ATTACHMENT B

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

MEASURE M2 LOCAL FAIR SHARE

AGREED-UPON PROCEDURES REPORTS

Year Ended June 30, 2018

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

MEASURE M2 LOCAL FAIR SHARE

AGREED-UPON PROCEDURES REPORTS

Year Ended June 30, 2018

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, 2018. Please refer to the individual divider tab for our report on each Agency.

City of Aliso Viejo

City of Buena Park

City of Costa Mesa

City of Dana Point

City of La Habra

City of Orange

City of San Clemente

City of Santa Ana

City of Seal Beach

City of Stanton

City of Westminster

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES — CITY OF ALISO VIEJO

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

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), on the City of Aliso Viejo's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2018. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. The sufficiency of these procedures is solely the responsibility of the Taxpayers Oversight Committee of the OCLTA. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings were as follows:

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

   Findings: The City was required to spend $462,004 in MOE expenditures during the fiscal year ended June 30, 2018. No exceptions were found as a result of this procedure.

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

   Findings: All MOE expenditures are tracked in the general ledger by fund, program, and activity. The City recorded its MOE expenditures in its General Fund (101), under the Traffic Engineering (4502) and Street Maintenance (4503) Department codes. No exceptions were found as a result of this procedure.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2018 and determined whether the City met the minimum MOE requirement. We agreed the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18), explaining any differences.

   Findings: The City's MOE expenditures for the fiscal year ended June 30, 2018 were $475,651 (see Schedule A), which exceeded the requirement. We agreed the total expenditures of $475,651 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), with no differences. No exceptions were found as a result of this procedure.

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

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

   Findings: MOE expenditures tested totaled $335,029, representing approximately 70% of total MOE expenditures for the fiscal year ended June 30, 2018. No exceptions were found as a result of this procedure.

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

   Findings: Based on inspection of the Expenditure Report (Schedule 3, line 1), the City reported $111,818 as indirect costs. Indirect MOE expenditures tested totaled $94,544. No exceptions were found as a result of this procedure.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2018, agreed to the balance as listed on the City's Expenditure Report (Schedule 1, line 20), and determined whether funds were expended within three years of receipt, explaining any differences.

   Findings: The City received $1,952,101 for the past three fiscal years ended June 30, 2016, 2017 and 2018. The remaining fund balance of these funds was as follows:

Allocation Year	Funding Source	Remaining Fund Balance	
2017/2018	Local Fair Share (M2)	$	673,758
2016/2017	Local Fair Share (M2)	$	227,348

   We agreed the fund balance of $901,106 to the City's Expenditure Report (Schedule 1, line 20), with no differences. No exceptions were found as a result of this procedure.

7. We described which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2018. We agreed the total Local Fair Share expenditures per the general ledger to the amounts reflected on the City's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4), explaining any differences.

   Findings: The City's Measure M2 Local Fair Share expenditures are recorded in Fund 204, Measure M Fund as a transfer out to Fund 311, Street Improvements Fund, and Fund 332, Storm Water Fund. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2018 were $436,421 (see Schedule A), which agreed to the City's Expenditure Report (Schedule 2 line 17, and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

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

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

    Findings: Measure M2 Local Fair Share expenditures tested totaled $354,001 representing approximately 81% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2018. No exceptions were found as a result of this procedure.

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

    Findings: Based upon inspection of the general ledger detail, Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, no indirect costs were identified as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2018. No exceptions were found as a result of this procedure.

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

    Findings: The City allocated interest earnings on a quarterly basis using the ending cash balance of each fund. Per inspection of the City's general ledger, we identified that Fund 204, Measure M Fund included cash balances for various Measure M programs such as Measure M2 (Local Fair Share), Senior Mobility Program, and the Environmental Cleanup Program (Water Quality). The Water Quality program had a negative cash balance that was offset by the Local Fair Share cash balance within the fund. As such, interest earned for Local Fair Share as reported on the M2 Expenditure Report (Schedule 2, Line 4) was understated due to the offsetting negative cash balance. We identified the following cash balances and interest earnings by Measure M Program as of June 30, 2018:

Program	Cash Balance	Interest Earnings
Measure M2 – Local Fair Share	$ 901,106	$ 6,943
Senior Mobility Program	$ 11,633	$ 169
Water Quality	($423,395)	$ -

    No other exceptions were found as a result of this procedure.

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

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

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

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

Vavrinek, Trine, Day & Co., LLP

Laguna Hills, California
March 12, 2019

SCHEDULE A

CITY OF ALISO VIEJO, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2018
(Unaudited)

Maintenance of Effort (MOE) Expenditures:		
Maintenance:		
Street Lights & Traffic Signals - Schedule 3, line 13	$	316,303
Other Street Purpose Maintenance - Schedule 3, line 15		29
Construction:		
Storm Drains - Schedule 3, line 6		47,501
Indirect and/or Overhead - Schedule 3, Line 1		111,818
Total MOE Expenditures		475,651
Measure M2 Local Fair Share Expenditures (Schedule 4):		
AV Parkway Rehabilitation (#112) Project		384,827
Aliso Creek Rehabilitation (#114) Project		47,362
M2 Tier 1 Environmental Cleanup Phase 5 (#119) Project		4,232
Total Measure M2 Local Fair Share Expenditures		436,421
Total MOE and Measure M2 Local Fair Share Expenditures	$	912,072

Note:
The above amounts were taken directly from the financial records of the City of Aliso Viejo and were not audited.

EXHIBIT 1

ALISO VIEJO
Live Life Inspired

March 12, 2019

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 Aliso Viejo as of and for the fiscal year ended June 30, 2018.

Procedure #10

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

Findings: The City allocates interest earnings on a quarterly basis using the ending cash balance of each fund. Per inspection of the City's general ledger, we identified that Fund 204, Measure M Fund included cash balances for various Measure M programs such as Measure M2 (Local Fair Share), Senior Mobility Program, and the Environmental Cleanup Program (Water Quality). The Water Quality program had a negative cash balance that was offset by the Local Fair Share cash balance within the fund. As such, interest earned for Local Fair Share as reported on the M2 Expenditure Report (Schedule 2, Line 4) is understated due to the offsetting negative cash balance. We identified the following cash balances and interest earnings by Measure M Program as of June 30, 2018:

Program	Cash Balance	Interest Earnings
Measure M2 – Local Fair Share	$ 901,106	$ 6,943
Senior Mobility Program	$ 11,633	$ 169
Water Quality	($423,395)	$ -

No other exceptions were found as a result of this procedure.

City's Response:

The City of Aliso Viejo believes that M2 funds due to the City should be included in the interest calculation. Although the M2 Water Quality funds have not been received by the City, the funds have been expended and are due from OCTA. However, as recommended by the auditors, we will begin allocating interest based on the ending cash balance available for the Measure M2 – Local Fair Share, Senior Mobility Programs, and other Measure M programs. In addition, the City will recalculate the interest previously allocated in FY 2016-17 and 2017-18. The additional interest will be added to the current year's interest earnings allocated to Measure M2 – Local Fair Share.

Sincerely,

Dave Doyle
City Manager

Gina Tharani
Director of Finance

Shaun Pelletier
Director of Public Works

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

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

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), on the City of Buena Park's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2018. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. The sufficiency of these procedures is solely the responsibility of the Taxpayers Oversight Committee of the OCLTA. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings were as follows:

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

   Findings: The City was required to spend $3,743,072 in MOE expenditures during the fiscal year ended June 30, 2018. No exceptions were found as a result of this procedure.

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

   Findings: All MOE expenditures are tracked in the general ledger by fund, program, and activity. The City recorded its MOE expenditures in its General Fund (11) under the Public Works Department. No exceptions were found as a result of this procedure.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2018 and determined whether the City met the minimum MOE requirement. We agreed the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18), explaining any differences.

   Findings: The City's MOE expenditures for the fiscal year ended June 30, 2018 were $4,797,198 (see Schedule A), which exceeded the requirement. We agreed the total expenditures of $4,797,198 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), with no differences. No exceptions were found as a result of this procedure.

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

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

   Findings: MOE expenditures tested totaled $1,141,990, representing approximately 24% of total MOE expenditures for the fiscal year ended June 30, 2018. We identified two expenditures, totaling $13,732 that 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. No other exceptions were found as a result of this procedure.

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

   Findings: Based on inspection of the Expenditure Report (Schedule 3, line 1), the City reported $1,179,024 as indirect costs. Indirect MOE expenditures tested totaled $619,512. No exceptions were found as a result of this procedure.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2018, agreed to the balance as listed on the City's Expenditure Report (Schedule 1, line 20), and determined whether funds were expended within three years of receipt, explaining any differences.

   Findings: The City received $4,291,669 for the past three fiscal years ended June 30, 2016, 2017 and 2018. The remaining fund balance of these funds was as follows:

Allocation Year	Funding Source	Remaining Fund Balance
2017/2018	Local Fair Share (M2)	$ 1,430,926
2016/2017	Local Fair Share (M2)	$ 204,326

   We agreed the fund balance of $1,635,252 to the City's Expenditure Report (Schedule 1, line 20), with no differences. No exceptions were found as a result of this procedure.

7. We described which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2018. We agreed the total Local Fair Share expenditures per the general ledger to the amounts reflected on the City's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4), explaining any differences.

   Findings: The City's Measure M2 Local Fair Share expenditures are recorded in Fund 25, Measure M Fund. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2018 were $2,284,862 (see Schedule A), which agreed to the City's Expenditure Report (Schedule 2 line 17, and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

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

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

    Findings: Measure M2 Local Fair Share expenditures tested totaled $1,685,643 representing approximately 74% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2018. The City listed "Administration" on Schedule 4 of the Expenditure Report of $467,750, which was not part of an approved project on the City's Seven Year CIP. No other exceptions were found as a result of this procedure.

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

    Findings: Based upon inspection of the general ledger detail, Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, the City reported $467,750 as indirect costs for the fiscal year ended June 30, 2018. Indirect Measure M2 Local Fair Share expenditures tested totaled $7,645. No exceptions were found as a result of this procedure.

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

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

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

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

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

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

Vavrinek, Trine, Day & Co., LLP

Laguna Hills, California
March 12, 2019

SCHEDULE A

CITY OF BUENA PARK, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2018
(Unaudited)

Maintenance of Effort (MOE) Expenditures:	
Maintenance:	
Street Lights & Traffic Signals - Schedule 3, line 13	$ 1,406,374
Other Street Purpose Maintenance - Schedule 3, line 15	2,102,831
Construction:	
Street Reconstruction - Schedule 3, line 3	108,969
Indirect and/or Overhead - Schedule 3, line 1	1,179,024
Total MOE Expenditures	4,797,198
Measure M2 Local Fair Share Expenditures (Schedule 4):	
Annual Pavement Rehabilitation	560,000
Slurry Seal Program	126,986
SR91 - Beach West Exit Ramp	430,188
Orangethorpe Ave. Rehabilitation	691,123
Descanso Ave. Rehabilitation between Caballero and Alturo Blvd.	8,815
Administration *	467,750
Total Measure M2 Local Fair Share Expenditures	2,284,862
Total MOE and Measure M2 Local Fair Share Expenditures	$ 7,082,060

* Project was not listed on the City's approved Seven-Year CIP (See Procedure 8).

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

EXHIBIT 1

City of BUENA PARK

FINANCE DEPARTMENT

March 12, 2019

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 Buena Park as of and for the fiscal year ended June 30, 2018.

Procedure #4

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

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

Findings:

MOE expenditures tested totaled $1,143,357, representing approximately 24% of total MOE expenditures for the fiscal year ended June 30, 2018. We identified two expenditures, totaling $13,732 that 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 met the minimum MOE requirement. No other exceptions were found as a result of this procedure.

City's Response:

The City will implement procedures instructing staff to no longer include Metrolink maintenance costs in the reporting of MOE expenditures.

Procedure #8

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

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

Findings:

Measure M2 Local Fair Share expenditures tested totaled $1,685,643 representing approximately 74% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2018. The City listed "Administration" on Schedule 4 of the Expenditure Report of $467,750, which is not part an approved project on the City's Seven Year CIP. No other exceptions were found as a result of this procedure.

City's Response:

The City could not find specific guidance to indicate that indirect administration costs were required to be allocated to specific projects. The Measure M2 Expenditure report template instructions for Schedule 3 indicate that indirect administrative costs could be reported in Line 1 for agency costs that could not be readily identified to a specific project. Furthermore, the City annually submits a draft copy of the M2 expenditure report to OCTA for review prior to finalizing the City's staff report and received no indication that there were any errors in the report. However, the City will evaluate methods to allocate indirect administrative expenditures to specific M2 projects in the M2 expenditure report going forward.

Sincerely,

Title: City Manager

Title: Director of Finance

Title: Director of Public Works

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES — CITY OF COSTA MESA

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

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), on the City of Costa Mesa's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2018. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. The sufficiency of these procedures is solely the responsibility of the Taxpayers Oversight Committee of the OCLTA. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings were as follows:

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

   Findings: The City was required to spend $7,383,205 in MOE expenditures during the fiscal year ended June 30, 2018. No exceptions were found as a result of this procedure.

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

   Findings: All MOE expenditures are tracked in the general ledger by fund, program, and activity. The City recorded its MOE expenditures in its General Fund (101) and Equipment Fund (601) under the Public Services Department. No exceptions were found as a result of this procedure.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2018 and determined whether the City met the minimum MOE requirement. We agreed the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18), explaining any differences.

   Findings: The City's MOE expenditures for the fiscal year ended June 30, 2018 were $7,821,205 (see Schedule A), which exceeded the requirement. We agreed the total expenditures of $7,821,205 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), with no differences. No exceptions were found as a result of this procedure.

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

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

   Findings: MOE expenditures tested totaled $1,686,388, representing approximately 22% of total MOE expenditures for the fiscal year ended June 30, 2018. We identified one expenditure, totaling $9,700 that was 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. No other exceptions were found as a result of this procedure.

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

   Findings: Based on inspection of the Expenditure Report (Schedule 3, line 1), the City reported $1,395,600 as indirect costs. Indirect MOE expenditures tested totaled $507,843. No exceptions were found as a result of this procedure.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2018, agreed to the balance as listed on the City's Expenditure Report (Schedule 1, line 20), and determined whether funds were expended within three years of receipt, explaining any differences.

   Findings: The City received $7,238,669 for the past three fiscal years ended June 30, 2016, 2017 and 2018. The remaining fund balance of these funds was as follows:

Allocation Year	Funding Source	Remaining Fund Balance
2017/2018	Local Fair Share (M2)	$ 2,477,262
2016/2017	Local Fair Share (M2)	$ 2,461,470
2015/2016	Local Fair Share (M2)	$ 1,826,066

   We agreed the fund balance of $6,764,798 to the City's Expenditure Report (Schedule 1, line 20), with no differences. No exceptions were found as a result of this procedure.

7. We described which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2018. We agreed the total Local Fair Share expenditures per the general ledger to the amounts reflected on the City's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4), explaining any differences.

   Findings: The City's Measure M2 Local Fair Share expenditures are recorded in Fund 416, Measure M Fund. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2018 were $1,509,113 (see Schedule A), which agreed to the City's Expenditure Report (Schedule 2 line 17, and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

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

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

    Findings: Measure M2 Local Fair Share expenditures tested totaled $1,180,409 representing approximately 78% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2018. No exceptions were found in our sample, however, as shown at Schedule A, one project (Traffic Data Counts totaling $4,805 of expenditures) was not an approved project on the City's Seven-Year CIP. No other exceptions were found as a result of this procedure.

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

    Findings: Based upon inspection of the general ledger detail, Expenditure Report (Schedule 3, Line 1), the City reported $4,805 as indirect costs related to the Traffic Data Counts line item on the Expenditure Report (see Schedule A) for the fiscal year ended June 30, 2018. However, per discussion with the City's accounting personnel and inspection of the general ledger expenditure detail, we determined that the reported administration costs were direct costs. Further, as described under procedure 8, this was not part of an approved project on the City's Seven-Year CIP. No other exceptions were found as a result of this procedure.

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

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

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

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

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

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

Vavrinek, Trine, Day & Co., LLP

Laguna Hills, California
March 12, 2019

SCHEDULE A

CITY OF COSTA MESA, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2018
(Unaudited)

Maintenance of Effort (MOE) Expenditures:	
Maintenance:	
Overlay & Sealing - Schedule 3, line 12	$ 21,546
Street Lights & Traffic Signals - Schedule 3, line 13	1,999,405
Other Street Purpose Maintenance - Schedule 3, line 15	2,807,995
Construction:	
Street Reconstruction - Schedule 3, line 3	815,381
Signals, Safety Devices & Street Lights - Schedule 3, line 4	231,865
Pedestrian Ways & Bikepaths - Schedule 3, line 5	353,186
Storm Drains - Schedule 3, line 6	196,227
Indirect and/or Overhead - Schedule 3, line 1	1,395,600
Total MOE Expenditures	7,821,205
Measure M2 Local Fair Share Expenditures (Schedule 4):	
Traffic Data Counts *	4,805
East 19th Street Safe Route to School	371,668
Bristol Street and Bear Street Rehabilitation	198,187
Street Maintenance Citywide	809,156
Project V Common Circulator	125,297
Total Measure M2 Local Fair Share Expenditures	1,509,113
Total MOE and Measure M2 Local Fair Share Expenditures	$ 9,330,318

* Project was not listed on the City's approved Seven-Year CIP (See Procedure 8).

Note:
The above amounts were taken directly from the financial records of the City of Costa Mesa and were not audited.

EXHIBIT 1

CITY OF COSTA MESA

77 FAIR DRIVE, P.O. BOX 1200, COSTA MESA, CA 92628-1200

FROM THE OFFICE OF THE FINANCE DIRECTOR/CITY TREASURER

March 12, 2019

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 Costa Mesa as of and for the fiscal year ended June 30, 2018.

Procedure #4

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

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

Findings:

MOE expenditures tested totaled $1,686,388, representing approximately 22% of total MOE expenditures for the fiscal year ended June 30, 2018. We identified one expenditure, totaling $9,700 that was 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. No other exceptions were found as a result of this procedure.

City's Response:

The City concurs with the findings and will exclude this type of expenditure when calculating the Maintenance of Effort going forward.

Procedure #8

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

a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation.

b. Verified that the expenditures selected in (a) above were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects.

Findings:

Measure M2 Local Fair Share expenditures tested totaled $1,180,409 representing approximately 78% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2018. No exceptions were found in our sample, however, as shown at Schedule A, one project (Traffic Data Counts totaling $4,805 of expenditures) was not an approved project on the City's Seven-Year CIP. No other exceptions were found as a result of this procedure.

City's Response:

The City concurs with the finding that traffic data count expenditures were not classified as an approved Fair Share project in the City's Seven-Year CIP. The City uses data collected from the counts to design traffic improvements, address traffic needs, and review traffic signal timing even though the expenses were not coded to a particular project from the City's Seven-Year CIP. Going forward, the City will account for this type of traffic data count expenditures under the appropriate projects from the City's Seven-Year CIP.

Procedure #9

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

Findings:

Based upon inspection of the general ledger detail, Expenditure Report (Schedule 3, Line 1), the City reported $4,805 as indirect costs related to the Traffic Data Counts line item on the Expenditure Report (see Schedule A) for the fiscal year ended June 30, 2018. However, per discussion with the City's accounting personnel and inspection of the general ledger expenditure detail, we determined that the reported administration costs were direct costs. Further, as described under procedure 8, this was not part of an approved project on the City's Seven-Year CIP. No other exceptions were found as a result of this procedure.

City's Response:

The City concurs with the finding that the traffic data count expenditure should be a direct project cost at this time. As stated in our response to procedure #8, the City will account for this type of expenditure under the appropriate projects from the Seven-Year CIP going forward.

Sincerely,

Tamara Letourneau
Acting City Manager

Kelly Telford, CPA
Director of Finance

Raja Sethuraman
Director of Public Services

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES — CITY OF DANA POINT

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

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), on the City of Dana Point's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2018. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. The sufficiency of these procedures is solely the responsibility of the Taxpayers Oversight Committee of the OCLTA. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings were as follows:

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

   Findings: The City was required to spend $1,313,011 in MOE expenditures during the fiscal year ended June 30, 2018. No exceptions were found as a result of this procedure.

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

   Findings: All MOE expenditures are tracked in the general ledger by fund, program, and activity. The City recorded its MOE expenditures in its General Fund (01), under the Street Maintenance (2350), Street Sweeping (2490), Storm Drains (2510), and Safety Light (2530) object codes. Additional expenditures were recorded in the City's Capital Improvement Fund (11) under CIP Project codes (1293 and 1297) and in the City's CFD Maintenance Fund (27) under the County Facilities object code (2650). No exceptions were found as a result of this procedure.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2018 and determined whether the City met the minimum MOE requirement. We agreed the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18), explaining any differences.

   Findings: The City's MOE expenditures for the fiscal year ended June 30, 2018 were $2,553,004 (see Schedule A), which exceeded the requirement. We agreed the total expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18) of $2,546,144, identifying a difference of $6,860. No other exceptions were found as a result of this procedure.

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

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

   Findings: MOE expenditures tested totaled $2,226,251, representing approximately 87% of total MOE expenditures for the fiscal year ended June 30, 2018. No exceptions were found as a result of this procedure.

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

   Findings: Based on inspection of the Expenditure Report (Schedule 3, line 1), the City reported $0 as indirect costs. Per discussions with the City's accounting personnel and inspection of the general ledger expenditure detail, no indirect costs were identified as MOE expenditures for the fiscal year ended June 30, 2018. No exceptions were found as a result of this procedure.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2018, agreed to the balance as listed on the City's Expenditure Report (Schedule 1, line 20), and determined whether funds were expended within three years of receipt, explaining any differences.

   Findings: The City received $1,624,362 for the past three fiscal years ended June 30, 2016, 2017 and 2018. The remaining fund balance of these funds was as follows:

Allocation Year	Funding Source	Remaining Fund Balance
2017/2018	Local Fair Share (M2)	$ 93,534

   We compared the fund balance of $93,534 from the general ledger to the fund balance reported in the City's Expenditure Report (Schedule 1, line 20) of $4,942, identifying a difference of $88,592. No other exceptions were found as a result of this procedure.

7. We described which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2018. We agreed the total Local Fair Share expenditures per the general ledger to the amounts reflected on the City's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4), explaining any differences.

   Findings: The City's Measure M2 Local Fair Share expenditures are recorded in Fund 04, Measure M Fund as a transfer out to Fund 11, Capital Improvement Fund. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2018 were $541,600 (see Schedule A), a difference of $37,668 compared to the City's Expenditure Report (Schedule 2 line 17, and detail listed at Schedule 4) of $579,268. No other exceptions were found as a result of this procedure.

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

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

    Findings: Measure M2 Local Fair Share expenditures tested totaled $541,600 representing approximately 100% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2018. No exceptions were found as a result of this procedure.

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

    Findings: Based upon inspection of the general ledger detail, Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, no indirect costs were identified as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2018. No exceptions were found as a result of this procedure.

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

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

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

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

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

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

Vavrinek, Trine, Day & Co., LLP

Laguna Hills, California
March 12, 2019

SCHEDULE A

CITY OF DANA POINT, CALIFORNIA
Schedule of MOE and Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2018
(Unaudited)

Maintenance of Effort (MOE) Expenditures:	
Maintenance:	
Overlay & Sealing - Schedule 3, line 12	$ 898,511
Street Lights & Traffic Signals - Schedule 3, line 13	80,370
Other Street Purpose Maintenance - Schedule 3, line 15	1,574,123
Total MOE Expenditures	2,553,004
Measure M2 Local Fair Share Expenditures (Schedule 4):	
CIP# 1310: Crown Valley Parkway Resurfacing	541,600
Total MOE and Measure M2 Local Fair Share Expenditures	$ 3,094,604

Note:
The above amounts were taken directly from the financial records of the City of Dana Point and were not audited.

March12, 2019

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 Dana Point as of and for the fiscal year ended June 30, 2018.

Procedure #3

We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2018 and determined whether the City met the minimum MOE requirement. We agreed the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18), explaining any differences.

Findings:

The City's MOE expenditures for the fiscal year ended June 30, 2018 were $2,553,004 (see Schedule A), which exceeded the requirement. We agreed the total expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18) of $2,546,144, identifying a difference of $6,860. No other exceptions were found as a result of this procedure.

City's Response:

The City agrees and has amended its reconciliation and review procedures for the M2 Expenditure report.

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, 2018, agreed to the balance as listed on the City's Expenditure Report (Schedule 1, line 20), and determined whether funds were expended within three years of receipt, explaining any differences.

Findings:

The City received $1,624,362 for the past three fiscal years ended June 30, 2016, 2017 and 2018. The remaining fund balance of these funds was as follows:

Allocation Year	Funding Source	Remaining Fund Balance	
2017/2018	Local Fair Share (M2)	$	93,534

We compared the fund balance of $93,534 from the general ledger to the fund balance reported in the City's Expenditure Report (Schedule 1, line 20) of $4,942, identifying a difference of $88,592. No other exceptions were found as a result of this procedure.

City's Response:

Though the City's accounting system reflects the correct amounts, the totals shown on the manual M2 report were incorrect. The City agrees with the finding and will be submitting a revised FY 2017/2018 M2 Expenditure Report to OCTA.

Procedure #7

We described which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2018. We agreed the total Local Fair Share expenditures per the general ledger to the amounts reflected on the City's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4), explaining any differences.

Findings:

The City's Measure M2 Local Fair Share expenditures are recorded in Fund 04, Measure M Fund as a transfer out to Fund 11, Capital Improvement Fund. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2018 were $541,600 (see Schedule A), a difference of $37,668 to the City's Expenditure Report (Schedule 2 line 17, and detail listed at Schedule 4). No other exceptions were found as a result of this procedure.

City's Response:

Though the City's accounting system reflects the correct amounts, the totals shown on the manual M2 report were incorrect. The City agrees with the finding and will be submitting a revised FY 2017/2018 M2 Expenditure Report to OCTA.

Sincerely,

Title: City Manager

Title: Director of Finance

Title: Director of Public Works & Engineering

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES — CITY OF LA HABRA

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

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), on the City of La Habra's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2018. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. The sufficiency of these procedures is solely the responsibility of the Taxpayers Oversight Committee of the OCLTA. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings were as follows:

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

   Findings: The City was required to spend $1,529,313 in MOE expenditures during the fiscal year ended June 30, 2018. No exceptions were found as a result of this procedure.

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

   Findings: All MOE expenditures are tracked in the general ledger by fund, program, and activity. The City recorded its MOE expenditures in its General Fund (113) under the Public Works Department. No exceptions were found as a result of this procedure.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2018 and determined whether the City met the minimum MOE requirement. We agreed the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18), explaining any differences.

   Findings: The City's MOE expenditures for the fiscal year ended June 30, 2018 were $2,583,608 (see Schedule A), which exceeded the requirement. Total MOE expenditures per the City's Expenditure Report (Schedule 3, line 18) during the fiscal year ended June 30, 2018 were $2,501,291, a difference of $82,317 due to the City reporting budgeted MOE expenditures instead of actual expenditures on the Expenditure Report. No other exceptions were found as a result of this procedure.

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

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

   Findings: MOE expenditures tested totaled $555,525, representing approximately 22% of total MOE expenditures for the fiscal year ended June 30, 2018. We identified two expenditures, totaling $2,812 that were not properly classified as local street and road expenditures, nor were the costs allowable per the Ordinance. Further the City allocated a percentage of park maintenance costs for landscaping of parkways and medians (19.95%), but the City was unable to substantiate the basis of this allocation. Items included in the sample above totaled $78,328. After removing the expenditures, the City continued to meet the required MOE. No other exceptions were found as a result of this procedure.

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

   Findings: Based on inspection of the Expenditure Report (Schedule 3, line 1), the City reported $357,494 as indirect costs. However, per discussion with the City's accounting personnel and inspection of the general ledger expenditure detail, we identified total indirect costs of $602,072, a difference of $244,578 due to the City reporting budgeted MOE expenditures instead of actual expenditures on the Expenditure Report for the year ended June 30, 2018. Indirect MOE expenditures tested totaled $146,052. No other exceptions were found as a result of this procedure.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2018, agreed to the balance as listed on the City's Expenditure Report (Schedule 1, line 20), and determined whether funds were expended within three years of receipt, explaining any differences.

   Findings: The City received $2,565,713 for the past three fiscal years ended June 30, 2016, 2017 and 2018. The remaining fund balance of these funds was as follows:

Allocation Year	Funding Source	Remaining Fund Balance
2017/2018	Local Fair Share (M2)	$ 868,420
2016/2017	Local Fair Share (M2)	$ 857,468
2015/2016	Local Fair Share (M2)	$ 93,514

   We agreed the fund balance of $1,819,402 to the City's Expenditure Report (Schedule 1, line 20), with no differences. No exceptions were found as a result of this procedure.

7. We described which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2018. We agreed the total Local Fair Share expenditures per the general ledger to the amounts reflected on the City's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4), explaining any differences.

   Findings: The City's Measure M2 Local Fair Share expenditures are recorded in Fund 138, Measure M Fund. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2018 were $644,290 (see Schedule A), which agreed to the City's Expenditure Report (Schedule 2 line 17, and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

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

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

   Findings: Measure M2 Local Fair Share expenditures tested totaled $506,108 representing approximately 79% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2018. We noted two projects listed on the City's Expenditure Report were not included in the Seven-Year CIP, as identified in Schedule A. Our sample included one expenditure from these projects totaling $3,296. No other exceptions were found as a result of this procedure.

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

   Findings: Based upon inspection of the general ledger detail, Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, no indirect costs were identified as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2018. No exceptions were found as a result of this procedure.

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

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

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

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

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

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

Vavrinek, Trine, Day & Co., LLP

Laguna Hills, California
March 12, 2019

SCHEDULE A

CITY OF LA HABRA, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2018
(Unaudited)

Maintenance of Effort (MOE) Expenditures:	
Construction:	
Street Reconstruction - Schedule 3, line 3	$ 603,353
Signals, Safety Devices & Street Lights - Schedule 3, line 4	844,875
Pedestrian Ways & Bikepaths - Schedule 3, line 5	478,619
Storm Damage - Schedule 3, line 7	54,689
Indirect and/or Overhead - Schedule 3, line 1	602,072
Total MOE Expenditures	2,583,608
Measure M2 Local Fair Share Expenditures (Schedule 4):	
Residential Street Rehabilitation 2015-16	61,203
Residential Street Rehabilitation 2016-18	5,736
Euclid Street Rehab from Imperial Hwy to South City Limit	11,406
Lambert Road Rehabilitation 2017-18	174,072
Alley #84 Improvements FY 2016-17	283,256
Alley Improvements FY 2017-18	12,275
System Safety Analysis Rep Program *	277
Measure M2-Fairshare Administration 2017-18 *	96,065
Total Measure M2 Local Fair Share Expenditures	644,290
Total MOE and Measure M2 Local Fair Share Expenditures	$ 3,227,898

*Project was not listed on the City's approved Seven-Year CIP (See Procedure 8).

Note:
The above amounts were taken directly from the financial records of the City of La Habra and were not audited.

EXHIBIT 1

City of La Habra

"A Caring Community"

ADMINISTRATION BUILDING

110 E. La Habra Boulevard
Post Office Box 337
La Habra, CA 90633-0785
Office: (562) 383-4010
Fax: (562) 383-4474

March 12, 2019

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 La Habra as of and for the fiscal year ended June 30, 2018.

Procedure #3

We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2018 and determined whether the City met the minimum MOE requirement. We agreed the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18), explaining any differences.

Findings:

The City's MOE expenditures for the fiscal year ended June 30, 2018 were $2,583,608 (see Schedule A), which exceeded the requirement. Total MOE expenditures per the City's Expenditure Report (Schedule 3, line 18) during the fiscal year ended June 30, 2018 were $2,501,291, a difference of $82,317 due to the City reporting budgeted MOE expenditures instead of actual expenditures on the Expenditure Report. No other exceptions were found as a result of this procedure.

City's Response:

The City will ensure that future reports only use actual MOE expenditures on Schedule #3 instead of the budgeted amounts that were used to arrive at the annual MOE expenditure requirement to complete the Appendix I MOE Reporting Form. The revised report will be prepared and submitted to OCTA.

Procedure #4

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

a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.

b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings:

MOE expenditures tested totaled $555,525, representing approximately 22% of total MOE expenditures for the fiscal year ended June 30, 2018. We identified two expenditures, totaling $2,812 that were not properly classified as local street and road expenditures, nor were the costs allowable per the Ordinance. Further the City allocated a percentage of park maintenance costs for landscaping of parkways and medians (19.95%), but the City was unable to substantiate the basis of this allocation. Items included in the sample above totaled $78,328. After removing the expenditures, the City continued to meet the required MOE. No other exceptions were found as a result of this procedure.

City's Response:

In the past, the City determined that approximately 19.95% of the expenditures in the Parks and Landscaping division pertained to parkway and median maintenance based on resources spent in these areas. Therefore, the City allocated 19.95% to the entire Parks and Landscaping expenditures for the MOE expenditures. In the future, the City will ensure to exclude Parks and Landscaping expenditures from the MOE expenditures except for expenditures that are specifically related to parkway and median maintenance.

Procedure #5

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

Findings:

Based on inspection of the Expenditure Report (Schedule 3, line 1), the City reported $357,494 as indirect costs. However, per discussion with the City's accounting personnel and inspection of the general ledger expenditure detail, we identified total indirect costs of $602,072, a difference of $244,578 due to the City reporting budgeted MOE expenditures instead of actual expenditures on the Expenditure Report for the year ended June 30, 2018. Indirect MOE expenditures tested totaled $146,052. No other exceptions were found as a result of this procedure.

City's Response:

The City will ensure that future reports only use actual MOE expenditures on Schedule #3 instead of the budgeted amounts. Furthermore, the City will ensure to identify and report all indirect costs in the MOE expenditures properly. The revised report will be prepared and submitted to OCTA.

Procedure #8

We obtained the City's Seven-Year Capital Improvement Program (CIP). We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. We selected a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure

detail, and described the percentage of total expenditures selected for testing. For each item selected, we performed the following:

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

Findings:

Measure M2 Local Fair Share expenditures tested totaled $506,108 representing approximately 79% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2018. We noted two projects listed on the City's Expenditure Report were not included in the Seven-Year CIP, as identified in Schedule A. Our sample included one expenditure from these projects totaling $3,296. No other exceptions were found as a result of this procedure.

City's Response:

The City will ensure the accuracy of the future reporting by cross-referencing the Measure M2 Local Fair Share expenditure report to the Seven-Year CIP report prepared by the Public Works Engineering division.

Sincerely,

James D. Sadro
City Manager

Melvin L. Shannon
Director of Finance

Elias Saykali
Director of Public Works

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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

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

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), on the City of Orange's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2018. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. The sufficiency of these procedures is solely the responsibility of the Taxpayers Oversight Committee of the OCLTA. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings were as follows:

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

   Findings: The City was required to spend $2,917,858 in MOE expenditures during the fiscal year ended June 30, 2018. No exceptions were found as a result of this procedure.

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

   Findings: All MOE expenditures are tracked in the general ledger by fund, program, and activity. The City recorded its MOE expenditures in its General Fund (100) under the General Administration and Support (5001), Engineering (5011), Development Services (5012), Street Maintenance Services (5021), Transportation Planning (5031), Traffic Operations (5032), Roadway Maintenance (5073) and Transportation Services (5074) activity codes. No exceptions were found as a result of this procedure.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2018 and determined whether the City met the minimum MOE requirement. We agreed the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18), explaining any differences.

   Findings: The City's MOE expenditures for the fiscal year ended June 30, 2018 were $3,320,510 (see Schedule A), which exceeded the requirement. We agreed the total expenditures of $3,320,510 to the amount reported on the City's Expenditure Report (Schedule 3, line 18) with no differences. No exceptions were found as a result of this procedure.

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

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

    Findings: MOE expenditures tested totaled $609,822, representing approximately 18% of total MOE expenditures for the fiscal year ended June 30, 2018. We were unable to verify the indirect cost methodology for five transactions totaling $17,476. The City asserted the allocations were based on an evaluation performed in FY 2013-14, and had not been updated for fiscal year June 30, 2018. However, the City was unable to provide supporting documentation for the cost allocation methodology. After removing the expenditures, the City continued to meet the required MOE. No other exceptions were found as a result of this procedure.

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

    Findings: Based on inspection of the Expenditure Report (Schedule 3, line 1), the City reported $278,879 as indirect costs. However, per discussion with the City's accounting personnel and inspection of the general ledger expenditure detail, we identified additional indirect costs charged as MOE expenditures on other lines of the City's Expenditure Report totaling $110,618 for the fiscal year ending June 30, 2018. Indirect MOE expenditures tested totaled $134,617. Similar to procedure 4 above, we were unable to verify the indirect cost methodology for five transactions totaling $17,476. The City asserted the allocations were based on an evaluation performed in FY 2013-14, and had not been updated for fiscal year June 30, 2018. The City was unable to provide supporting documentation for the cost allocation methodology. No other exceptions were found as a result of this procedure.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2018, agreed to the balance as listed on the City's Expenditure Report (Schedule 1, line 20), and determined whether funds were expended within three years of receipt, explaining any differences.

    Findings: The City received $8,170,026 for the past three fiscal years ended June 30, 2016, 2017 and 2018. The remaining fund balance of these funds was as follows:

Allocation Year	Funding Source	Remaining Fund Balance
2017/2018	Local Fair Share (M2)	$ 2,779,864
2016/2017	Local Fair Share (M2)	$ 220,771

    We agreed the fund balance of $3,000,635 to the City's Expenditure Report (Schedule 1, line 20), with no differences. No exceptions were found as a result of this procedure.

7. We described which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2018. We agreed the total Local Fair Share expenditures per the general ledger to the amounts reflected on the City's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4), explaining any differences.

   Findings: The City's Measure M2 Local Fair Share expenditures are recorded in Fund 263, Traffic Improvement Measure M2 Fund. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2018 were $5,037,236 (see Schedule A), which agrees to the City's Expenditure Report (Schedule 2 line 17, and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

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

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

   Findings: Measure M2 Local Fair Share expenditures tested totaled $3,874,806 representing approximately 77% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2018. No exceptions were found as a result of this procedure.

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

   Findings: Based upon inspection of the general ledger detail, Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, $397,624 of indirect costs were identified as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2018. M2 expenditures under Schedule 3, Line 1 tested totaled $106,951. No exceptions were found as a result of this procedure.

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

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

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

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

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

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

Vavrinek, Trine, Day & Co., LLP

Laguna Hills, California
March 13, 2019

SCHEDULE A

CITY OF ORANGE, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2018

(Unaudited)

Maintenance of Effort (MOE) Expenditures:	
Maintenance:	
Patching - Schedule 3, line 11	$ 456,849
Overlay & Sealing - Schedule 3, line 12	24,034
Street Lights & Traffic Signals - Schedule 3, line 13	1,230,333
Storm Damage - Schedule 3, line 14	24,034
Other Street Purpose Maintenance - Schedule 3, line 15	48,069
Construction:	
Street Reconstruction - Schedule 3, line 3	300,575
Signals, Safety Devices & Street Lights - Schedule 3, line 4	782,370
Pedestrian Ways & Bikepaths - Schedule 3, line 5	43,166
Storm Drains - Schedule 3, line 6	21,583
Indirect and/or Overhead - Schedule 3, line 1	389,497
Total MOE Expenditures	3,320,510
Measure M2 Local Fair Share Expenditures (Schedule 4):	
Pavement Management Program (13120/13115) & Contractual Services (00000)	4,868,646
Minor Traffic Control Devices (16302)	36,647
Biennial Traffic Signal Coordination (16304)	23,655
Traffic Signal Equip Painting (16469)	10,000
Tustin St Rehabilitation from Meats Ave. to Heim Ave (20187)	73,279
Safety Upgrade at 14 Uncontrolled Intersection (20194)	22,400
Street Overlay (20265)	2,546
Left Turn Signal Modification (30029)	63
Total Measure M2 Local Fair Share Expenditures	5,037,236
Total MOE and Measure M2 Local Fair Share Expenditures	$ 8,357,746

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

CITY OF ORANGE

EXHIBIT 1

CITY MANAGER'S OFFICE www.cityoforange.org PHONE: (714) 744-2222 • FAX: (714) 744-5523

March 13, 2019

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 Orange as of and for the fiscal year ended June 30, 2018.

Procedure #4

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

a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll register and timecards, journal voucher or other appropriate supporting documentation.

b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings:

MOE expenditures tested totaled $609,822, representing approximately 18% of total MOE expenditures for the fiscal year ended June 30, 2018. We were unable to verify the indirect cost methodology for five transactions totaling $17,476. The City asserted the allocations were based on an evaluation performed in FY 2013-14, and had not been updated for fiscal year June 30, 2018. However, the City was unable to provide supporting documentation for the cost allocation methodology. After removing the expenditures, the City continued to meet the required MOE. No other exceptions were found as a result of this procedure.

City's Response:

City management agrees with this finding noting that the fuel allocation for fiscal year 2017-18 was based on cost allocation methodology prior to implementation of our CostTree® allocation software. We have implemented this new method in all allocations beginning with fiscal year 2019 and documentation to support any future allocation calculations will be made available upon request.

Procedure #5

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

Findings:

Based on inspection of the Expenditure Report (Schedule 3, line 1), the City reported $278,879 as indirect costs. However, per discussion with the City's accounting personnel and inspection of the general ledger expenditure detail, we identified additional indirect costs charged as MOE expenditures on other lines of the City's Expenditure Report totaling $110,618 for the fiscal year ending June 30, 2018. Indirect MOE expenditures tested totaled $134,617. Similar to procedure 4 above, we were unable to verify the indirect cost methodology for five transactions totaling $17,476. The City asserted the allocations were based on an evaluation performed in FY 2013-14, and had not been updated for fiscal year June 30, 2018. The City was unable to provide supporting documentation for the cost allocation methodology. No other exceptions were found as a result of this procedure.

City's Response:

City management agrees with this finding noting that the fuel allocation for fiscal year 2017-18 was based on cost allocation methodology prior to implementation of our CostTree® allocation software. We have implemented this new method in all allocations beginning with fiscal year 2019 and documentation to support any future allocation calculations will be made available upon request.

Signature: _____
City Manager, Rick Otto

Signature: _____
Administrative Services Director, Will Kolbow

Signature: _____
Director of Public Works, Christopher Cash

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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

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

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), on the City of San Clemente's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2018. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. The sufficiency of these procedures is solely the responsibility of the Taxpayers Oversight Committee of the OCLTA. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings were as follows:

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

   Findings: The City was required to spend $1,135,209 in MOE expenditures during the fiscal year ended June 30, 2018. No exceptions were found as a result of this procedure.

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

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

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2018 and determined whether the City met the minimum MOE requirement. We agreed the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18), explaining any differences.

   Findings: The City's MOE expenditures for the fiscal year ended June 30, 2018 were $4,745,890 (see Schedule A), which exceeded the requirement. We agreed the total expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18), with no differences. No exceptions were found as a result of this procedure.

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

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

   Findings: MOE expenditures tested totaled $2,578,217, representing approximately 54% of total MOE expenditures for the fiscal year ended June 30, 2018. We identified one expenditure, totaling $3,885 that was not properly classified as a local street and road expenditure, nor was the cost allowable per the Ordinance. However, after removing the amount from total MOE expenditures, the City met the minimum MOE requirement. No other exceptions were found as a result of this procedure.

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

   Findings: Based on inspection of the Expenditure Report (Schedule 3, line 1), the City reported $766,293 as indirect costs. Indirect MOE expenditures tested totaled $320,620. No exceptions were found as a result of this procedure.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2018, agreed to the balance as listed on the City's Expenditure Report (Schedule 1, line 20), and determined whether funds were expended within three years of receipt, explaining any differences.

   Findings: The City received $2,782,682 for the past three fiscal years ended June 30, 2016, 2017 and 2018. The remaining fund balance of these funds was as follows:

Allocation Year	Funding Source	Remaining Fund Balance
2017/2018	Local Fair Share (M2)	$ 966,487
2016/2017	Local Fair Share (M2)	$ 443,221

   We agreed the fund balance of $1,409,708 to the City's Expenditure Report (Schedule 1, line 20), with no differences. No exceptions were found as a result of this procedure.

7. We described which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2018. We agreed the total Local Fair Share expenditures per the general ledger to the amounts reflected on the City's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4), explaining any differences.

   Findings: The City's Measure M2 Local Fair Share expenditures are recorded in Fund 042, Street Improvement Fund. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2018 were $1,099,736 (see Schedule A), which agreed to the City's Expenditure Report (Schedule 2 line 17, and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

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

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

    Findings: Measure M2 Local Fair Share expenditures tested totaled $928,394 representing approximately 84% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2018. We identified three expenditures totaling $5,396, related to payroll overhead costs. The City allocates 90% of direct payroll as overhead for administration costs. The 90% rate was determined as part of an analysis performed in 2008 to estimate overhead costs for staff time. We were unable to verify through a recent cost study the current overhead allocation rate of 90%. Total overhead in the population for the year ended June 30, 2018 was $20,500. This finding was also identified in the prior year report for the fiscal year ended June 30, 2017. No other exceptions were found as a result of this procedure.

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

    Findings: Based upon inspection of the general ledger detail and the Expenditure Report (Schedule 3, Line 1), the City reported $0 as indirect costs for the fiscal year ended June 30, 2018. However, per discussion with the City's accounting personnel and inspection of the general ledger expenditure detail, we identified indirect costs charged as M2 expenditures in Line 3 of the City's Expenditure Report totaling $20,500 for the fiscal year ended June 30, 2018. Refer to finding under procedure 8. No other exceptions were found as a result of this procedure.

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

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

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

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

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

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

Vavrinek, Trine, Day & Co., LLP

Laguna Hills, California
March 13, 2019

SCHEDULE A

CITY OF SAN CLEMENTE, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2018
(Unaudited)

Maintenance of Effort (MOE) Expenditures:	
Maintenance:	
Patching - Schedule 3, line 11	$ 308,643
Overlay & Sealing - Schedule 3, line 12	1,781,770
Street Lights & Traffic Signals - Schedule 3, line 13	1,693,894
Construction:	
Street Reconstruction - Schedule 3, line 3	195,290
Indirect and/or Overhead - Schedule 3, Line 1	766,293
Total MOE Expenditures	4,745,890
Measure M2 Local Fair Share Expenditures (Schedule 4):	
Avenida Palizada	78,000
Avenida Presidio Rehabilitation - Phase II	400,000
Avenida Vaquero - Under I-5	319,003
Via Cascadita	1,244
As Needed Pavement Repairs	301,489
Total Measure M2 Local Fair Share Expenditures	1,099,736
Total MOE and Measure M2 Local Fair Share Expenditures	$ 5,845,626

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

EXHIBIT 1

City of San Clemente
City Manager

James Makshanoff, City Manager
Phone: (949) 361-8200 Fax: (949) 361-8309
makshanoffj@san-clemente.org

March 13, 2019

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

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Transportation Ordinance for the City of San Clemente as of and for the fiscal year ended June 30, 2018.

Procedure #4

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

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

Findings:

MOE expenditures tested totaled $2,578,217, representing approximately 54% of total MOE expenditures for the fiscal year ended June 30, 2018. We identified one expenditure, totaling $3,885 that was not properly classified as a local street and road expenditure, nor was the cost allowable per the Ordinance. However, after removing the amount from total MOE expenditures, the City met the minimum MOE requirement. No other exceptions were found as a result of this procedure.

City's Response:

Cleaning and removal of debris from a canyon was erroneously charged to the Street Maintenance and Repair program of the General Fund.

Procedure #8

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

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

Findings:

Measure M2 Local Fair Share expenditures tested totaled $928,394 representing approximately 84% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2018. We identified three expenditures totaling $5,396, related to payroll overhead costs. The City allocates 90% of direct payroll as overhead for administration costs. The 90% rate was determined as part of an analysis performed in 2008 to estimate overhead costs for staff time. We were unable to verify through a recent cost study the current overhead allocation rate of 90%. Total overhead in the population for the year ended June 30, 2018 was $20,500. This finding was also identified in the prior year report for the fiscal year ended June 30, 2017. No other exceptions were found as a result of this procedure.

City's Response:

The City is in the process of submitting a Request for Proposal (RFP) for an external review since the City filled the Management Analyst position in November. We will be doing a Request for Proposal on the overhead costs by June 2019, with the study completed by end of December 2019; as two Finance retirements occurred that delayed the RFP process. A prior period entry was completed to transfer the $20,500 out of the Street Improvement fund.

Procedure #9

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

Findings:

Based upon inspection of the general ledger detail and the Expenditure Report (Schedule 3, Line 1), the City reported $0 as indirect costs for the fiscal year ended June 30, 2018. However, per discussion with the City's accounting personnel and inspection of the general ledger expenditure detail, we identified indirect costs charged as M2 expenditures in Line 3 of the City's Expenditure Report totaling $20,500 for the fiscal year ended June 30, 2018. Refer to finding under procedure 8. No other exceptions were found as a result of this procedure.

City's Response:

The City is in the process of submitting a Request for Proposal (RFP) for an external review since the City filled the Management Analyst position in November. We will be doing a Request for Proposal on the overhead costs by June 2019, with the study completed by end of December 2019; as two Finance retirements occurred that delayed the RFP process. A prior period entry was completed to transfer the $20,500 out of the Street Improvement fund.

Sincerely,

James Makshanoff
City Manager

Erik Sund
Assistant City Manager/
Director of Finance & Administrative Services

Tom Bonigut
Director of Public Works

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES — CITY SANTA ANA

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

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), on the City of Santa Ana's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2018. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. The sufficiency of these procedures is solely the responsibility of the Taxpayers Oversight Committee of the OCLTA. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings were as follows:

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

   Findings: The City was required to spend $7,755,107 in MOE expenditures during the fiscal year ended June 30, 2018. No exceptions were found as a result of this procedure.

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

   Findings: All MOE expenditures are tracked in the general ledger by fund, program, and activity. The City recorded its MOE expenditures in its General Fund under the Street Light Maintenance Accounting Unit (01117630), Roadway Markings/Signs Accounting Unit (01117625), Roadway Cleaning Accounting Unit (06817641), and Street Signs Accounting Unit (06817643). No exceptions were found as a result of this procedure.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2018 and determined whether the City met the minimum MOE requirement. We agreed the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18), explaining any differences.

   Findings: The City's MOE expenditures for the fiscal year ended June 30, 2018 were $8,207,411 (see Schedule A), which exceeded the requirement. We agreed the total expenditures of $8,207,411 to the amount reported on the City's Expenditure Report (Schedule 3, line 18) with no differences. No exceptions were found as a result of this procedure.

25231 Paseo De Alicia, Suite 100, Laguna Hills, CA 92653 P 949.768.0833 F 949.768.8408 W vtdcpa.com

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

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

   Findings: MOE expenditures tested totaled $2,507,830, representing approximately 31% of total MOE expenditures for the fiscal year ended June 30, 2018. We were unable to verify the indirect cost methodology for 10 transactions totaling $715,626. The City was unable to provide evidence of a documented allocation methodology to support the allocation of the charges. If MOE expenditures of $715,626 were removed, the City would not 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 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 inspection. We inspected the supporting documentation for reasonableness and appropriate methodology.

   Findings: Based on inspection of the Expenditure Report (Schedule 3, line 1), the City reported $0 as indirect costs. However, per discussion with City's accounting personnel and inspection of the general ledger expenditure detail, we identified indirect costs charged as M2 expenditures in other lines of the City's Expenditure Report totaling $1,546,764 for the fiscal year ending June 30, 2018. Indirect MOE expenditures tested totaled $1,456,821. Similar to procedure 4 above, we were unable to verify the indirect cost methodology for 10 transactions totaling $715,626. The City was unable to provide evidence of a documented allocation methodology to support the allocation of the charges. No other exceptions were found as a result of this procedure.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2018, agreed to the balance as listed on the City's Expenditure Report (Schedule 1, line 20), and determined whether funds were expended within three years of receipt, explaining any differences.

   Findings: The City received $13,785,292 for the past three fiscal years ended June 30, 2016, 2017 and 2018. The remaining fund balance of these funds was as follows:

Allocation Year	Funding Source	Remaining Fund Balance
2017/2018	Local Fair Share (M2)	$ 4,726,596
2016/2017	Local Fair Share (M2)	$ 4,619,182
2015/2016	Local Fair Share (M2)	$ 270,073

   We agreed the fund balance of $9,615,851 compared to the City's Expenditure Report (Schedule 1, line 20) of $9,747,041, identifying a difference of $131,190. No other exceptions were found as a result of this procedure.

7. We described which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2018. We agreed the total Local Fair Share expenditures per the general ledger to the amounts reflected on the City's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4), explaining any differences.

   Findings: The City's Measure M2 Local Fair Share expenditures are recorded in Fund 32, Measure M Fund. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2018 were $6,578,954 (see Schedule A), which agreed to the City's Expenditure Report (Schedule 2 line 17, and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

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

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

   Findings: Measure M2 Local Fair Share expenditures tested totaled $4,723,797 representing approximately 72% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2018. No exceptions were found as a result of this procedure.

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

   Findings: Based upon inspection of the general ledger detail, Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, $571,578 of indirect costs were identified as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2018. M2 expenditures under Schedule 3, Line 1 tested totaled $101,600. No exceptions were found as a result of this procedure.

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

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

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

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

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

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

Vavrinek, Trine, Day & Co., LLP

Laguna Hills, California
March 13, 2019

SCHEDULE A

CITY OF SANTA ANA, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2018
(Unaudited)

Maintenance of Effort (MOE) Expenditures:	
Maintenance:	
Street Lights & Traffic Signals - Schedule 3, line 13	$ 2,485,446
Other Street Purpose Maintenance - Schedule 3, line 15	5,721,965
Total MOE Expenditures	8,207,411
Measure M2 Local Fair Share Expenditures (Schedule 4):	
Alley Improvement Program (FY 14/15 - 17/18)	299,095
Bike Lane Project Development (FY 14 & FY 18)	39,625
Bristol Street Corridor Traffic Synchronization	20,948
Bristol Street Protected Lane Edinger - 1st	21,686
Citywide Bike Racks and SARTC Bicycle Center	1,631
Crosswalk Upgrades - Phase II	1,409
Fairview St: Segerstrom to NCL (Arterial Street Preventative Maintenance)	724,941
First Street Bike Lane - Newhope to Harbor	25,629
Arterial Street Preventative Maintenance	489,726
Grand/Glassel/Kraemer Corridor Traffic Signal Synchronization	11,581
Harbor Boulevard Corridor Traffic Signal Synchronization	12,024
Heninger Elementary Safe Routes to School	41,243
Local Street Preventive Maintenance FY 17/18	1,048,554
Pavement Management (FY16-17 -17/18)	307,293
Pedestrian Countdown and ADA Upgrade (Count Down Pedestrian Heads - Citywide)	(1,483)
Project Development FY 17/18	144,129
Right-of-Way Management FY17/18	91,849
Traffic Management Plans FY 16/17 - 17/18	28,307
Traffic Signal Modifications at 4 Intersections*	16,029
Warner Industrial Community Pavement Improvements	2,763,420
Warner Avenue Rehabilitation: WCL at Santa Ana River to Grand (Arterial Street Preventative Maintenance)	452,061
Westminster Avenue/17th Street Corridor Traffic Signal Synchronization	9,929
Westminster Avenue Rehabilitation: Clinton to Fairview	23,541
Westminster Avenue Rehabilitation: Harbor to Clinton	5,787
Total Measure M2 Local Fair Share Expenditures	6,578,954
Total MOE and Measure M2 Local Fair Share Expenditures	$ 14,786,365

Note:
The above amounts were taken directly from the financial records of the City of Santa Ana and were not audited.

* This includes 4 separate CIP projects including
- 17th Street at English Street - Traffic Signal Modification
- Edinger Avenue at Sullivan Street - Traffic Signal Modification
- MacArthur Boulevard at Plaza Drive - Traffic Signal Modification
- Westminster Avenue at Clinton Street - Traffic Signal Modification

CITY OF SANTA ANA
20 Civic Center Plaza • P.O. Box 1988
Santa Ana, California 92702
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EXHIBIT 1

March 13, 2019

Vavrinek, Trine, Day & Co., LLP
25231 Paseo De Alicia, Suite 100
Laguna Hills, California 92653

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 Santa Ana as of and for the fiscal year ended June 30, 2018.

Procedure #4

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

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

Findings:

MOE expenditures tested totaled $2,507,830, representing approximately 31% of total MOE expenditures for the fiscal year ended June 30, 2018. We were unable to verify the indirect cost methodology for 10 transactions totaling $715,626. The City was unable to provide evidence of a documented allocation methodology to support the allocation of the charges. If MOE expenditures of $715,626 were removed, the City would not meet the minimum MOE requirement.

City's Response:

The $715,626 represents Internal Service Fund charges allocated to the Public Works Agency programs identified in the MOE Calculation Report. The allocation methodology was developed based on the City's review of services provided by each Internal Service Fund and associated costs. These charges have been adjusted incrementally each year to reflect changes in the total cost to provide services and approved by the City Council through the annual budget process. However, due to staff changes and records retention, the City is unable to locate supporting documentation for the initial allocation methodology. The City will be engaging a third party to develop and implement updated internal service charges.

Subsequent to filing the fiscal year 2017-18 MOE Calculation Report, the City became aware that expenditures related to its graffiti abatement program were erroneously excluded from the report. OCTA had previously confirmed that the graffiti abatement expenditures were eligible for MOE calculations. The total expenditures related to the graffiti abatement program for the fiscal year ended June 30, 2018 was $1,161,335. The addition of the graffiti abatement expenditures would reflect the City's continued compliance in meeting and/or exceeding the minimum MOE requirements.

Procedure #5

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

Findings:

Based on inspection of the Expenditure Report (Schedule 3, line 1), the City reported $0 as indirect costs. However, per discussion with City's accounting personnel and inspection of the general ledger expenditure detail, we identified indirect costs charged as M2 expenditures in other lines of the City's Expenditure Report totaling $1,546,764 for the fiscal year ending June 30, 2018. Indirect MOE expenditures tested totaled $1,456,821. Similar to procedure 4 above, we were unable to verify the indirect cost methodology for 10 transactions totaling $715,626. The City was unable to provide evidence of a documented allocation methodology to support the allocation of the charges. No other exceptions were found as a result of this procedure.

City's Response:

The City reviewed and verified the indirect costs identified by the auditors. The City will report indirect costs on M2 Expenditures Report Schedule 3, line 1, effective fiscal year 2018-19. As discussed in the City's response to the finding noted under Procedure #4 above, the addition of the graffiti abatement expenditures would reflect the City's continued compliance in meeting and/or exceeding the minimum MOE requirements.

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, 2018, agreed to the balance as listed on the City's Expenditure Report (Schedule 1, line 20), and determined whether funds were expended within three years of receipt, explaining any differences.

Findings:

The City received $13,785,292 for the past three fiscal years ended June 30, 2016, 2017 and 2018. The remaining fund balance of these funds was as follows:

Allocation Year	Funding Source	Remaining Fund Balance
2017/2018	Local Fair Share (M2)	$ 4,726,596
2016/2017	Local Fair Share (M2)	$ 4,619,182
2015/2016	Local Fair Share (M2)	$ 270,073

We agreed the fund balance of $9,615,851 to the City's Expenditure Report (Schedule 1, line 20), identifying a difference of $131,190. No other exceptions were found as a result of this procedure.

City's Response:

The fund balance of $9,615,851 did not include $220,775 of interest allocation reported on Schedule 1, line 20 of the M2 Expenditures Report. Therefore, the fund balance should have been $9,836,626, which results in a difference of $89,585. The difference was an unidentified variance carried over from prior fiscal years. Due to staff changes and records retention, the City was unable to find supporting documentation for the variance. During upcoming fiscal years, the City will continue to review and improve internal procedures to ensure accurate financial reporting.

Sincerely,

Title: City Manager

Kathryn Downs

Title: Director of Finance

FOR E.S.

Title: Director of Public Works (or Department that oversees Measure M-Local Fair Share)

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES — CITY SEAL BEACH

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

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), on the City of Seal Beach's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2018. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. The sufficiency of these procedures is solely the responsibility of the Taxpayers Oversight Committee of the OCLTA. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings were as follows:

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

   Findings: The City was required to spend $551,208 in MOE expenditures during the fiscal year ended June 30, 2018. No exceptions were found as a result of this procedure.

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

   Findings: All MOE expenditures are tracked in the general ledger by fund, program, and activity. The City recorded its MOE expenditures in its General Fund (001) under the Engineering (042), Storm Drains (043), Street Maintenance (044), and Landscaping (049) accounts. No exceptions were found as a result of this procedure.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2018 and determined whether the City met the minimum MOE requirement. We agreed the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18), explaining any differences.

   Findings: The City's MOE expenditures for the fiscal year ended June 30, 2018 were $740,265 (see Schedule A), which exceeded the requirement. We agreed the total expenditures of $740,265 to the amount reported on the City's Expenditure Report (Schedule 3, line 18) with no differences. No exceptions were found as a result of this procedure.

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

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

   Findings: MOE expenditures tested totaled $254,208 representing approximately 34% of total MOE expenditures for the fiscal year ended June 30, 2018. We identified six expenditures, totaling $31,499 that were not properly classified as local street and road expenditures, nor were the costs allowable per the Ordinance. In addition, per review of the general ledger detail, we identified nine transactions, totaling $730 that were not properly classified as local street and road expenditures, nor were the costs allowable per the Ordinance. After removing the amounts from total MOE expenditures, the City continued to meet the minimum MOE requirement. No other exceptions were found as a result of this procedure.

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

   Findings: Based on inspection of the Expenditure Report (Schedule 3, line 1), the City reported $215,132 as indirect costs. Indirect MOE expenditures tested totaled $4,658 with no exceptions. However, per discussions with the City's accounting personnel and inspection of the general ledger expenditure detail, we identified an additional $730 of unallowable costs charged as MOE expenditures in Line 1 as described in procedure 4. No other exceptions were found as a result of this procedure.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2018, agreed to the balance as listed on the City's Expenditure Report (Schedule 1, line 20), and determined whether funds were expended within three years of receipt, explaining any differences.

   Findings: The City received $1,192,976 for the past three fiscal years ended June 30, 2016, 2017 and 2018. The remaining fund balance of these funds was as follows:

Allocation Year	Funding Source	Remaining Fund Balance
2017/2018	Local Fair Share (M2)	$ 401,885
2016/2017	Local Fair Share (M2)	$ 399,038
2015/2016	Local Fair Share (M2)	$ 391,892

   We agreed the fund balance of $1,192,815 to the City's Expenditure Report (Schedule 1, line 20) of $1,270,756, identifying a difference of $77,941. The difference was due to the City not properly calculating the ending fund balance for the report, and subsequently identifying M2 expenditures not included in previously submitted Expenditures Reports. No other exceptions were found as a result of this procedure.

7. We described which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2018. We agreed the total Local Fair Share expenditures per the general ledger to the amounts reflected on the City's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4), explaining any differences.

   Findings: The City's Measure M2 Local Fair Share expenditures are recorded in Fund 042, Measure M2 Fund. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2018 were $369,283 (see Schedule A), a difference of $908 compared to the City's Expenditure Report (Schedule 2 line 17) of $370,191. Schedule 4 of the Expenditure Report equaled $369,283, which agreed to the amount per the general ledger. No other exceptions were found as a result of this procedure.

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

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

   Findings: Measure M2 Local Fair Share expenditures tested totaled $311,789 representing approximately 84% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2018. Per inspection of the City's Schedule 4, we identified two projects (Street Maintenance Overhead and Administration and Battery Back-Up Project) that were not included in the City's Seven-Year Capital Improvement Program (CIP). We identified five expenditures totaling $24,125 in our sample, which were not directly tied to an approved CIP Project. No other exceptions were found as a result of this procedure.

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

   Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, a total of $50,000 of indirect costs were identified as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2018. We tested $5,540 of M2 indirect costs and were unable to verify that the payroll costs were directly related to an approved project on the City's Seven-Year Capital Improvement Program (CIP). No other exceptions were found as a result of this procedure.

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

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

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

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

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

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

Vavrinek, Trine, Day & Co., LLP

Laguna Hills, California
March 12, 2019

SCHEDULE A

CITY OF SEAL BEACH, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2018
(Unaudited)

Maintenance of Effort (MOE) Expenditures:	
Maintenance:	
Overlay & Sealing - Schedule 3, line 12	$ 16,791
Street Lights & Traffic Signals - Schedule 3, line 13	16,033
Storm Damage - Schedule 3, line 14	69,624
Other Street Purpose Maintenance - Schedule 3, line 15	410,894
Construction:	
Pedestrian Ways & Bikepaths - Schedule 3, line 5	11,791
Indirect and/or Overhead - Schedule 3, line 1	215,132
Total MOE Expenditures	740,265
Measure M2 Local Fair Share Expenditures (Schedule 4):	
Westminster Avenue Median Improvement (Project No. ST-1509)	23,190
Local Street Resurfacing Program (Project No. ST-1602)	45,798
Westminster Avenue Rehab-WCL to SBB (Project No. ST-1610)	173,841
Arterial Street Resurfacing Program (Project No. ST-1703)	53,969
New Traffic Signal Battery Back-Up (Project No. ST-1808)	3,900
Street Maintenance Overhead and Administration *	50,000
Battery Back Up Project *	18,585
Total Measure M2 Local Fair Share Expenditures	369,283
Total MOE and Measure M2 Local Fair Share Expenditures	$ 1,109,548

* Project was not listed on the City's approved Seven-Year CIP (See Procedure 8).

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

City of Seal Beach

CITY HALL 211 EIGHTH STREET
SEAL BEACH, CALIFORNIA 90740
(562) 431-2527 • www.sealbeachca.gov

EXHIBIT 1

March 12, 2019

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 Seal Beach as of and for the fiscal year ended June 30, 2018.

Procedure #4

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

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

Findings:

MOE expenditures tested totaled $254,208 representing approximately 34% of total MOE expenditures for the fiscal year ended June 30, 2018. We identified six expenditures, totaling $31,499 that were not properly classified as local street and road expenditures, nor were the costs allowable per the Ordinance. In addition, per review of the general ledger detail, we identified nine transactions, totaling $730 that were not properly classified as local street and road expenditures, nor were the costs allowable per the Ordinance. After removing the amounts from total MOE expenditures, the City continued to meet the minimum MOE requirement. No other exceptions were found as a result of this procedure.

City's Response:

City concurs. The City will develop a standard operating procedure (SOP) based on the specific requirements of the City's Ordinance in regards to ensuring that only allowable MOE expenditures are included. This SOP will include a mid-year review and status report to ensure the City remains on target regarding the projected MOE and that invoices have been properly coded.

Procedure #5

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

Findings:

Based on inspection of the Expenditure Report (Schedule 3, line 1), the City reported $215,132 as indirect costs. Indirect MOE expenditures tested totaled $4,658 with no exceptions. However, per discussions with the City's accounting personnel and inspection of the general ledger expenditure detail, we identified an additional $730 of unallowable costs charged as MOE expenditures in Line 1 as described in procedure 4. No other exceptions were found as a result of this procedure.

City's Response:

The City will develop a standard operating procedure (SOP) based on the specific requirements of the City's Ordinance in regards to ensuring that only allowable MOE expenditures are included.

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, 2018, agreed to the balance as listed on the City's Expenditure Report (Schedule 1, line 20), and determined whether funds were expended within three years of receipt, explaining any differences.

Findings:

The City received $1,192,976 for the past three fiscal years ended June 30, 2016, 2017 and 2018. The remaining fund balance of these funds was as follows:

Allocation Year	Funding Source	Remaining Fund Balance	
2017/2018	Local Fair Share (M2)	$	401,885
2016/2017	Local Fair Share (M2)	$	399,038
2015/2016	Local Fair Share (M2)	$	391,892

We agreed the fund balance of $1,192,815 to the City's Expenditure Report (Schedule 1, line 20) of $1,270,756, identifying a difference of $77,941. The difference was due to the City not properly calculating the ending fund balance for the report, and subsequently identifying M2 expenditures not included in previously submitted Expenditures Reports. No other exceptions were found as a result of this procedure.

City's Response:

We concur with the auditor findings. Staff now have a better understanding of the reporting dynamics and have already begun procedural changes that will ensure correct fund balance reporting going forward.

Procedure #7

We described which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2018. We agreed the total Local Fair Share expenditures per the general ledger to the amounts reflected on the City's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4), explaining any differences.

Findings:

The City's Measure M2 Local Fair Share expenditures are recorded in Fund 042, Measure M2 Fund. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2018 were $369,283 (see Schedule A), a difference of $908 compared to the City's Expenditure Report (Schedule 2 line 17) of $370,191. Schedule 4 of the Expenditure Report equaled $369,283, which agreed to the amount per the general ledger. No other exceptions were found as a result of this procedure.

City's Response:

We concur with the auditor findings. The difference was related to "Interest Allocation" and was discussed with OCTA staff prior to the commencement of the audit. A revised report was submitted to OCTA and, due to the immateriality, it was determined that the revised report would not need to be approved by the city council. Additional review will be performed prior to report submissions being made to help ensure that this doesn't recur.

Procedure #8

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

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

Findings:

Measure M2 Local Fair Share expenditures tested totaled $311,789 representing approximately 84% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2018. Per inspection of the City's Schedule 4, we identified two projects (Street Maintenance Overhead and Administration and Battery Back-Up Project) that were not included in the City's Seven-Year Capital Improvement Program (CIP). We identified five expenditures totaling $24,125 in our sample, which were not directly tied to an approved CIP Project. No other exceptions were found as a result of this procedure.

City's Response:

The City concurs. As part of the FY 2019-20 City budget process (and future annual City budget processes) the City will thoroughly review its 7-year CIP to ensure that each project listed conforms to the City's Expenditure Report (Schedule 4).

Procedure #9

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

Findings:

Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, a total of $50,000 of indirect costs were identified as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2018. We tested $5,540 of M2 indirect costs and were unable to verify that the payroll costs were directly related to an approved project on the City's Seven-Year Capital Improvement Program (CIP). No other exceptions were found as a result of this procedure.

City's Response:

The City concurs. An SOP will be developed to ensure that indirect costs are only charged to eligible Capital Projects specifically listed the City's Seven Year Capital Improvement Program.

Sincerely,

Jill Ingram
City Manager

Victoria L. Beatley
Director of Finance

Steve Myrter, P.E
Director of Public Works

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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

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

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), on the City of Stanton's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2018. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. The sufficiency of these procedures is solely the responsibility of the Taxpayers Oversight Committee of the OCLTA. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings were as follows:

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

   Findings: The City was required to spend $245,213 in MOE expenditures during the fiscal year ended June 30, 2018. No exceptions were found as a result of this procedure.

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

   Findings: All MOE expenditures are tracked in the general ledger by fund, program, and activity. The City recorded its MOE expenditures in its General Fund (101) under the Street Maintenance Department. No exceptions were found as a result of this procedure.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2018 and determined whether the City met the minimum MOE requirement. We agreed the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18), explaining any differences.

   Findings: The City's MOE expenditures for the fiscal year ended June 30, 2018 were $246,244 (see Schedule A), which exceeded the requirement. We agreed the total expenditures of $246,244 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), with no differences. No exceptions were found as a result of this procedure.

25231 Paseo De Alicia, Suite 100, Laguna Hills, CA 92653 P 949.768.0833 F 949.768.8408 W vtdcpa.com

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

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

   Findings: MOE expenditures tested totaled $115,170, representing approximately 47% of total MOE expenditures for the fiscal year ended June 30, 2018. We identified five expenditures, totaling $8,593 that were not properly classified as local street and road expenditures, nor were the costs allowable per the Ordinance. After removing the amounts from total MOE expenditures, the City did not 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 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 inspection. We inspected the supporting documentation for reasonableness and appropriate methodology.

   Findings: Based on inspection of the Expenditure Report (Schedule 3, line 1), the City reported $25,168 as indirect costs. Indirect MOE expenditures tested totaled $12,584. No exceptions were found as a result of this procedure.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2018, agreed to the balance as listed on the City's Expenditure Report (Schedule 1, line 20), and determined whether funds were expended within three years of receipt, explaining any differences.

   Findings: The City received $1,471,623 for the past three fiscal years ended June 30, 2016, 2017 and 2018. The remaining fund balance of these funds was as follows:

Allocation Year	Funding Source	Remaining Fund Balance
2017/2018	Local Fair Share (M2)	$ 499,681
2016/2017	Local Fair Share (M2)	$ 175,576

   We agreed the fund balance of $675,257 to the City's Expenditure Report (Schedule 1, line 20), with no differences. No exceptions were found as a result of this procedure.

7. We described which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2018. We agreed the total Local Fair Share expenditures per the general ledger to the amounts reflected on the City's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4), explaining any differences.

   Findings: The City's Measure M2 Local Fair Share expenditures are recorded in Fund 220, Measure M Fund. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2018 were $1,279,188 (see Schedule A), which agrees to the City's Expenditure Report (Schedule 2 line 17, and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

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

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

    Findings: Measure M2 Local Fair Share expenditures tested totaled $1,020,348 representing approximately 80% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2018. No exceptions were found as a result of this procedure.

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

    Findings: Based upon inspection of the general ledger detail, Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, no indirect costs were identified as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2018. No exceptions were found as a result of this procedure.

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

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

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

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

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

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

Vavrinek, Trine, Day & Co., LLP

Laguna Hills, California
March 12, 2019

SCHEDULE A

CITY OF STANTON, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2018
(Unaudited)

Maintenance of Effort (MOE) Expenditures:	
Maintenance:	
Other Street Purpose Maintenance - Schedule 3, line 15	$ 221,076
Indirect and/or Overhead - Schedule 3, line 1	25,168
Total MOE Expenditures	246,244
Measure M2 Local Fair Share Expenditures (Schedule 4):	
Rutledge & Palais Alley Improvement Project (Citywide Pavement Rehabilitation)	807,596
Western Ave. & Thunderbid Traffic Signal Project (Traffic Signal Improvements)	321,082
Maintenance - Various Street Repairs (Citywide Sluury Seal / Citywide Sidewalk Repair)	150,510
Total Measure M2 Local Fair Share Expenditures	1,279,188
Total MOE and Measure M2 Local Fair Share Expenditures	$ 1,525,432

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

EXHIBIT 1

March 12, 2019

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 Stanton as of and for the fiscal year ended June 30, 2018.

Procedure #4

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

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

Findings:

MOE expenditures tested totaled $115,170, representing approximately 47% of total MOE expenditures for the fiscal year ended June 30, 2018. We identified five expenditures, totaling $8,593 that were not properly classified as local street and road expenditures, nor were the costs allowable per the Ordinance. After removing the amounts from total MOE expenditures, the City did not meet the minimum MOE requirement.

City's Response:

The City has identified additional General Fund local street and road expenditures in the amount of $13,482.89. These expenditures were not recorded as MOE expenditures; however we believe the identified expenditures qualify as local street and road-related, and the total exceeds the identified disallowed costs. We also have over $25,000 in local street and road expenditures charged to a Lighting and Landscaping District Fund in excess of our shortage that could be transferred if necessary. Alternatively, the City would be willing to transfer from the General Fund or overspend our MOE next year. We are willing to do whatever it takes to be in compliance of our MOE requirement.

The City has already made revisions to internal controls to ensure that this situation will not occur again. Additional controls implemented include:

a) An additional review to ensure all General Fund street maintenance-related expenditures are accurately classified.
b) A mid-year review of expenditures charged to our Street Maintenance division.

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Stanton, CA 90680
Phone (714) 379-9222
Fax (714) 890-1443
www.ci.stanton.ca.us

c) A year-end review to ensure that expenditures charged are appropriate and that the MOE has been met, with the back-up of re-allocating funds charged to our Lighting and Landscaping District Fund if our MOE has not been met.
d) On top of the additional procedures, we will be budgeting a minimum of 10% cushion between the minimum MOE requirement and the City's local street and road expenditure budget.

As a result of the above internal control changes, we are confident that the City will meet the minimum MOE requirements in the future, and would be willing to comply with another audit next year or one in the next few years to verify that these controls protect against falling short of our MOE requirement.

Sincerely,

Title: Interim City Manager

Title: Assistant City Manager
(Director of Finance)

Title: Public Works Director

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES — CITY WESTMINSTER

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

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), on the City of Westminster's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2018. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. The sufficiency of these procedures is solely the responsibility of the Taxpayers Oversight Committee of the OCLTA. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings were as follows:

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

   Findings: The City was required to spend $1,548,761 in MOE expenditures during the fiscal year ended June 30, 2018. No exceptions were found as a result of this procedure.

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

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

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2018 and determined whether the City met the minimum MOE requirement. We agreed the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18), explaining any differences.

   Findings: The City's MOE expenditures for the fiscal year ended June 30, 2018 were $3,080,362 (see Schedule A), which exceeded the requirement. We agreed the total expenditures of $3,080,362 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), with no differences. No exceptions were found as a result of this procedure.

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

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

   Findings: MOE expenditures tested totaled $1,274,311, representing approximately 41% of total MOE expenditures for the fiscal year ended June 30, 2018. We identified six expenditures, totaling $160,378 that were not properly classified as a local street and road expenditure, nor were the cost allowable per the Ordinance. However, after removing the amount from total MOE expenditures, the City met the minimum MOE requirement. No other exceptions were found as a result of this procedure.

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

   Findings: Based on inspection of the Expenditure Report (Schedule 3, line 1), the City did not report any indirect costs. However, per discussions with the City's accounting personnel and inspection of the general ledger expenditure detail, we identified indirect costs charged as MOE expenditures in Line 17 of the City's Expenditure Report totaling $913,575 for the fiscal year ended June 30, 2018. Indirect MOE expenditures tested totaled $413,874. No other exceptions were found as a result of this procedure.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2018, agreed to the balance as listed on the City's Expenditure Report (Schedule 1, line 20), and determined whether funds were expended within three years of receipt, explaining any differences.

   Findings: The City received $4,220,777 for the past three fiscal years ended June 30, 2016, 2017 and 2018. The remaining fund balance of these funds was as follows:

Allocation Year	Funding Source	Remaining Fund Balance
2017/2018	Local Fair Share (M2)	$ 1,160,116

   We agreed the fund balance of $1,160,116 to the City's Expenditure Report (Schedule 1, line 20), with no differences. No exceptions were found as a result of this procedure.

7. We described which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2018. We agreed the total Local Fair Share expenditures per the general ledger to the amounts reflected on the City's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4), explaining any differences.

   Findings: The City's Measure M2 Local Fair Share expenditures are recorded in Fund 211, Measure M Fund. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2018 were $537,835 (see Schedule A), which agrees to the City's Expenditure Report (Schedule 2 line 17, and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

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

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

    Findings: Measure M2 Local Fair Share expenditures tested totaled $382,198 representing approximately 71% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2018. We identified four projects totaling $463,655 on the City's Expenditure Report (Schedule 4) that were not listed on the Seven-Year CIP, nor associated with approved projects from the Seven-Year CIP. Our sample included 18 expenditures from these projects totaling $318,192. No other exceptions were found as a result of this procedure.

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

    Findings: Based on inspection of the Expenditure Report (Schedule 3, Line 1), the City did not report any indirect costs. However, per discussions with the City's accounting personnel and inspection of the general ledger expenditure detail, we identified indirect costs charged as Measure M2 Local Fair Share expenditures in Line 15 of the City's Expenditure Report totaling $100,013 for the fiscal year ended June 30, 2018. Indirect M2 expenditures tested totaled $42,686. Refer to exceptions identified under procedure 8. No other exceptions were found as a result of this procedure.

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

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

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

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

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

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

Vavrinek, Trine, Day & Co., LLP

Laguna Hills, California
March 12, 2019

SCHEDULE A

CITY OF WESTMINSTER, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2018
(Unaudited)

Maintenance of Effort (MOE) Expenditures:	
Maintenance:	
Other Street Purpose Maintenance - Schedule 3, line 15	$ 1,065,318
Construction:	
Street Reconstruction - Schedule 3, line 3	527,659
Other - Schedule 3, line 17	1,487,385
Total MOE Expenditures	3,080,362
Measure M2 Local Fair Share Expenditures (Schedule 4):	
Citywide Catch Basin Screen	43,115
Traffic Signal Modifications	449
Citywide Street Improvements	30,616
Debt Service 2008 COPs *	221,281
Citywide Traffic Signal Electricity Charges *	54,377
Citywide Street Cleaning *	87,984
Administration *	100,013
Total Measure M2 Local Fair Share Expenditures	537,835
Total MOE and Measure M2 Local Fair Share Expenditures	$ 3,618,197

* Project was not listed on the City's approved Seven-Year CIP (See Procedure 8).

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

EXHIBIT 1

City of Westminster

8200 Westminster Boulevard, Westminster, CA 92683 714.898.3311
www.westminster-ca.gov

March 12, 2019

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 Westminster as of and for the fiscal year ended June 30, 2018.

Procedure #4

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

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

Findings:

MOE expenditures tested totaled $1,274,311, representing approximately 41% of total MOE expenditures for the fiscal year ended June 30, 2018. We identified six expenditures, totaling $160,378 that were not properly classified as a local street and road expenditure, nor were the cost allowable per the Ordinance. However, after removing the amount from total MOE expenditures, the City met the minimum MOE requirement. No other exceptions were found as a result of this procedure.

City's Response:

The City will review expenditures in the future to make sure they are eligible for MOE.

Procedure #5

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

Findings:

Based on inspection of the Expenditure Report (Schedule 3, line 1), the City did not report any indirect costs. However, per discussions with the City's accounting personnel and inspection of the general ledger expenditure detail, we identified indirect costs charged as MOE expenditures in Line 17 of the City's Expenditure Report totaling $913,575 for the fiscal year ended June 30, 2018. Indirect MOE expenditures tested totaled $413,874. No other exceptions were found as a result of this procedure.

City's Response:

The indirect charges will be shown on the Indirect and/or Overhead field in the future.

Procedure #8

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

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

Findings:

Measure M2 Local Fair Share expenditures tested totaled $382,198 representing approximately 71% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2018. We identified four projects totaling $463,655 on the City's Expenditure Report (Schedule 4) that were not listed on the Seven-Year CIP, nor associated with approved projects from the Seven-Year CIP. Our sample included 18 expenditures from these projects totaling $318,192. No other exceptions were found as a result of this procedure.

City's Response:

The City will ensure that the projects listed on Schedule 4 are part of the City's approved Seven-Year Capital Improvement Program, or associated with such projects.

Procedure #9

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

Findings:

Based on inspection of the Expenditure Report (Schedule 3, Line 1), the City did not report any indirect costs. However, per discussions with the City's accounting personnel and inspection of the general ledger expenditure detail, we identified indirect costs charged as Measure M2 Local Fair Share expenditures in Line 15 of the City's Expenditure Report totaling $100,013 for the fiscal year ended June 30, 2018. Indirect M2 expenditures tested totaled $42,686. Refer to exceptions identified under procedure 8. No other exceptions were found as a result of this procedure.

City's Response:

The indirect charges will be shown on the Indirect and/or Overhead field in the future.

Sincerely,

Eddie Manfro
City Manager

Sherry Johnson
Director of Finance

Marwan Youssef
Director of Public Works