

ANNUAL PROGRAM COMPLIANCE REPORT

The Annual Program Compliance Report should, at a minimum, describe the efforts of the local jurisdiction to comply with the policies of Measure X over the reporting period. The report should include a narrative of how the jurisdiction spent Measure X funds on local projects including the project title; brief description; discussion of the project benefits; and before and after pictures. A balance sheet should also be included with the report detailing the receipt and expenditure of Measure X funds, as shown in the example below.

CITY OF DEL REY OAKS- YEAR 2019 BALANCE SHEET

REVENUES	
Carryover from Previous Year	\$ 67,453
Measure X Revenues	82,554
Measure X Loan Advance	677,020
TOTAL REVENUES:	\$827,027
EXPENDITURES	
Street Reconstruction Project	\$827,027
TOTAL EXPENDITURES:	\$827,027
FUND BALANCE, END OF PERIOD:	\$ -0-

As attachments to the Annual Program Compliance Report, the jurisdiction should include the following additional reports:

- ATTACHMENT 1: Independent Audit of Financial Statements for Measure X Funds, Prior Fiscal Year
- ATTACHMENT 2: Five-Year Capital Improvement Program
- ATTACHMENT 3: Pavement Management Program Report

CITY OF DEL REY OAKS
TRANSPORTATION SAFETY AND
INVESTMENT PLAN ACCOUNT FUND

WITH INDEPENDENT
AUDITORS' REPORT

JUNE 30, 2019

* * *



Chavan & Associates, LLP
Certified Public Accountants
1475 Saratoga Ave, Suite 180
San Jose, CA 95129

CITY OF DEL REY OAKS
Transportation Safety and Investment Plan Account Fund
June 30, 2019

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

City Council
City of Del Rey Oaks
Del Rey Oaks, California

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Del Rey Oaks' Transportation Safety and Investment Plan Account Fund, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City's Transportation Safety and Investment Plan Account Fund, as of June 30, 2019, and the changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Transportation Safety and Investment Plan Account Fund and do not purport to, and do not, present fairly the financial position of the City of Del Rey Oaks, as of June 30, 2019, the changes in its financial position, or, where applicable, its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.



Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the Transportation Safety and Investment Plan Account Fund financial statements that collectively comprise the City of Del Rey Oaks' Transportation Safety and Investment Plan Account Fund financial statements. The accompanying supplemental information – Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual on page 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental schedule is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the City's Transportation Safety and Investment Plan Account Fund financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedule – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2019, on our consideration of the City of Del Rey Oaks' Traffic Safety and Investment Plan Account Fund's internal control over financial reporting and on our tests of its compliance with the requirements described in the TAMC's Ordinance No. 2016-01 and in the Agreement between TAMC and the City and other matters for the fiscal year ended June 30, 2019. The purpose of that report is solely to report our opinion on compliance and to describe the scope of our testing of internal control over financial reporting and the results of that testing, and not to provide an opinion on the effectiveness of the City of Del Rey Oaks' Traffic Safety and Investment Plan Account Fund's internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Del Rey Oaks' Traffic Safety and Investment Plan Account Fund's compliance.

C & A LLP

December 1, 2019
San Jose, California

City of Del Rey Oaks
Transportation Safety and Investment Plan Accounting Fund
Balance Sheet
June 30, 2019

ASSETS

Due from other Agencies	\$ 572,906
Total assets	<u>\$ 572,906</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE

Liabilities

Accounts payable	\$ 29,277
Due to other funds	488,242
Total liabilities	<u>517,519</u>

Deferred inflows of resources

Unavailable revenue	<u>55,387</u>
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Fund Balance

Restricted	\$ -
Total fund balance	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 572,906</u>

The accompanying notes are an integral part of these financial statements

City of Del Rey Oaks
Transportation Safety and Investment Plan Accounting Fund
Statement of Revenues, Expenditures
and Changes in Fund Balance
June 30, 2019

REVENUES

Transportation Safety and Investment Plan Account revenue	\$ 82,554
Total Revenues	<u>82,554</u>

EXPENDITURES

Capital outlay	781,474
Debt service	
Principal	43,641
Interest and fiscal charges	1,912
Total Expenditures	<u>827,027</u>

Excess (Deficiency) of Revenues over Expenditures	<u>(744,473)</u>
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OTHER FINANCING SOURCES (USES)

Loan from other (Transportation Agency of Monterey County)	677,020
Total Other Financing Sources (Uses)	<u>677,020</u>

Net Change in Fund Balances	(67,453)
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Fund Balance Beginning	<u>67,453</u>
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Fund Balance Ending	<u>\$ -</u>
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The accompanying notes are an integral part of these financial statements

City of Del Rey Oaks
Transportation Safety and Investment Plan Account Fund
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Transportation Safety and Investment Plan Account Fund of the City of Del Rey Oaks (the City) is a governmental fund type. Governmental funds are accounted for using a current financial resources measurement focus. The application of this measurement focus provides that, in general, only current assets and current liabilities are present on the balance sheet. Operating statements of these funds present revenues and expenditures.

The modified accrual basis of accounting is used for the Transportation Safety and Investment Plan Account Fund. Under the modified accrual basis of accounting, revenues are recognized when they become susceptible to accrual (i.e., both measurable and available). Measurable means that the amount of the transaction can be determined. Available means the funds are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures of governmental funds are generally recognized when the related fund liability is incurred.

Reporting Entity

The Transportation Safety and Investment Plan Account Fund from the Transportation Agency for Monterey County was approved on November 8, 2016. The revenue from the sales tax measure will be used to fund transportation safety and mobility projects in Monterey County. Expenditures are restricted to road improvements, pothole repairs, street and road maintenance, traffic deduction and regional safety, mobility and walkability.

The Transportation Safety and Investment Plan Fund financial statements and related accounting policies of the City conform with generally accepted accounting principles applicable to governments in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The financial statements present only the Transportation Safety and Investment Plan Account Fund and do not purport to, and do not present, the City's financial position and changes in financial position. The City's basic financial statements are available from the Finance Department at City's address and website.

NOTE 2 – CASH DEPOSITS

The City follows the practice of pooling cash and investments for all funds (including the Transportation Safety and Investment Plan Account Fund) under its direct daily control. Interest earned on pooled cash and investments is allocated periodically to the various funds based on average cash balances. Detailed disclosure regarding the City's investments of cash is included in the notes to City's basic financial statements.

City of Del Rey Oaks
Transportation Safety and Investment Plan Account Fund
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 3 – MAINTENANCE OF EFFORT

The Measure X Master Programs Funding Agreement between the City and the Transportation Agency for Monterey County , as amended, requires that the City must expend each fiscal year from its general fund for street and highway purposes an amount not less than the annual average of its expenditures from its general fund during the 2009-10, 2010-11, and 2011-12 fiscal years, but not less than what was expended in 2016-17 (when Measure X passed), as reported to the Controller pursuant to Streets and Highways Code section 2151 (“Maintenance of Effort”). This baseline amount will be indexed annually to the Engineering News Record construction index.

The following eligible expenditures were made:

Fiscal year ended June 30:	
2010	\$ 50,083
2011	50,083
2012	<u>12,000</u>
Total	<u>\$ 112,166</u>
Three year average	\$ 37,389
Fiscal year ended June 30, 2017	\$ 61,043
Current year eligible expenditures	\$ 194,802
Compliant (Yes or No)	Yes

Total expenditures from the general fund for street and highway purposes for the fiscal year ended June 30, 2019 was \$194,802. The City was in compliance with the Maintenance of Effort requirement of the Measure X Master Programs Funding Agreement between the City of Del Rey Oaks and the Transportation Agency for Monterey County.

**SUPPLEMENTARY
INFORMATION**

City of Del Rey Oaks
Transportation Safety and Investment Plan Account Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance
Budget and Actual (GAAP Basis)
For the Fiscal Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Transportation Safety and Investment Plan Account revenue	\$ -	\$ -	\$ 82,554	\$ 82,554
Total Revenues	<u>-</u>	<u>-</u>	<u>82,554</u>	<u>82,554</u>
EXPENDITURES				
Current:				
Supplies	\$ -	\$ -	\$ 486	\$ (486)
Utility Services	-	-	305	(305)
Outside Services	-	-	3,994	(3,994)
Streets and Storm Water	1,203,011	1,203,011	776,689	426,322
Debt service				
Principal	-	-	43,641	(43,641)
Interest and fiscal charges	-	-	1,912	(1,912)
Total Expenditures	<u>1,203,011</u>	<u>1,203,011</u>	<u>827,027</u>	<u>375,984</u>
Excess(Deficiency) of Revenue over Expenditure	<u>(1,203,011)</u>	<u>(1,203,011)</u>	<u>(744,473)</u>	<u>458,538</u>
OTHER FINANCING SOURCES				
Loan from other (Transportation Agency of Monterey County)	861,300	861,300	677,020	(184,280)
Total Other Financing Sources	<u>861,300</u>	<u>861,300</u>	<u>677,020</u>	<u>(184,280)</u>
Net Changes in Fund Balance	<u>(341,711)</u>	<u>(341,711)</u>	<u>(67,453)</u>	<u>274,258</u>
Fund Balance Beginning	62,800	62,800	67,453	4,653
Fund Balance Ending	<u>\$ (278,911)</u>	<u>\$ (278,911)</u>	<u>\$ -</u>	<u>\$ 278,911</u>

The City employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the City Council to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the Measure X Special Revenue Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP. The expenditures noted above in excess of appropriations were covered by fund balance, appropriations available in other categories, or revenues in excess of budget.

**OTHER INDEPENDENT
AUDITORS REPORT**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE WITH TAMC ORDINANCE NO. 2016-01
TRANSPORTATION SAFETY AND INVESTMENT PLAN FUND AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

City Council
City of Del Rey Oaks
Del Rey Oaks, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Del Rey Oaks' Transportation Safety and Investment Plan Account Fund (the City's Measure X Fund), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Del Rey Oaks' Transportation Safety and Investment Plan Account Fund's financial statements, and have issued our report thereon dated December 1, 2019.

We have also audited the City's compliance with the types of compliance requirements described in the Transportation Agency's for Monterey County's (TAMC) Ordinance No. 2016-01 and the Measure X Master Programs Funding Agreement (the Agreement) between TAMC and the City, applicable for the fiscal year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the Transportation Safety and Investment Plan Account Fund.

Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit in accordance with the compliance requirements described in the Transportation Agency for Monterey County's (TAMC) Ordinance No. 2016-01 and in the Measure X Master Programs Funding Agreement (the Agreement) between TAMC and the City. The Measure X Master Programs Funding Agreement requires that the independent auditor shall perform at least the following tasks: (1) determine whether the recipient expended all Measure X funds received in compliance with Measure X, the Measure X Investment Plan, and the Policies & Project Descriptions, as they may be adopted or amended by TAMC from time to time, and the Agreement, (2) determine whether the Measure X revenues received and expended were accounted for and tracked in its own separate budget and fund titled "Transportation Safety & Investment Plan Account" and were not be comingled with any other funds and that the accounting system provides adequate internal controls and audit trails to facilitate an annual compliance audit for each fund type and the respective usage and application of said funds, and (3) determine whether the City met the Maintenance of Effort requirements imposed by Measure X and State law. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state laws and regulations applicable to the City occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.



We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Compliance with the Transportation Safety and Investment Plan Account Fund

In our opinion, the funds allocated to and received by the City's Transportation Safety and Investment Plan Account Fund, complied, in all material respects, with the compliance requirements referred to above that are applicable in accordance to the compliance requirements described in the Transportation Agency for Monterey County's (TAMC) Ordinance No. 2016-01 and in the Measure X Master Programs Funding Agreement between TAMC and the City for the fiscal year ended June 30, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's Measure X Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's Measure X Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's Measure X Fund's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of that report is solely to report our opinion on compliance and to describe the scope of our testing of internal control over financial reporting and the results of that testing, and not to provide an opinion on the effectiveness of the City of Del Rey Oaks' Measure X Fund's internal control over financial reporting. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. This report is intended solely for the information and use of City Council, management of the Transportation Agency for Monterey County and for filing with the appropriate regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

C & A LLP

December 1, 2019
San Jose, California

**CITY OF DEL REY OAKS
MEASURE X FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM
FOR YEARS 2019 – 2024**

YEAR 1

Project	Description & Phase	Total Cost	Measure X	PCI
Street Slurry	Slurry City streets phase 3 Design and Construction	\$100,000.00	0	unknown
Totals:				

YEAR 2

Project	Description & Phase	Total Cost	Measure X	PCI
N/A				
Totals:				

YEAR 3

Project	Description & Phase	Total Cost	Measure X	PCI
N/A				
Totals:				

YEAR 4

Project	Description & Phase	Total Cost	Measure X	PCI
N/A				
Totals:				

YEAR 5

Project	Description & Phase	Total Cost	Measure X	PCI
N/A				
Totals:				

DEFINITIONS OF REQUESTED INFORMATION:

1. Project: The title of the project to receive Measure X funding.
2. Description & Phase: A general description of the project and the phase (e.g. Environmental; Design; Right-of-Way; or Construction) that will be funded in the given year.
3. Total Cost: The total cost of the project.
4. Measure X: The amount of Measure X funding that will be expended on the project.
5. PCI: The Pavement Condition Index for the roadway, from the local jurisdiction's Pavement Management Program.



CITY OF DEL REY OAKS

650 CANYON DEL REY RD. · DEL REY OAKS, CALIFORNIA 93940
PHONE (831) 394-8511 · FAX (831) 394-6421

Date: 12/9/19
To: Todd Muck
Deputy Executive Director
Transportation Agency for Monterey County
55-B Plaza Circle
Salinas, CA 93901

Re: Pavement Management Program Annual Report Letter

The City of Del Rey Oaks confirms that it has a Pavement Management Program that conforms to the criteria established by the Transportation Agency for Monterey County and included in the Measure X Agreement with the Local Agency. An approved Pavement Management Program must be in place to be eligible for Measure X funds.

The Pavement Management Program utilizes a software system developed by:

Metropolitan Transportation Commission StreetSaver,
 Other _____

The system was updated by NCE and contains, at a minimum, the following elements:

- Inventory of all existing pavements under the local agency jurisdiction:

Centerline miles:	9.6
Total lane miles (or equivalent units):	20.5
The last update of the inventory was completed on:	6/2018
- Average Pavement Condition Index (PCI) 74
- Identification of sections of roadways brought up to acceptable PCI levels for the current year 2019:


<u>2½" AC Over Grindings</u>	<u>PCI (inspected)</u>
Osio Way	26
Serrano Way	43
Boronda Way	29
Robertson Place	10
Greenock Place	10
Malcolm Place	25
Tweed Place	34
Wallace Place	27
Setter Place	17
Baxter Place	29
Hillwil Place	17
Brae Place	25
Voe Place	23
Loch Place	14

	<u>PCI (inspected)</u>
<u>Reconst w/3" AC & 11" Grindings as AB</u> Carlton Drive	26
<u>3" AC Overlay w/fabric</u> Carlton Place	24
<u>2" AC Overlay w/fabric, R&R 4" AC</u> Saucito Avenue	17

- Amount (construction cost) spent to rehabilitate or replace deficient sections for the current year 2019: \$667,929.24

You may direct any questions regarding the system to Sherman Low at (831) 624-2110, Neill Engineers Corp.

Sincerely,



Dino Pick, City Manager