly classified as Measure M2 Local Fair Share projects.

Results: Measure M Local Fair Share expenditures tested totaled \$976,552 representing approximately 41% of total Measure M Local Fair Share expenditures for the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

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 City's Expenditure Report (Schedule 3, Line 1) and explained any differences. If applicable, we selected a sample of charges. We reviewed the supporting documentation for reasonableness and appropriate methodology.

Results: Based on our review of the general ledger expenditure detail, the Expenditure Report (Schedule 3, line 1), and discussions with the City's accounting personnel, the City reported \$103,244 as indirect costs for the fiscal year ended June 30, 2016. Indirect M2 expenditures tested totaled \$11,264, representing approximately 11% of the indirect costs per Schedule 3, line 1. No exceptions were noted as a result of our procedures.

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.

Results: No exceptions were noted as a result of our procedures.

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

Results: We reviewed 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 noted as a result of our procedures.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion 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. 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, Dog Co., LLC

Laguna Hills, California
March 8, 2017

CITY OF FULLERTON, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2016
(Unaudited)

Maintenance of Effort (MOE) Expenditures:

Maintenance:

Overlay & Sealing - Schedule 3, line 12	\$ 2,559,322
Street Lights & Traffic Signals - Schedule 3, line 13	449,198
Other Street Purpose Maintenance - Schedule 3, line 15	2,731,833
Administrative/Other (Indirect & Overhead) - Schedule 3, line 1	<u>-</u>
Total MOE Expenditures	<u>5,740,353</u>

Measure M2 Local Fair Share Expenditures (Schedule 4):

Placentia Ave. Reconstruction - Chapman to Ruby (CIP 44013)	2,369
Gilbert Street Reconstruction - Rosecrans to Pioneer (CIP 44020)	814,460
Valencia Drive Reconstruction - Euclid to Basque (CIP 44021)	10,549
Highland Ave. Reconstruction - Valencia to Baker Ave. (CIP 44023)	304,222
Chapman Ave. Rehabilitation - Berkeley to Raymond (CIP 44025)	29,826
Kraemer Blvd. Reconstruction - Lambert Road to Golden Avenue (CIP 44027)	474
State College Reconstruction - Yorba Linda Blvd. to Santa Fe Ave. (CIP 44028)	6,247
Residential St. Reconstruction 14-15: Ponderosa (CIP 44029)	500,000
Nutwood Ave - Chapman Ave & 57 Fwy (CIP 44031)	34,276
Arterial St. Reconstruction, Rehabilitation & Repair (CIP 44400)	138,159
Residential Street Program (CIP 44586)	325,825
Residential Street Program (CIP 44587)	11,113
Curb/Gutter & Sidewalk Reconstruction (CIP 44786)	17,791
Curb/Gutter & Sidewalk Reconstruction (CIP 44787)	18,760
Bastanchury Rd. Widening from Harbor Blvd. to Fairway Isles Dr. (CIP 45670)	43,503
Administration (Indirect & Overhead)	<u>103,244</u>
Total Measure M2 Local Fair Share Expenditures	<u>2,360,818</u>
Total MOE and Measure M2 Local Fair Share Expenditures	<u><u>\$ 8,101,171</u></u>

Note:

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



CITY OF FULLERTON

Administrative Services Department

Administration (714) 738-6521
 Fiscal Services (714) 738-6529
 Information Technology (714) 738-6538
 Purchasing (714) 738-6533

March 8, 2017

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 Fullerton as of and for the fiscal year ended June 30, 2016.

Procedure #4

We selected a sample of MOE expenditures from the City's general ledger expenditure detail. 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.

Results:

MOE expenditures tested totaled \$655,532 representing approximately 11% of total MOE expenditures for the fiscal year ended June 30, 2016. We noted one expenditure, totaling \$14,493, 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:

The City of Fullerton's Public Works department is requesting Park Dwelling funding for tree trimming in parks starting FY 17-18 so it will not be considered in the MOE calculation.

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 City'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, explaining any differences between detail and the Expenditure Report. We reviewed the supporting documentation for reasonableness and appropriate methodology.

THE EDUCATION COMMUNITY



Results:

Based on our review of the Expenditure Report (Schedule 3, line 1), the City reported \$0 as indirect costs. However, per discussions with the City's accounting personnel and review of the general ledger

expenditure detail, we identified indirect costs charged as MOE expenditures for the fiscal year ended June 30, 2016. Indirect MOE expenditure tested totaled \$380,219. No other exceptions were noted as a result of our procedures.

City's Response:

Effective FY 2016-17, the City of Fullerton will calculate indirect costs in programs supporting MOE expenditures, and indicate the total on the M2 Expenditure Report, Schedule 3, line 1.

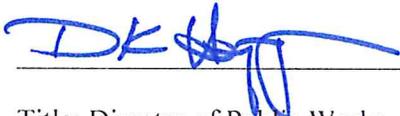
Sincerely,



Title: City Manager



Title: Director of Administrative Services



Title: Director of Public Works



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

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), solely to assist you in evaluating the City of Laguna Niguel's (City) level of compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of, and for the fiscal year ended, June 30, 2016. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures 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.

Results: The City was required to spend \$721,542 in MOE expenditures during the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

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

Results: 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) and Capital Improvement Program Fund (300), under the Street Sweeping (32), Street Lighting (33), Median Maintenance (34), and Street & Roads (70) Departments. No exceptions were noted as a result of our procedures.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2016 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.

Results: The City's MOE expenditures for the fiscal year ended June 30, 2016 were \$2,032,253 (see Schedule A), which exceeded the requirement. We agreed the total expenditures of \$2,032,253 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), noting no differences. No exceptions were noted as a result of our procedures.

4. We selected a sample of MOE expenditures from the City's general ledger expenditure detail. 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.

Results: MOE expenditures tested totaled \$856,712, representing approximately 42% of total MOE expenditures for the fiscal year ended June 30, 2016. As a result of our procedures, we noted 13 exceptions as follows:

- 12 expenditures, totaling \$89,440 were not properly classified as local street and road expenditures, nor were the costs allowable per the Ordinance.
- 1 allowable invoice in the amount of \$60,905 was overpaid by \$1,000.

However, after removing the amounts from total MOE expenditures, the City continued to meet the minimum MOE requirement.

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.

Results: Based on our review of the Expenditure Report (Schedule 3, line 1), the City reported \$0 as indirect costs. Per discussions with the City's accounting personnel and review of the general ledger expenditure detail, we noted no indirect costs were charged as MOE expenditures for the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

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, 2016, agreed to the balance as listed on the City's Expenditure Report (Schedule 1, lines 12 and 13), and determined whether funds were expended within three years of receipt, explaining any differences.

Results: The City received \$3,091,844 for the past three fiscal years ended June 30, 2014, 2015 and 2016. We noted no remaining fund balance which agreed to the City's Expenditure Report (Schedule 1, lines 12 and 13). No exceptions were noted as a result of our procedures.

7. We documented 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, 2016. We agreed the total Local Fair Share expenditures per the general ledger to the amounts per the City's Expenditure Report (Schedule 2, lines 9 and 10, and detail listed at Schedule 4), explaining any differences.

Results: The City's Measure M2 Local Fair Share expenditures are recorded in Fund 300, Capital Improvement Project, under project 5008-11 & 5008-12 Annual Street Resurfacing Program. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2016 were \$1,062,958 (see Schedule A), which agreed to the City's Expenditure Report (Schedule 2 lines 9 and 10, and detail listed at Schedule 4). No exceptions were noted as a result of our procedures.

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. 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.

Results: Measure M2 Local Fair Share expenditures tested totaled \$1,062,958 representing 100% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

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.

Results: Based on our review of the Expenditure Report (Schedule 3, line 1), the City reported \$0 as indirect costs. Per discussions with the City's accounting personnel and review of the general ledger expenditure detail, we noted no indirect costs were charged as M2 Local Fair Share expenditures for the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

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.

Results: No exceptions were noted as a result of our procedures.

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

Results: We reviewed 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 noted as a result of our procedures.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion 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. 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, Travis, DMS & Co, LLP

Laguna Hills, California
March 8, 2017

CITY OF LAGUNA NIGUEL, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2016
(Unaudited)

Maintenance of Effort (MOE) Expenditures:

Maintenance:

Overlay & Sealing - Schedule 3, line 12	\$ 274,775
Street Lights & Traffic Signals - Schedule 3, line 13	665,520
Other Street Purpose Maintenance - Schedule 3, line 15	747,625

Construction:

Street Reconstruction - Schedule 3, line 3	344,333
Administrative/Other (Indirect & Overhead) - Schedule 3, line 1	-

Total MOE Expenditures	<u>2,032,253</u>
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Measure M2 Local Fair Share Expenditures (Schedule 4):

Annual Street Resurfacing Program	<u>1,062,958</u>
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Total Measure M2 Local Fair Share Expenditures	<u>1,062,958</u>
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Total MOE and Measure M2 Local Fair Share Expenditures	<u><u>\$ 3,095,211</u></u>
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Note:

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



CITY of LAGUNA NIGUEL

30111 Crown Valley Parkway • Laguna Niguel, California 92677
Phone/949 • 362 • 4300 Fax/949 • 362 • 4340

CITY COUNCIL

Mayor Jerry Slusiewicz
Mayor Pro Tem Fred Minagar
Council Member Laurie Davies
Council Member Elaine Gennawey
Council Member John Mark Jennings

March 8, 2017

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 Niguel as of and for the fiscal year ended June 30, 2016.

Procedure #4:

We selected a sample of MOE expenditures from the City's general ledger expenditure detail. 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.

Results:

MOE expenditures tested totaled \$856,712, representing approximately 42% of total MOE expenditures for the fiscal year ended June 30, 2016. As a result of our procedures, we noted 13 exceptions as follows:

- 12 expenditures, totaling \$89,440 were not properly classified as local street and road expenditures, nor were the costs allowable per the Ordinance.
- 1 allowable invoice in the amount of \$60,905 was overpaid by \$1,000.

However, after removing the amounts from total MOE expenditures, the City continued to meet the minimum MOE requirement.

City's Response:

The City concurs with the results above. While the City still continues to meet the MOE requirement, we have implemented procedures to ensure in the future that the expenditures reported as MOE-related are properly classified: 1) as to types of costs allowable per the Ordinance and 2) at the proper amounts. Finance staff will review the transactions in the expenditure accounts and functions determined to be MOE-related periodically throughout the fiscal year (for example, quarterly) to ensure that only allowable costs have been recorded in those designated accounts. Should any overpayments occur in those related accounts, they would be reclassified to prepaids until the period in which the credits were used to cover future expenditures. Additional review procedures will be put into place to determine the MOE expenditures amount for annual reporting to Orange County Local Transportation Authority.

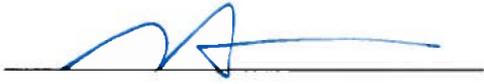
Sincerely,

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke at the end, positioned above a horizontal line.

Title: City Manager

A handwritten signature in blue ink, appearing to read 'Stephen E. ...', positioned above a horizontal line.

Title: Director of Finance

A handwritten signature in blue ink, consisting of a few loops and a long horizontal stroke, positioned above a horizontal line.

Title: Director of Public Works



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

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), solely to assist you in evaluating the City of Laguna Woods' (City) level of compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of, and for the fiscal year ended, June 30, 2016. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures 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.

Results: The City was required to spend \$83,501 in MOE expenditures during the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

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

Results: 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 Department 2100-7830.000, Landscape Services, M2 MOE. No exceptions were noted as a result of our procedures.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2016 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.

Results: The City's MOE expenditures for the fiscal year ended June 30, 2016 were \$88,396 (see Schedule A), which exceeded the requirement. We agreed the total expenditures of \$88,396 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), noting no differences. No exceptions were noted as a result of our procedures.

4. We selected a sample of MOE expenditures from the City’s general ledger expenditure detail. 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.

Results: MOE expenditures tested totaled \$66,957, representing approximately 76% of total MOE expenditures for the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

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.

Results: Based on our review of the Expenditure Report (Schedule 3, line 1), the City reported \$0 as indirect costs. Per discussions with the City’s accounting personnel and review of the general ledger expenditure detail, we noted no indirect costs were charged as MOE expenditures for the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

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, 2016, agreed to the balance as listed on the City’s Expenditure Report (Schedule 1, lines 12 and 13), and determined whether funds were expended within three years of receipt, explaining any differences.

Results: The City received \$594,470 for the past three fiscal years ended June 30, 2014, 2015 and 2016. The remaining fund balance of these funds was as follows:

<u>Allocation Year</u>	<u>Funding Source</u>	<u>Remaining Fund Balance</u>
2015/2016	Local Fair Share (M2)	\$ 29,883

The City’s Fund 111 had a deficit fund balance of (\$145,137), which included M2 Local Fair Share and other M2 fund balances. The City calculated fund balance for the M2 Local Fair Share funds of \$29,883. The remaining fund deficit of (\$175,020) is related to other M2 funds. The calculated fund balance of \$29,883 did not agree to the City’s Expenditure Report (Schedule 1, lines 12 and 13), which reflected a M2 Local Fair Share fund balance of \$133,266.

7. We documented 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, 2016. We agreed the total Local Fair Share expenditures per the general ledger to the amounts per the City’s Expenditure Report (Schedule 2, lines 9 and 10, and detail listed at Schedule 4), explaining any differences.

Results: The City’s Measure M2 Local Fair Share expenditures are recorded in Fund 111, Measure M2, under Department 2100 – Engineering & Infrastructure Services, Accounts 8XXX.0000. We noted Fund 111 is used to track M2 Local Fair Share and Other M2 programs. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2016 were \$173,576 (see Schedule A), which agreed to the City’s Expenditure Report (Schedule 2 lines 9 and 10, and detail listed at Schedule 4). No exceptions were noted as a result of our procedures.

8. We obtained the City's Seven-Year Capital Improvement Program (CIP) and selected a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail. 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.

Results: Measure M2 Local Fair Share expenditures tested totaled \$137,921 representing approximately 79% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2016. We noted that none of the expenditures tested related to projects on the City's approved Seven-Year CIP, as required. Further, we noted one expenditure in the amount of \$29 which did not meet the criteria of a local street and road expenditure.

9. We identified whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures through review of the City's Expenditure Report (Schedule 3, line 1). If applicable, we obtained the detail of indirect costs charged, and selected a sample of charges for review, explaining any differences between detail and the Expenditure Report. We reviewed the supporting documentation for reasonableness and appropriate methodology.

Results: Based upon our review of the general ledger expenditure detail, the Expenditure Report (Schedule 3, line 1), and discussion with the City's accounting personnel, we noted indirect costs were charged as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2016. Indirect M2 expenditures tested totaled \$600, representing 100% of the total indirect costs per Schedule 3, line 1. No exceptions were noted as a result of our procedures.

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 per the City's records to the amount listed on the City's Expenditure Report (Schedule 2, line 2), explaining any differences.

Results: No exceptions were noted as a result of our procedures.

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

Results: We reviewed 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 noted as a result of our procedures.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion 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. 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, Day & Co., LLP

Laguna Hills, California
March 8, 2017

CITY OF LAGUNA WOODS, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2016
(Unaudited)

Maintenance of Effort (MOE) Expenditures:

Maintenance:

Other Street Purpose Maintenance - Schedule 3, line 15	\$ 88,396
Administrative/Other (Indirect & Overhead) - Schedule 3, line 1:	-
	-
Total MOE Expenditures	88,396

Measure M2 Local Fair Share Expenditures (Schedule 4):

Administration (Indirect & Overhead)	600
Street Lighting - Public ROW	27,006
Contract - Traffic Engineering	122,126
Contract - Traffic Signal Main	23,844
	23,844
Total Measure M2 Local Fair Share Expenditures	173,576
Total MOE and Measure M2 Local Fair Share Expenditures	\$ 261,972

Note:

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



CITY of LAGUNA WOODS

Shari L. Horne
Mayor

March 8, 2017

Carol Moore
Mayor Pro Tem

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

Cynthia
Conners
Councilmember

Bert Hack
Councilmember

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 Woods as of and for the fiscal year ended June 30, 2016.

Noel Hatch
Councilmember

Christopher
Macon
City Manager

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, 2016, agreed to the balance as listed on the City's Expenditure Report (Schedule 1, lines 12 and 13), and determined whether funds were expended within three years of receipt, explaining any differences.

Results:

The City received \$594,470 for the past three fiscal years ended June 30, 2014, 2015 and 2016. The remaining fund balance of these funds was as follows:

<u>Allocation Year</u>	<u>Funding Source</u>	<u>Remaining Fund</u>
2015/2016	Local Fair Share (M2)\$	29,883

The City's Fund 111 had a deficit fund balance of (\$145,137), which included M2 Local Fair Share and other M2 fund balances. The City calculated fund balance for the M2 Local Fair Share funds of \$29,883. The remaining fund deficit of (\$175,020) is related to other M2 funds. The calculated fund balance of \$29,883 did not agree to the City's Expenditure Report (Schedule 1, lines 12 and 13), in which the M2 Local Fair Share fund balance was reported as \$133,266.

City's Response:

The City concurs with the finding. The fund balance reported in the general ledger is correct. The fund balance reported on the M2 report needs to be corrected. The variance is primarily due to \$103,361 in eligible expenses incurred and recorded in

Fund 111 in a prior year (FY 2013-14) which were inadvertently excluded from the annual M2 report. The City will correct the beginning fund balance on the FY 2016-17 M2 report unless instructed otherwise. Please note additional action, taken to reconcile all City Special Revenue Funds, including Fund 111, as summarized below.

Beginning mid-year in FY 2014-15 and through FY 2016-17, the City has undergone a significant reorganization, including replacement of all financial and accounting staff and an update of accounting controls and procedures. As part of this reorganization, and due to limited staffing, the City established a three-year plan to ensure balances per the prior books of record had been appropriately reported. In year one, FY 2014-15, the City retained a consultant to audit the beginning fund balances carried forward into a new set of books and records established on July 1, 2014. In year two, FY 2015-16, a consultant was retained to audit expenditures allocated to special revenue funds over a three-year period to ensure only eligible expenditures had been charged. Adjustments required were made including repayment with interest where appropriate. Fund 111 was reimbursed a total of \$1,910. Currently, in year three, FY 2016-17, the City is reconciling all fund balances to subsidiary records and supporting reports and is in the process of taking action to correct any discrepancies found.

Based on the reorganization, the City now has procedures in place to ensure staff preparing the annual M2 report reconciles to the general ledger, and that a second reviewer confirms that reconciliation.

Procedure #8

We obtained the City's Seven-Year Capital Improvement Program (CIP) and selected a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail. 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.

Results:

Measure M2 Local Fair Share expenditures tested totaled \$137,921 representing approximately 79% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2016. We noted that none of the expenditures tested related to projects on the City's approved Seven-Year CIP, as required. Further, we noted one expenditure in the amount of \$29 which did not meet the criteria of a local street and

road expenditure.

City's Response:

The City concurs with the finding. This finding refers to amounts reported on Schedule 4 of the annual report, "Fair Share Project List." The City reported Pavement Management Plan (PMP) expenditures by category on Schedule 4. PMP expenditures were eligible expenditures. The City's CIP expenditures, based on program rules, are not claimable until certain other performance milestones are completed, and reporting is deferred until they can be claimed.

The City has not reported the Pavement Management Plan (PMP) in its annual budget document as part of its seven-year Capital Improvement Program (CIP), believing it should be accounted for separately (in the operational section). Prior staff, no longer with the City, segregated PMP and CIP as they were reported separately in the annual "Measure M Eligibility Package." Based on this audit, and discussion at the February 9, 2017, 2017 Semi-Annual Review workshop hosted by OCTA, the City is now aware that PMP should also be included in our annual budget document as part of the CIP seven-year plan. This correction will be made with the development of the FY 2017-18 budget, currently in process, and all future M2 reporting will be adjusted accordingly.

The City believes the \$29 was an allowable cost, but will defer to the judgement of the auditors and will repay the \$29 with interest to Fund 111.

Sincerely, 

Title: City Manager



Title: Director of Finance



Title: Director of Public Works



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

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), solely to assist you in evaluating the City of Lake Forest's (City) level of compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of, and for the fiscal year ended, June 30, 2016. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures 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.

Results: The City was required to spend \$145,670 in MOE expenditures during the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

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

Results: 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 Department 430 (Public Works – Landscape/Building Maintenance) and 440 (NPDES – Water Quality). No exceptions were noted as a result of our procedures.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2016 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.

Results: The City's MOE expenditures for the fiscal year ended June 30, 2016 were \$1,301,934 (see Schedule A), which exceeded the requirement. We agreed the total expenditures of \$1,301,934 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), noting no differences. No exceptions were noted as a result of our procedures.

4. We selected a sample of MOE expenditures from the City’s general ledger expenditure detail. 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.

Results: MOE expenditures tested totaled \$1,052,994, representing approximately 81% of total MOE expenditures for the fiscal year ended June 30, 2016. We noted one expenditure in the amount of \$9,159 was incorrectly charged to MOE and 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.

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.

Results: Based on our review of the Expenditure Report (Schedule 3, line 1), the City reported \$0 as indirect costs. Per discussions with the City’s accounting personnel and review of the general ledger expenditure detail, we noted no indirect costs were charged as MOE expenditures for the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

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, 2016, agreed to the balance as listed on the City’s Expenditure Report (Schedule 1, lines 12 and 13), and determined whether funds were expended within three years of receipt, explaining any differences.

Results: The City received \$3,613,298 for the past three fiscal years ended June 30, 2014, 2015 and 2016. The remaining fund balance was as follows:

<u>Allocation Year</u>	<u>Funding Source</u>	<u>Remaining Fund Balance</u>
2015/2016	Local Fair Share (M2)	\$ 1,147,075

We agreed the fund balance of \$1,147,075 to the City’s Expenditure Report (Schedule 1, lines 12 and 13), noting no differences. No exceptions were noted as a result of our procedures.

7. We documented 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, 2016. We agreed the total Local Fair Share expenditures per the general ledger to the amounts per the City’s Expenditure Report (Schedule 2, lines 9 and 10, and detail listed at Schedule 4), explaining any differences.

Results: The City’s Measure M2 Local Fair Share expenditures are recorded in Fund 220, Measure M Fund. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2016 were \$589,370 (see Schedule A) which agreed to the City’s Expenditure Report (Schedule 2, lines 9 and 10, and detail listed at Schedule 4). No exceptions were noted as a result of our procedures.

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, noting any differences. We selected a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail. 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.

Results: Measure M2 Local Fair Share expenditures tested totaled \$492,844 representing approximately 84% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

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 City's Expenditure Report (Schedule 3, line 1) and explained any differences. If applicable, we selected a sample of charges for review, explaining any differences between detail and the Expenditure Report. We reviewed the supporting documentation for reasonableness and appropriate methodology.

Results: Based upon our review of the general ledger expenditure detail, the Expenditure Report (Schedule 3, line 1), and discussion with the City's accounting personnel, we noted no indirect costs were charged as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

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 per the City's records to the amount listed on the City's Expenditure Report (Schedule 2, line 10), explaining any differences.

Results: No exceptions were noted as a result of our procedures.

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

Results: We reviewed 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 noted as a result of our procedures.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion 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. 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, Train, Day & Co., LLP

Laguna Hills, California
March 8, 2017

CITY OF LAKE FOREST, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2016
(Unaudited)

Maintenance of Effort (MOE) Expenditures:	
Administrative/Other (Indirect & Overhead) - Schedule 3, line 1	\$ -
Other - Schedule 3, line 17	<u>1,301,934</u>
Total MOE Expenditures	<u>1,301,934</u>
Measure M2 Local Fair Share Expenditures (Schedule 4):	
Street Repaving & Slurry Seal	<u>589,370</u>
Total Measure M2 Local Fair Share Expenditures	<u>589,370</u>
Total MOE and Measure M2 Local Fair Share Expenditures	<u><u>\$ 1,891,304</u></u>

Note:

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

CITY OF LAKE FOREST



Mayor
Scott Voigts

Mayor Pro Tem
Leah Basile

Council Members
Dr. Jim Gardner
Andrew Hamilton
Dwight Robinson

Interim City Manager
Debra DeBruhl Rose

March 8, 2017

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 Lake Forest as of and for the fiscal year ended June 30, 2016.

Procedure #4

We selected a sample of MOE expenditures from the City's general ledger expenditure detail. 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.

Results:

MOE expenditures tested totaled \$1,052,994, representing approximately 81% of total MOE expenditures for the fiscal year ended June 30, 2016. We noted one expenditure in the amount of \$9,159 was incorrectly charged to MOE and 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:

The City's internal controls are designed to provide a reasonable assurance that the City complies with laws, regulations, contracts and grant agreements including the reporting of MOE expenditures. The City's internal controls over payment and reporting of MOE expenditures include multiple reviews and approvals within the Public Works and Finance departments that are designed to detect the error identified by the auditors. The City agrees the instance of non-compliance identified by the auditors resulted in an over reporting of the MOE expenditures in the amount of \$9,159. Subsequent to the auditors identifying the invoice, the City reviewed the other eleven monthly invoices for the fiscal year for the same activity and identified all invoices were entered and reported properly as MOE expenditures. The City believes the error to be isolated to the invoice identified by the auditors.

Sincerely,

Signature: 
Debra DeBruhl Rose
Interim City Manager

Signature: 
Keith D. Neves
Deputy City Manager/Director of Finance/City Treasurer

Signature: 
Thomas E. Wheeler
Director of Public Works



**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES — CITY OF NEWPORT 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), solely to assist you in evaluating the City of Newport Beach's (City) level of compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of, and for the fiscal year ended, June 30, 2016. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures 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.

Results: The City was required to spend \$8,868,393 in MOE expenditures during the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

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

Results: All MOE expenditures are tracked in the general ledger by fund, program, and activity. The City recorded its MOE expenditures in its General Fund (010) and General Fund Capital Project (012), under Departments Public Works (80), Municipal Operations Department (90) and Capital Improvement Projects (01). No exceptions were noted as a result of our procedures.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2016 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.

Results: The City's MOE expenditures for the fiscal year ended June 30, 2016 were \$19,027,594 (see Schedule A), which exceeded the requirement. We agreed the total expenditures of \$19,027,594 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), noting no differences. No exceptions were noted as a result of our procedures.

4. We selected a sample of MOE expenditures from the City’s general ledger expenditure detail. 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.

Results: MOE expenditures tested totaled \$8,869,837, representing approximately 47% of total MOE expenditures for the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

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.

Results: Based on our review of the general ledger expenditure detail, the Expenditure Report (Schedule 3, line 1), and discussion with the City’s accounting personnel, the City reported \$10,376,193 as indirect costs for the fiscal year ended June 30, 2016. Indirect MOE expenditures tested totaled \$2,837,670, representing approximately 27% of the total indirect costs per Schedule 3, Line 1. No exceptions were noted as a result of our procedures.

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, 2016, agreed to the balance as listed on the City’s Expenditure Report (Schedule 1, lines 12 and 13), and determined whether funds were expended within three years of receipt, explaining any differences.

Results: The City received \$5,122,641 for the past three fiscal years ended June 30, 2014, 2015 and 2016. The remaining fund balance of these funds was as follows:

<u>Allocation Year</u>	<u>Funding Source</u>	<u>Remaining Fund Balance</u>
2015/2016	Local Fair Share (M2)	\$ 1,769,001
2014/2015	Local Fair Share (M2)	1,436,608

We agreed the fund balance of \$3,205,609 to the City’s Expenditure Report (Schedule 1, line 12), noting no differences. No exceptions were noted as a result of our procedures.

7. We documented 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, 2016. We agreed the total Local Fair Share expenditures per the general ledger to the amounts per the City’s Expenditure Report (Schedule 2, lines 9 and 10, and detail listed at Schedule 4), explaining any differences.

Results: The City’s Measure M2 Local Fair Share expenditures are recorded in Fund 122, Measure M Fair Share Fund. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2016 were \$1,896,070 (see Schedule A), which agreed to the City’s Expenditure Report (Schedule 2 lines 9 and 10, and detail listed at Schedule 4). No exceptions were noted as a result of our procedures.

8. We obtained the City's Seven-Year Capital Improvement Program (CIP) and selected a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:
- 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.
 - 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.

Results: Measure M2 Local Fair Share expenditures tested totaled \$1,592,309 representing approximately 84% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

9. We identified whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures through review of the City's Expenditure Report (Schedule 3, line 1). If applicable, we obtained the detail of indirect costs charged, and selected a sample of charges for review, explaining any differences between detail and the Expenditure Report. We reviewed the supporting documentation for reasonableness and appropriate methodology.

Results: Based upon our review of the general ledger expenditure detail, the Expenditure Report (Schedule 3, line 1), and discussion with the City's accounting personnel, we noted no indirect costs were charged as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

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 per the City's records to the amount listed on the City's Expenditure Report (Schedule 2, line 10), explaining any differences.

Results: No exceptions were noted as a result of our procedures.

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

Results: We reviewed 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 noted as a result of our procedures.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion 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. 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.



Laguna Hills, California
March 8, 2017

CITY OF NEWPORT BEACH, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2016
(Unaudited)

Maintenance of Effort (MOE) Expenditures:

Maintenance:

Overlay & Sealing - Schedule 3, line 12	\$ 510,479
Other Street Purpose Maintenance - Schedule 3, line 15	3,260,738

Construction:

Street Reconstruction - Schedule 3, line 3	3,578,843
Signals, Safety Devices & Street Lights - Schedule 3, line 4	1,301,341
Administrative/Other (Indirect & Overhead) - Schedule 3, line 1	<u>10,376,193</u>

Total MOE Expenditures	<u>19,027,594</u>
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Measure M2 Local Fair Share Expenditures (Schedule 4):

Campus/San Joaquin Hills/San Miguel Overlay	1,372
Residential Overlay	180,676
Dover Drive/Westcliff Drive Pavement Rehabilitation	1,710,911
MacArthur Boulevard Pavement	<u>3,111</u>

Total Measure M2 Local Fair Share Expenditures	<u>1,896,070</u>
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Total MOE and Measure M2 Local Fair Share Expenditures	<u><u>\$ 20,923,664</u></u>
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Note:

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



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

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), solely to assist you in evaluating the City of Placentia's (City) level of compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of, and for the fiscal year ended, June 30, 2016. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures 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.

Results: The City was required to spend \$546,000 in MOE expenditures during the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

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

Results: All MOE expenditures are tracked in the general ledger by fund, program, and activity. The City recorded its MOE expenditures in its General Fund (101), under Department 36 (Public Works Maintenance Services), Division 52 (Street/Curb/Gutter). No exceptions were noted as a result of our procedures.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2016 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.

Results: The City's MOE expenditures for the fiscal year ended June 30, 2016 were \$994,922 (see Schedule A), which exceeded the requirement. We agreed the total expenditures of \$994,922 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), noting no differences. No exceptions were noted as a result of our procedures.

4. We selected a sample of MOE expenditures from the City’s general ledger expenditure detail. 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.

Results: MOE expenditures tested totaled \$520,101, representing approximately 52% of total MOE expenditures for the fiscal year ended June 30, 2016. We noted three expenditures, totaling \$42,732, were not properly classified as local street and road expenditures, nor were the costs allowable per the Ordinance. However, after removing the amounts from total MOE expenditures, the City continued to meet the minimum MOE requirement.

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.

Results: Based on our review of the Expenditure Report (Schedule 3, line 1), the City reported \$0 as indirect costs. However, per discussions with the City’s accounting personnel and review of the general ledger expenditure detail, we identified indirect costs charged as MOE expenditures for the fiscal year ended June 30, 2016. Indirect MOE expenditures tested totaled \$3,883. No other exceptions were noted as a result of our procedures.

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, 2016, agreed to the balance as listed on the City’s Expenditure Report (Schedule 1, lines 12 and 13), and determined whether funds were expended within three years of receipt, explaining any differences.

Results: The City received \$1,471,814 for the past three fiscal years ended June 30, 2014, 2015 and 2016. The remaining fund balance of these funds was as follows:

<u>Allocation Year</u>	<u>Funding Source</u>	<u>Remaining Fund Balance</u>
2015/2016	Local Fair Share (M2)	\$ 502,208
2014/2015	Local Fair Share (M2)	\$ 494,807
2013/2014	Local Fair Share (M2)	\$ 128,495

We compared the fund balance of \$1,125,510 to the City’s Expenditure Report (Schedule 1, Lines 12 and 13), which reflected a balance of \$1,130,700. The Expenditure Report fund balance included \$5,190 of Senior Mobility Program funds. No other exceptions were noted as a result of our procedures.

7. We documented 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, 2016. We agreed the total Local Fair Share expenditures per the general ledger to the amounts per the City’s Expenditure Report (Schedule 2, lines 9 and 10, and detail listed at Schedule 4), explaining any differences.

Results: The City’s Measure M2 Local Fair Share expenditures are recorded in Fund 210, Measure M Fund. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2016 were \$30,067 (see Schedule A), which agreed to the City’s Expenditure Report (Schedule 2 lines 9 and 10, and detail listed at Schedule 4). No exceptions were noted as a result of our procedures.

8. We obtained the City's Seven-Year Capital Improvement Program (CIP) and selected a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail. 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.

Results: Measure M2 Local Fair Share expenditures tested totaled \$26,122 representing approximately 87% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

9. We identified whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures through review of the City's Expenditure Report (Schedule 3, line 1). If applicable, we obtained the detail of indirect costs charged, and selected a sample of charges for review, explaining any differences between detail and the Expenditure Report. We reviewed the supporting documentation for reasonableness and appropriate methodology.

Results: Based on our review of the Expenditure Report (Schedule 3, line 1), the City reported \$23,770 as indirect costs. Per discussions with the City's accounting personnel and review of the general ledger expenditure detail, we noted \$23,770 reported represents direct administrative costs, no indirect costs charged as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

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 per the City's records to the amount listed on the City's Expenditure Report (Schedule 2, line 10), explaining any differences.

Results: No exceptions were noted as a result of our procedures.

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

Results: We reviewed 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 noted as a result of our procedures.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion 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. 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, Day & Co., LLP

Laguna Hills, California
March 8, 2017

CITY OF PLACENTIA, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2016
(Unaudited)

Maintenance of Effort (MOE) Expenditures:

Maintenance:

Street Lights & Traffic Signals - Schedule 3, line 13	\$ 20,400
Other Street Purpose Maintenance - Schedule 3, line 15	939,600
Administrative/Other (Indirect & Overhead) - Schedule 3, line 1	-
Other - Schedule 3, line 17	<u>34,922</u>
Total MOE Expenditures	<u>994,922</u>

Measure M2 Local Fair Share Expenditures (Schedule 4):

Santa Fe Revitalization (62010) Old Town Parking Mangement Plan	6,297
Pavement Management Plan	<u>23,770</u>
Total Measure M2 Local Fair Share Expenditures	<u>30,067</u>
Total MOE and Measure M2 Local Fair Share Expenditures	<u><u>\$ 1,024,989</u></u>

Note:

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

The People are the City

401 East Chapman Avenue – Placentia, California 92870

Mayor
CRAIG S. GREEN

Mayor Pro Tem
CHAD P. WANKE

Councilmembers:
RHONDA SHADER
WARD L. SMITH
JEREMY B. YAMAGUCHI

City Clerk:
PATRICK J. MELIA

City Treasurer
KEVIN A. LARSON

City Administrator
DAMIEN R. ARRULA

March 8, 2017

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 Placentia as of and for the fiscal year ended June 30, 2016.

Procedure #4

We selected a sample of MOE expenditures from the City's general ledger expenditure detail. 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.

Results:

MOE expenditures tested totaled \$520,101, representing approximately 52% of total MOE expenditures for the fiscal year ended June 30, 2016. We noted three expenditures, totaling \$42,732, were not properly classified as local street and road expenditures, nor were the costs allowable per the Ordinance. However, after removing the amounts from total MOE expenditures, the City continued to meet the minimum MOE requirement.

City's Response:

We agree with the results and have corrected the problem going forward. \$38,546 of the excluded expenditures was paid to Clean City, Inc., a contractor who provided graffiti removal and downtown cleaning, including road and median work. The city terminated this contract in August of 2015. \$4,186 was paid to Traffic Management for parking lot signs. The city will revise its procedures in determining what is applicable to the MOE requirement

going forward. The city will continue to meet/exceed minimum MOE requirements in 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.

Results:

Based on our review of the Expenditure Report (Schedule 3, line 1), the City reported \$0 as indirect costs. However, per discussions with the City’s accounting personnel and review of the general ledger expenditure detail, we identified indirect costs charged as MOE expenditures for the fiscal year ended June 30, 2016. Indirect MOE expenditure tested totaled \$3,833. No other exceptions were noted as a result of our procedures.

City’s Response:

The city agrees with the indirect MOE expenditures totaling \$3,833. The city will amend its procedures going forward to include the indirect costs when determining MOE totals.

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, 2016, agreed to the balance as listed on the City’s Expenditure Report (Schedule 1, lines 12 and 13), and determined whether funds were expended within three years of receipt, explaining any differences.

Results:

The City received \$1,471,814 for the past three fiscal years ended June 30, 2014, 2015 and 2016. The remaining fund balance of these funds was as follows:

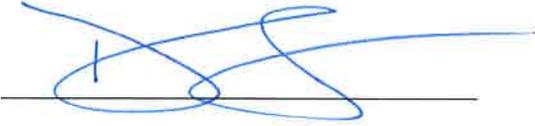
<u>Allocation Year</u> <u>Balance</u>	<u>Funding Source</u>		<u>Remaining Fund</u>
2015/2016	Local Fair Share (M2)	\$	502,208
2014/2015	Local Fair Share (M2)	\$	494,807
2013/2014	Local Fair Share (M2)	\$	128,495

We compared the fund balance of \$1,125,510 to the City’s Expenditure Report (Schedule 1, Lines 12 and 13), which reflected a balance of \$1,130,700. The Expenditure Report fund balance included \$5,190 of Senior Mobility Program funds. No other exceptions noted as a result of our procedures.

City's Response:

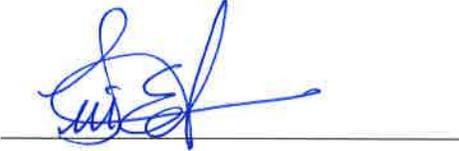
Going forward, the City will report both balances on the appropriate lines on the M2 Expenditure report.

Sincerely,



A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke extending to the right, positioned above a horizontal line.

Title: City Manager ADMINISTRATOR



A handwritten signature in blue ink, featuring a large, stylized initial 'S' followed by a horizontal line, positioned above a horizontal line.

Title: Director of Public Works



A handwritten signature in blue ink, appearing to read 'Shaly R.' followed by a horizontal line, positioned above a horizontal line.

^{Interim}
Title: Director of Finance



**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), solely to assist you in evaluating the City of San Juan Capistrano's (City) level of compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of, and for the fiscal year ended, June 30, 2016. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures 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.

Results: The City was required to spend \$390,383 in MOE expenditures during the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

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

Results: 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 noted as a result of our procedures.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2016 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.

Results: The City's MOE expenditures for the fiscal year ended June 30, 2016 were \$2,342,553 (see Schedule A), which exceeded the requirement. We agreed the total expenditures of \$2,342,553 to the amount reported on the City's Expenditure Report (Schedule 3, Line 18), noting no differences. No exceptions were noted as a result of our procedures.

4. We selected a sample of MOE expenditures from the City’s general ledger expenditure detail. 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.

Results: MOE expenditures tested totaled \$293,191 representing approximately 13% of total MOE expenditures for the fiscal year ended June 30, 2016. As a result of our procedures, we noted one expenditure, totaling \$1,350 was not properly classified as a local street and road expenditure, nor was the cost allowable per the Ordinance. Further, we noted one expenditure totaling \$21,435 was related to street striping, and appeared allowable per the Ordinance; however, the date on the invoice was altered to reflect an invoice date of 7/1/15. We requested the original invoice to validate the time frame the work was performed, and noted upon inquiry of the City (and the City’s inquiry with the vendor), the work was performed prior to July 1, 2015. However, after removing the amount from total MOE expenditures, the City continued to meet the minimum MOE requirement.

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.

Results: Based on our review of the general ledger expenditure detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City’s accounting personnel, the City reported \$864,717 as indirect costs for the fiscal year ended June 30, 2016. Indirect MOE expenditures tested totaled \$25,044, representing approximately 3% of the total indirect costs per Schedule 3, Line 1. No exceptions were noted as a result of our procedures.

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, 2016, agreed to the balance as listed on the City’s Expenditure Report (Schedule 1, lines 12 and 13), and determined whether funds were expended within three years of receipt, explaining any differences.

Results: The City received \$1,789,499 for the past three fiscal years, all for Measure M2 Local Fair Share for fiscal years ended June 30, 2014, 2015 and 2016. No exceptions were noted as a result of our procedures. The remaining fund balance of these funds was as follows:

<u>Allocation Year</u>	<u>Funding Source</u>	<u>Remaining Fund Balance</u>
2015/2016	Local Fair Share (M2)	\$ 611,825
2014/2015	Local Fair Share (M2)	101,152

We agreed the fund balance of \$712,977 to the City’s Expenditure Report (Schedule 1, lines 12 and 13), noting no differences. No exceptions were noted as a result of our procedures.

7. We documented 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, 2016. We agreed the total Local Fair Share expenditures per the general ledger to the amounts per the City's Expenditure Report (Schedule 2, lines 9 and 10, and detail listed at Schedule 4), explaining any differences.

Results: The City's Measure M2 Local Fair Share expenditures are recorded in Fund 32, Measure M Fund. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2016 were \$246,407 (see Schedule A), which agrees to the City's Expenditure Report (Schedule 2 lines 9 and 10 and detail listed at Schedule 4). No exceptions were noted as a result of our procedures.

8. We obtained the City's Seven-Year Capital Improvement Program (CIP) and selected a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail. 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.

Results: Measure M2 Local Fair Share expenditures tested totaled \$194,463 representing approximately 79% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

9. We identified whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures through review of the City's Expenditure Report (Schedule 3, line 1). If applicable, we obtained the detail of indirect costs charged, and selected a sample of charges for review, explaining any differences between detail and the Expenditure Report. We reviewed the supporting documentation for reasonableness and appropriate methodology.

Results: Based upon our review of the general ledger expenditure detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, we noted indirect costs were charged as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2016. Indirect M2 expenditures tested totaled \$1,897, representing approximately 43% of the total indirect costs per Schedule 3, Line 1. No exceptions were noted as a result of our procedures.

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 per the City's records to the amount listed on the City's Expenditure Report (Schedule 2, line 10), explaining any differences.

Results: No exceptions were noted as result of our procedures.

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

Results: We reviewed 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 noted as a result of our procedures.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion 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. 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.



Laguna Hills, California

March 8, 2017

CITY OF SAN JUAN CAPISTRANO, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2016
(Unaudited)

Maintenance of Effort (MOE) Expenditures:

Maintenance:

Patching - Schedule 3, line 11	\$ 202,550
Street Lights & Traffic Signals - Schedule 3, line 13	337,543
Storm Damage - Schedule 3, line 14	75,802
Other Street Purpose Maintenance - Schedule 3, line 15	861,941
Administrative/Other (Indirect & Overhead) - Schedule 3, line 1	<u>864,717</u>
Total MOE Expenditures	<u>2,342,553</u>

Measure M2 Local Fair Share Expenditures (Schedule 4):

City Local Street Pavement Rehabilitation (CIP xx105)	76,727
City Arterial Street Pavement Rehabilitation (CIP xx109)	84,301
Camino Del Avion/Ave Descanso Sidewalk Improvements (CIP 08103)	20,905
Citywide Sign Replacement Program (CIP 11101)	60,000
Bridge at Acjachema Street and La Calera Street (CIP 13102)	2,676
Traffic Signal Cabinet Upgrades (CIP 16101)	1,623
Trabuco Creek Road Improvements (CIP 10104)	<u>175</u>
Total Measure M2 Local Fair Share Expenditures	<u>246,407</u>
Total MOE and Measure M2 Local Fair Share Expenditures	<u><u>\$ 2,588,960</u></u>

Note:

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

32400 PASEO ADELANTO
 SAN JUAN CAPISTRANO, CA 92675
 (949) 493-1171
 (949) 493-1053 FAX
 www.sanjuancapistrano.org



MEMBERS OF THE CITY COUNCIL

SAM ALLEVATO
 KERRY K. FERGUSON
 PAM PATTERSON, ESQ.
 JOHN M. PERRY
 DEREK REEVE

March 8, 2017

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, 2016.

Procedure #4

We selected a sample of MOE expenditures from the City's general ledger expenditure detail. 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.

Results:

MOE expenditures tested totaled \$293,191 representing approximately 13% of total MOE expenditures for the fiscal year ended June 30, 2016. As a result of our procedures, we noted one expenditure, totaling \$1,350 was not properly classified as a local street and road expenditure, nor was the cost allowable per the Ordinance. Further, we noted one expenditure totaling \$21,435 was related to street striping, and appeared allowable per the Ordinance; however, the date on the invoice was altered to reflect an invoice date of 7/1/15. We requested the original invoice to validate the time frame the work was performed, and noted upon inquiry of the City (and the City's inquiry with the vendor), the work was performed prior to July 1, 2015. However, after removing the amount from MOE expenditures, the City continued to meet the minimum MOE requirement.

San Juan Capistrano: Preserving the Past to Enhance the Future



City's Response:

Management concurs with the auditors' findings and has implemented procedures to reduce the likelihood of this occurring in the future.

Signature:

cc 

Benjamin Siegel, City Manager

Signature:



Ker Al-Imam, Director of Finance

Signature:



Steve May, Director of Public Works



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

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), solely to assist you in evaluating the City of Yorba Linda's (City) level of compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of, and for the fiscal year ended, June 30, 2016. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures 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.

Results: The City was required to spend \$1,985,964 in MOE expenditures during the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

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

Results: 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 Department. No exceptions were noted as a result of our procedures.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2016 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.

Results: The City's MOE expenditures for the fiscal year ended June 30, 2016 were \$2,866,048 (see Schedule A), which exceeded the requirement. We agreed the total expenditures of \$2,866,048 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), noting a difference of \$436,107. The City reported \$2,429,941 as total MOE expenditures which represented budgeted amounts rather than actual. No other exceptions were noted as a result of our procedures.

4. We selected a sample of MOE expenditures from the City’s general ledger expenditure detail. 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.

Results: MOE expenditures tested totaled \$409,406 representing approximately 14% of total MOE expenditures for the fiscal year ended June 30, 2016. We noted the following expenditures were not appropriately classified as local street and road expenditures, nor were the costs allowable per the Ordinance:

- \$9,075 in costs incurred for a City Water Study.
- \$67,230 in costs incurred for the City’s Landscape Maintenance Assessment District (LMAD) Transition Design Project.
- \$3,813 in overhead costs incurred for landscape irrigation for various street medians and parks.

However, after removing the amounts from total MOE expenditures, the City continued to meet the minimum MOE requirement.

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.

Results: Based on our review of the Expenditure Report (Schedule 3, line 1), the City reported \$0 as indirect costs. Per discussions with the City’s accounting personnel and review of the general ledger expenditure detail, we noted no indirect costs were charged as MOE expenditures for the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

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, 2016, agreed to the balance as listed on the City’s Expenditure Report (Schedule 1, lines 12 and 13), and determined whether funds were expended within three years of receipt, explaining any differences.

Results: The City received \$2,785,164 for the past three fiscal years, all for Measure M2 Local Fair Share for fiscal years ended June 30, 2014, 2015 and 2016. No exceptions were noted as a result of our procedures. The remaining fund balance of these funds was as follows:

<u>Allocation Year</u>	<u>Funding Source</u>	<u>Remaining Fund Balance</u>
2015/2016	Local Fair Share (M2)	\$ 960,115
2014/2015	Local Fair Share (M2)	933,270
2013/2014	Local Fair Share (M2)	384,486

We agreed the fund balance of 2,277,870 to the City’s Expenditure Report (Schedule 1, lines 12 and 13), noting no differences. No exceptions were noted as a result of our procedures.

7. We documented 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, 2016. We agreed the total Local Fair Share expenditures per the general ledger to the amounts per the City's Expenditure Report (Schedule 2, lines 9 and 10, and detail listed at Schedule 4), explaining any differences.

Results: The City's Measure M2 Local Fair Share expenditures are recorded in Fund 028, Measure M2 Turnback and Fund 008, Capital Improvements Fund. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2016 were \$1,097,910 (see Schedule A), which agreed to the City's Expenditure Report (Schedule 2 lines 9 and 10 and detail listed at Schedule 4). No exceptions were noted as a result of our procedures.

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. 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.

Results: Measure M Local Fair Share expenditures tested totaled \$1,051,327 representing approximately 96% of total Measure M Local Fair Share expenditures for the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

9. We identified whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures through review of the City's Expenditure Report (Schedule 3, line 1). If applicable, we obtained the detail of indirect costs charged, and selected a sample of charges for review, explaining any differences between detail and the Expenditure Report. We reviewed the supporting documentation for reasonableness and appropriate methodology.

Results: Based on our review of the general ledger expenditure detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, we noted no indirect costs were charged as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

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 per the City's records to the amount listed on the City's Expenditure Report (Schedule 2, line 10), explaining any differences.

Results: No exceptions were noted as a result of our procedures.

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

Results: We reviewed 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 noted as a result of our procedures.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion 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. 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 "Varrinich, Train, Dog, Co, LLP". The signature is written in a cursive, somewhat stylized font.

Laguna Hills, California
March 8, 2017

CITY OF YORBA LINDA, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2016
(Unaudited)

Maintenance of Effort (MOE) Expenditures:

Maintenance:

Street Lights & Traffic Signals - Schedule 3, line 13	\$ 333,316
Other Street Purpose Maintenance - Schedule 3, line 15	1,617,709

Construction:

New Street Construction - Schedule 3, line 2	789,885
Administrative/Other (Indirect & Overhead) - Schedule 3, line 1:	<u>125,138</u>

Total MOE Expenditures	<u>2,866,048</u>
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Measure M2 Local Fair Share Expenditures (Schedule 4):

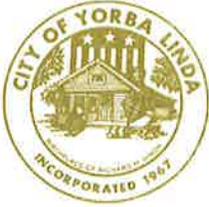
Traffic Calming (008.4.512.726)	40,923
Bastanchury - Lakeview to Eureka (008.4.512.7633)	300,000
La Palma Rehab (008.4.512.7655)	720,000
Citywide Traffic Signal Modifications/Rehab (008.4.514.7229)	<u>36,987</u>

Total Measure M2 Local Fair Share Expenditures	<u>1,097,910</u>
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Total MOE and Measure M2 Local Fair Share Expenditures	<u><u>\$ 3,963,958</u></u>
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Note:

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



CITY OF YORBA LINDA

P.O. BOX 87014

CALIFORNIA 92885-8714

March 8, 2017

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 Yorba Linda as of and for the fiscal year ended June 30, 2016.

Procedure #3

We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2016 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.

Results:

The City's MOE expenditures for the fiscal year ended June 30, 2016 were \$2,866,048 (see Schedule A), which exceeded the requirement. We agreed the total expenditures of \$2,866,048 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), noting a difference of \$436,107. The City reported \$2,429,941 as total MOE expenditures which represented budgeted amounts rather than actual. No other exceptions were noted as a result of our procedures.

City's Response:

It has been the City's past practice to include amounts reported on the Maintenance of Effort Reporting Form onto the Measure M2 Expenditure Report. However during the review, it has been brought to the City's attention that actual amounts should be reported on the Measure M2 Expenditure Report rather than budgeted amounts. Therefore, in future years the City will include the actual amounts on the Measure M2 Expenditure Report.

Procedure #4

We selected a sample of MOE expenditures from the City's general ledger expenditure detail. 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.

Results:

MOE expenditures tested totaled \$409,406 representing approximately 14% of total MOE expenditures for the fiscal year ended June 30, 2016. We noted the following expenditures were not appropriately classified as a local street and road expenditure, nor were the costs allowable per the Ordinance:

- \$9,075 in costs incurred for a City Water Study.
- \$67,230 in costs incurred for the City’s Landscape Maintenance Assessment District (LMAD) Transition Design Project.
- \$3,813 in overhead costs incurred for landscape irrigation for various street medians and parks.

However, after removing the amounts from total MOE expenditures, the City continued to meet the minimum MOE requirement.

City’s Response:

The City’s historical practice has been to include the majority of the City’s General Fund Public Works accounts in the Maintenance of Effort (MOE) calculation. However, recently some of these accounts have been utilized for costs related to the City’s Landscape Maintenance Assessment District (LMAD) that are being funded from the City’s General Fund per direction from the City Council. City staff did not update the MOE calculation methodology to specifically exclude these accounts. The Finance Department will work with the Public Works Department to implement a methodology to segregate these LMAD-related expenditures into easily-identifiable accounts, which will ensure that they are excluded from future MOE calculations.

Sincerely,



Title: City Manager



Title: Director of Finance



Title: Director of Public Works