

**REGIONAL DEVELOPMENT IMPACT FEE  
JOINT POWERS AGENCY**

AUDIT REPORT  
June 30, 2018



**REGIONAL DEVELOPMENT IMPACT FEE JOINT POWERS AGENCY**  
**TABLE OF CONTENTS**  
June 30, 2018

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**Financial Section**

Independent Auditors' Report .....	1
Management's Discussion and Analysis .....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position .....	5
Statement of Activities .....	6
Fund Financial Statements:	
Balance Sheet – Governmental Fund .....	8
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position .....	9
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund .....	10
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities .....	11
Notes to Basic Financial Statements .....	12

**Required Supplementary Information Section**

Budgetary Comparison Schedule – General Fund .....	19
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	20



**FINANCIAL SECTION**





Moss, Levy & Hartzheim LLP

Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Regional Development Impact Fee Joint Powers Agency  
Salinas, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Regional Development Impact Fee Joint Powers Agency (the Agency), as and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Agency's basic 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 of material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions 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 and 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 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 auditors' 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 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 opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Regional Development Impact Fee Joint Powers Agency, as of June 30, 2018, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2018, on our consideration of the Regional Development Impact Fee Joint Powers Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

*Moss, Keny & Hartgreim LLP*

Santa Maria, California  
November 9, 2018



# Management's Discussion and Analysis

Overview of the Regional Development Impact Fee Joint Powers Agency and Audited Finances for Fiscal Year Ending June 30, 2018

## **General**

The Regional Development Impact Fee Joint Powers Agency (Fee Agency) was created on August 27, 2008. The Fee Agency is made up of Cities of Monterey, Seaside, Carmel, Pacific Grove, Del Rey Oaks, Marina, Sand City, Salinas, Gonzales, Soledad, Greenfield and King City as well as the County of Monterey. The Fee Agency's main purpose is the planning, financing, and constructing regional transportation improvements as mitigation for cumulative impacts from new development in Monterey County on the regional transportation system.

Officials from each of the twelve incorporated cities in Monterey County and all five County Supervisors represent the public on the Fee Agency's Board of Directors. The Board of Directors sets policy. The Agency has no employees but contracts for administrative services with the Transportation Agency for Monterey County.

## **Activity Highlights**

During fiscal year 2017/2018, the Fee Agency performed various activities acting as the designated Regional Development Impact Fee Joint Powers Agency, as described in detail below.

During the year, the Fee Agency continued to work with our member jurisdictions to ensure accurate and consistent application of the fees to new development. This process has involved providing periodic training to planning staff; holding meetings with individual member staff, developers, and Board members to discuss development proposals and how the regional fees should best be applied; reviewing fee estimate calculations for errors; and writing correspondence to provide timely updates on any revisions to the fees. Staff was able to resolve all issues and no Board appeals were requested by applicants.

The Fee Agency adopts an annual Strategic Expenditure Plan to account for project delivery and updated revenue projections. The 2017/18 Strategic Expenditure Plan continued funding project development activities for improvements to Highways 68 and 156, with a minor projected increase in revenue.

Additionally, as required by state law, in 2017/18 the Fee Agency initiated the five-year update to the Regional Development Impact Fee Nexus Study, which is set for adoption in August 2018.

## **Financial Highlights**

Net assets of the Fee Agency increased by \$ 909,307 from \$ 2,772,546 on June 30, 2017, to \$ 3,681,853 on June 30, 2018. Revenues of \$ 919,307 were added and the expenses were \$10,000. The Fee Agency has a fund balance of \$3,681,853 as of June 30, 2018.

A separate accounting system has been set up to track revenues and payouts from the Regional Development Impact Fee Joint Powers Agency. Participating members report and remit any fees collected on a monthly basis. These fees are held in a separate fund account with the County of Monterey.

## **Regional Development Impact Fee Joint Powers Agency Revenues and Expenditures**

The Fee Agency revenues during fiscal year 2017/2018 totaled \$919,307. The Fee Agency's total staff time and administration expenditures for the same period totaled \$124,527. \$10,000 of expenses associated with the administration fee paid to the Transportation Agency for Monterey County was transferred in FY 17-18.

## **Overall Financial Position**

The overall financial position of the Fee Agency changed during fiscal year 2017/2018, with an increase of \$909,307 to the fund balance from \$ 2,772,546 to \$3,681,853.

## **Budget Variances**

There is no budget, but the Fee Agency approves an annual Strategic Expenditure Plan.

## **Current Financial Issues and Concerns**

Revenues for the Regional Development Impact Fee program are wholly dependent on the amount of new development that occurs in Monterey County and the incorporated cities. As the economy has improved, development has increased but has still not reached pre-recession levels. As a result, fee revenues are growing, but are not as substantial as originally projected. The annual Strategic Expenditure Plan will be updated by shifting funding for near-term projects out to better correspond with currently projected revenues.

## **More Information**

Anyone seeking clarification, having questions, or desiring more information about the topics discussed in this Management's Discussion and Analysis is requested to contact the Regional Development Impact Fee Joint Powers Agency office via the Internet at: [info@tamcmonterey.org](mailto:info@tamcmonterey.org) or by calling 831-775-0903. You may also access the Transportation Agency for Monterey County's website at [www.tamcmonterey.org](http://www.tamcmonterey.org) to view copies of the Regional Development Impact Fee Agency's fiscal audits.

**REGIONAL DEVELOPMENT IMPACT FEE JOINT POWERS AGENCY**  
**STATEMENT OF NET POSITION**  
June 30, 2018

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	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	<u>\$ 3,681,853</u>
Total assets	<u>3,681,853</u>
<b>LIABILITIES</b>	
Accounts payable	<u>-</u>
Total liabilities	<u>-</u>
<b>NET POSITION</b>	
Restricted for transportation	<u>3,681,853</u>
Total net position	<u><u>\$ 3,681,853</u></u>

The notes to basic financial statements are an integral part of this statement.

**REGIONAL DEVELOPMENT IMPACT FEE JOINT POWERS AGENCY**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended June 30, 2018

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	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Contributions and Grants</u>
Governmental activities:			
Transportation	\$ 10,000	\$ -	\$ 876,532
Total governmental activities	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 876,532</u>
General Revenues			
Investment income			
Total general revenues			
Change in net position			
Net position at beginning of fiscal year			
Net position at end of fiscal year			

The notes to basic financial statements are an integral part of this statement.

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<u>Capital Contributions and Grants</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
<u>\$ -</u>	<u>\$ 866,532</u>
<u><u>\$ -</u></u>	<u>866,532</u>
	<u>42,775</u>
	<u>42,775</u>
	909,307
	<u>2,772,546</u>
	<u><u>\$ 3,681,853</u></u>

**REGIONAL DEVELOPMENT IMPACT FEE JOINT POWERS AGENCY**  
**GOVERNMENTAL FUND**  
**BALANCE SHEET**  
June 30, 2018

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	<u>General Fund</u>
<b>ASSETS</b>	
Cash and investments	<u>\$ 3,681,853</u>
Total assets	<u><u>\$ 3,681,853</u></u>
<b>LIABILITIES AND FUND BALANCE</b>	
Liabilities:	
Accounts payable	<u>\$ -</u>
Total liabilities	<u>-</u>
Fund Balance:	
Restricted for transportation	<u>3,681,853</u>
Total fund balance	<u>3,681,853</u>
Total liabilities and fund balance	<u><u>\$ 3,681,853</u></u>

The notes to basic financial statements are an integral part of this statement.

**REGIONAL DEVELOPMENT IMPACT FEE JOINT POWERS AGENCY**  
RECONCILIATION OF THE GOVERNMENTAL  
FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2018

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Total Fund Balance- Governmental Fund	<u>\$ 3,681,853</u>
Total Net Position - Governmental Activities	<u>\$ 3,681,853</u>

The notes to basic financial statements are an integral part of this statement.

**REGIONAL DEVELOPMENT IMPACT FEE JOINT POWERS AGENCY**  
**GOVERNMENTAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**For the Fiscal Year Ended June 30, 2018**

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	<u>General Fund</u>
<b>Revenues:</b>	
Mitigation fees	\$ 876,532
Interest	<u>42,775</u>
Total revenues	<u>919,307</u>
<b>Expenditures:</b>	
Administration	<u>10,000</u>
Total expenditures	<u>10,000</u>
Excess of revenues over (under) expenditures	909,307
Fund balance - July 1, 2017	<u>2,772,546</u>
Fund balance - June 30, 2018	<u><u>\$ 3,681,853</u></u>

The notes to basic financial statements are an integral part of this statement.



**REGIONAL DEVELOPMENT IMPACT FEE JOINT POWERS AGENCY**  
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2018

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Net Change in Fund Balance - Governmental Fund	<u>\$ 909,307</u>
Change in Net Position - Governmental Activities	<u>\$ 909,307</u>

The notes to basic financial statements are an integral part of this statement.

# REGIONAL DEVELOPMENT IMPACT FEE JOINT POWERS AGENCY

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. **Organization**

The Regional Development Impact Fee Joint Powers Agency was organized on August 27, 2008, under the authorization of Section 6500 et. seq. of the Government Code.

The purpose of the Agency is to jointly exercise the powers of the County of Monterey and the incorporated cities located within Monterey County pursuant to the California Mitigation Fee Act, Government Code, section 66000, et seq. to collect, administer, program, and spend the proceeds of a Regional Development Impact Fee to mitigate the regional transportation impact of new developments adopted by each of the City and County Parties in accordance with the term of the agreement.

#### B. **Reporting Entity**

The reporting entity is the Regional Development Impact Fee Joint Powers Agency. There are no component units included in this report that meet the criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statements No. 39, No.61 and No. 80.

#### C. **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Agency. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Major individual governmental funds are reported as separate columns in the fund financial statements.

#### D. **Basis of Presentation**

##### Government-wide Financial Statements

The government-wide statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Agency's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The Agency does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Agency, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Agency.

##### Fund Financial Statements

Fund financial statements report detailed information about the Agency. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all nonmajor funds are aggregated into one column.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Basis of Presentation (continued)**

Fund Financial Statements (continued)

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases, (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current fund balance.

**E. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements and fiduciary fund financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues – exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Agency, “available” means collectible within the current period or within 60 days after fiscal year-end.

Non-exchange transactions, in which the Agency receives value without directly giving equal value in return, include property taxes and grants. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the Agency must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the Agency on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants received before eligibility requirements are met are recorded as unearned revenue.

Expenses/expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the Agency’s policy to use restricted resources first then unrestricted resources as they are needed.

**REGIONAL DEVELOPMENT IMPACT FEE JOINT POWERS AGENCY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Fund Accounting**

The accounts of the Agency are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance or net assets, revenues, and expenditures. The Agency's resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The Agency's accounts are organized into one major fund as follows:

Major Governmental Fund:

The *General Fund* is the general operating fund of the Agency. It is used to account for all financial resources except those required to be accounted for in another fund.

**G. Budgets and Budgetary Accounting**

The annual budget is approved by the Board of Directors. Formal budgetary procedures are not maintained by the Agency.

**H. Investments**

Investments are stated at fair value.

**I. Encumbrances**

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is not utilized by the Agency.

**J. Capital Assets**

Capital assets (including infrastructure) are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed capital assets are valued at their estimated fair value at the date of the contribution. Capital assets are defined by the Agency as assets with an initial, individual cost of more than \$5,000 and estimated useful life in excess of two years.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the governmental column in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the statement of net assets. The estimated useful lives are as follows:

Equipment	7 to 20 years
Structures and improvements	5 to 50 years

**K. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**L. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**M. Fund Balances**

Fund balances of the governmental funds are classified as follows:

**Nonspendable Fund Balance** – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

**Restricted Fund Balance** – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

**Committed Fund Balance** – represents amounts that can only be used for a specific purpose because of a formal action by the Agency’s governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

**Assigned Fund Balance** – represents amounts which the Agency intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund’s primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the Agency.

**Unassigned Fund Balance** – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the Agency considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Agency considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

**N. Net Position**

GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position that is net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

**REGIONAL DEVELOPMENT IMPACT FEE JOINT POWERS AGENCY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**O. Future Accounting Pronouncement**

GASB Statements listed below will be implemented in future financial statements:

Statement No. 83	"Certain Asset Retirement Obligations"	The provisions of this statement are effective for fiscal years beginning after June 15, 2018.
Statement No. 84	"Fiduciary Activities"	The provisions of this statement are effective for fiscal years beginning after December 15, 2018.
Statement No. 87	"Leases"	The provisions of this statement are effective for fiscal years beginning after December 15, 2019.
Statement No. 88	"Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2018.
Statement No. 89	"Accounting for Interest Cost Incurred before the End of a Construction Period"	The provisions of this statement are effective for fiscal years beginning after December 15, 2019.
Statement No. 90	"Majority Equity Interest-an Amendment of GASB Statements No. 14 and No. 61"	The provisions of this statement are effective for fiscal years beginning after December 15, 2018.

**NOTE 2 - CASH AND INVESTMENTS**

The Agency maintains all of its cash in the County of Monterey Treasury. The County Treasurer pools and invests the Agency's cash with other funds under her control. Interest earned on pooled investments is apportioned quarterly into participating funds based upon each fund's average daily deposit balance. Any investment gains or losses are proportionately shared by all funds in the pool.

Investments are carried at fair value. On June 30, 2018, the Agency had the following cash and investments on hand:

Cash and investments with the County Treasurer	<u>\$ 3,681,853</u>
Total cash and investments	<u>\$ 3,681,853</u>

Cash and investments are presented on the accompanying basic financial statements, as follows:

Cash and investments, statement of net position	<u>\$ 3,681,853</u>
Total cash and investments	<u>\$ 3,681,853</u>

The Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Agency has investments in the Monterey County investment pool, however, the external pool is not measured under Level 1, 2, or 3.

**REGIONAL DEVELOPMENT IMPACT FEE JOINT POWERS AGENCY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2018

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**NOTE 2 - CASH AND INVESTMENTS (Continued)**

Investments Authorized by the Agency's Investment Policy

The Agency's investment policy only authorizes investment in the local government investment pool administered by the County of Monterey. The Agency's investment policy does not contain any specific provisions intended to limit the Agency's exposure to interest rate risk, credit risk, and concentration of credit risk.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Agency manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the Agency's investments to market interest rate fluctuations is provided by the following table below that shows the distribution of the Agency's investments by maturity:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	<u>More than 60 Months</u>
County of Monterey Treasury Investment Pool	\$ 3,681,853	\$ 3,681,853	\$ -	\$ -	\$ -
Total	\$ 3,681,853	\$ 3,681,853	\$ -	\$ -	\$ -

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. Presented below, is the minimum rating required by the California Government Code and the Agency's investment policy, and the actual rating as of fiscal year end for each investment type.

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Fiscal Year End</u>		
				<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
County of Monterey Treasury Investment Pool	\$ 3,681,853	N/A	\$ -	\$ -	\$ -	\$ 3,681,853
Total	\$ 3,681,853		\$ -	\$ -	\$ -	\$ 3,681,853

Concentration of Credit Risk

The investment policy of the Agency contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total Agency investments.

**REGIONAL DEVELOPMENT IMPACT FEE JOINT POWERS AGENCY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2018

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**NOTE 2 - CASH AND INVESTMENTS (Continued)**

Custodial Credit Risk

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as County of Monterey Treasury Investment Pool).

Investment in County of Monterey Treasury Investment Pool

The Agency is a participant in the County of Monterey Treasury Investment Pool that is regulated by the California Government Code. The fair value of the Agency's investment in this pool is reported in the accompanying basic financial statements at the amounts based upon the Agency's pro-rata share of the fair value provided by the County of Monterey Treasury Investment Pool for the entire County of Monterey Investment Pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County of Monterey Treasury Investment Pool, which are recorded on an amortized cost basis.



**REQUIRED SUPPLEMENTARY INFORMATION SECTION**



**REGIONAL DEVELOPMENT IMPACT FEE JOINT POWERS AGENCY**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
For the Fiscal Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Mitigation fees	\$ -	\$ -	\$ 876,532	\$ 876,532
Interest			42,775	42,775
Total revenues	-	-	919,307	919,307
<b>Expenditures:</b>				
Adminstration	-	-	10,000	(10,000)
Total expenditures	-	-	10,000	(10,000)
Excess of revenues over (under) expenditures	-	-	909,307	909,307
Fund balance, July 1, 2017	-	-	2,772,546	2,772,546
Fund balance, June 30, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,681,853</u>	<u>\$ 3,681,853</u>



Moss, Levy & Hartzheim LLP

Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
Regional Development Impact Fee Joint Powers Agency  
Salinas, 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 governmental activities and the major fund of the Regional Development Impact Fee Joint Powers Agency (the Agency), as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated November 9, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Agency'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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. 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. Accordingly, this communication is not suitable for any other purpose.

*Moss, Remy & Hartgeim LLP*

Santa Maria, California  
November 9, 2018