

## FISCAL YEAR 2018/19 ANNUAL PROGRAM COMPLIANCE REPORT

Below is a balance sheet detailing the FY18/19 revenues and expenses associated with Measure X funding, as well a narrative describing the FY18/19 project, the Congress Avenue Road Rehabilitation Project, that received Measure X funding.

**Project Title:** Congress Avenue Road Rehabilitation Project

**Scope of Work:** This project addressed Congress Avenue from Sunset Drive to David Avenue. The scope of work for this project included: 51,000 square feet of road reconstruction, 67,000 square feet of asphalt concrete overlay, construction of 8 ADA ramps, construction of a continuous 5-foot wide, ADA accessible asphalt concrete pedestrian pathway, construction of 1,120 square feet of sidewalk and 210 linear feet of curb and gutter, and various stormwater infrastructure improvements.

**Benefits:** The project significantly increased road and pedestrian conditions on a segment of roadway that serves as one of the City’s main arterials and provides access to: Pacific Grove High School and Forest Grove Elementary School (both schools located on this stretch of roadway), two entry and exit gates to the adjacent Pebble Beach jurisdiction, and the City’s beloved Lynn “Rip” Van Winkle Open Space Park. In addition to improved roadway conditions, the project formalized pedestrian facilities, creating safer routes to schools and improving access.

**Other Funds Leveraged/Expended:** This project was budgeted via the City’s General Fund (\$250,000), Measure X (\$530,000), Senate Bill 1 (\$257,361) and the Regional Surface Transportation Program (\$121,000). Due to the US Open and local school schedules, the construction was scheduled to commence in late June. As a result, a large segment of the project budget was rolled over to and expended in early FY19/20.

**Before and After Photos:** Before and after photos of the Congress Avenue Road Rehabilitation Project are included as Exhibit B.

### CITY OF PACIFIC GROVE – YEAR 2018/19 MEASURE X BALANCE SHEET

<b>REVENUES</b>	
Carry Over from Previous Year	\$185,553
Measure X Revenues	\$737,151
Earning of Interest	\$14,141
<b>TOTAL REVENUES:</b>	<b>\$936,845</b>
<b>EXPENDITURES</b>	
(Listing of Program Expenditures)	\$20,377
<b>TOTAL EXPENDITURES</b>	<b>\$20,377</b>
<b>FUND BALANCE, END OF PERIOD</b>	<b>\$916,468</b>

Attachments to the Annual Compliance Report:

EXHIBIT B: Before and After Photos of the Congress Avenue Road Rehabilitation Project

ATTACHMENT 1: Independent Audit of Financial Statements for Measure X Funds, Prior Fiscal Year

ATTACHMENT 2: Five-Year Capital Improvement Program

ATTACHMENT 3: Pavement Management Program Report

ATTACHMENT 4: Maintenance of Effort Report

ATTACHMENT 5: Supplemental Letter regarding the Maintenance of Effort

**EXHIBIT B**  
**Congress Avenue Road Rehabilitation Project Before and After Photos**

**ROADWAY CONDITIONS BEFORE**



**BEFORE & AFTER ROADWAY CONDITIONS**



**BEFORE & AFTER PEDESTRIAN CONDITIONS**





**BEFORE & AFTER VIEW FROM FOREST LODGE ROAD**



**ATTACHMENT 2  
CITY OF PACIFIC GROVE  
MEASURE X FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM  
FOR YEARS 2019/20 – 2023/24**

**YEAR 1**

<b>Project</b>	<b>Description &amp; Phase</b>	<b>Total Cost</b>	<b>Measure X</b>	<b>PCI</b>
<b>FY19/20 Street Rehab/Maintenance</b>	A combination of road overlay and road reconstruction on David Ave, Central Ave, and Carmel Ave. per the City's 2019 Pavement Management Program <i>(Engineering &amp; Construction)</i>	\$1,665,981	\$750,000	Ranges from 14-41
<b>Totals:</b>		<b>\$1,665,981</b>	<b>\$750,000</b>	

**YEAR 2**

<b>Project</b>	<b>Description &amp; Phase</b>	<b>Total Cost</b>	<b>Measure X</b>	<b>PCI</b>
<b>FY20/21 Rehab/Maintenance</b>	Various street maintenance and rehab treatments per the City's 2019 Pavement Management Program <i>(Engineering &amp; Construction)</i>	TBD	TBD	TBD
<b>Totals:</b>		<b>TBD</b>	<b>TBD</b>	<b>TBD</b>

**YEAR 3**

<b>Project</b>	<b>Description &amp; Phase</b>	<b>Total Cost</b>	<b>Measure X</b>	<b>PCI</b>
<b>FY21/22 Rehab/Maintenance</b>	Various street maintenance and rehab treatments per the City's 2019 Pavement Management Program <i>(Engineering &amp; Construction)</i>	TBD	TBD	TBD
<b>Totals:</b>		<b>TBD</b>	<b>TBD</b>	<b>TBD</b>

**YEAR 4**

<b>Project</b>	<b>Description &amp; Phase</b>	<b>Total Cost</b>	<b>Measure X</b>	<b>PCI</b>
<b>FY22/23 Rehab/Maintenance</b>	Various street maintenance and rehab treatments per the City's 2019 Pavement Management Program <i>(Engineering &amp; Construction)</i>	TBD	TBD	TBD
<b>Totals:</b>		<b>TBD</b>	<b>TBD</b>	<b>TBD</b>

**YEAR 5**

<b>Project</b>	<b>Description &amp; Phase</b>	<b>Total Cost</b>	<b>Measure X</b>	<b>PCI</b>
<b>FY23/24 Rehab/Maintenance</b>	Various street maintenance and rehab treatments per the City's 2019 Pavement Management Program <i>(Engineering &amp; Construction)</i>	TBD	TBD	TBD
<b>Totals:</b>		<b>TBD</b>	<b>TBD</b>	<b>TBD</b>

**DEFINITIONS OF REQUESTED INFORMATION:**

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

ATTACHMENT 3



**CITY OF PACIFIC GROVE**  
**Public Works Department**  
2100 Sunset Drive, Pacific Grove, CA 93950  
T: 831.648.5722 • [www.cityofpacificgrove.org/publicworks](http://www.cityofpacificgrove.org/publicworks)

December 20, 2019

Todd Muck  
Deputy Executive Director  
Transportation Agency for Monterey County  
55 B Plaza Circle  
Salinas, CA 93901

**RE: Pavement Management Program Annual Report Letter**

The City of Pacific Grove confirms that it has a Pavement Management Program (PMP) that conforms to the criteria established by the Transportation Agency for Monterey County that is included in the Measure X agreement. The City understands that an approved PMP must be in place in order to be eligible for Measure X funding.

In May 2017, the City joined the Transportation Agency of Monterey County's regional pavement assessment efforts to obtain a PMP that meets the requirements for continued Measure X funding.

The current pavement management program utilizes software developed by:

- Metropolitan Transportation Commission Street Saver  
 Other

The system was developed by Nichols Consulting Engineers (NCE) in 2019 and contains, at a minimum, the following elements:

- Inventory of all existing pavements under the local agency jurisdiction
  - Centerline Miles: 66.7
  - Total lane miles (or equivalent): 125.9
  - The last update of the inventory was completed in January 2019
- Pavement Condition Index: 55
- Identification of pavement sections needing, maintenance rehabilitation or replacement: ~159
- Estimated budget needs to rehabilitate or replace deficient sections for the current year and the next three years: \$4.5 Million

Sincerely,

Joyce Halabi  
Deputy Director Public Works



**CITY OF PACIFIC GROVE**

**Public Works Department**

2100 Sunset Drive, Pacific Grove, CA 93950

T: 831.648.5722 • [www.cityofpacificgrove.org/publicworks](http://www.cityofpacificgrove.org/publicworks)

December 30, 2019

Todd Muck  
Deputy Executive Director  
Transportation Agency for Monterey County  
55 B Plaza Circle  
Salinas, CA 93901

**RE: Maintenance of Effort Compliance**

Mr. Muck,

The City of Pacific Grove's Fiscal Year (FY) 2018/19 Annual Compliance Report indicates the City has expended \$210,653 on Capital Improvement Program (CIP) street-related projects which is below the newly amended \$481,407 Maintenance of Effort (MOE).

In FY18/19, the City budgeted \$1.7 Million dollars on road related infrastructure projects, \$850,000 of which was from the City's General Fund. It was anticipated that at least \$500,000 would be expended prior to the close of the fiscal year. Due to the US Open and Pacific Grove Unified School District schedules, the major street rehabilitation and maintenance projects were scheduled to begin in late June to mitigate traffic impacts and disturbance. This resulted in a significant portion of the General Fund project allocations to be rolled over and expended in the start of FY 19/20.

Both the Congress Avenue Road Rehabilitation Project and the Crack and Slurry Seal Project, the two larger FY18/19 street infrastructure projects, were completed in August 2019. In total, \$500,000 from the General Fund was expended to complete these projects. A large portion of these expenditures will be reflected in the City's FY19/20 Measure X Annual Compliance Report.

In addition to the rolled over general fund budgets associated with the above-mentioned projects, the City allocated an additional \$650,000 from the General Fund for FY19/20 street-related CIP projects.

Please do not hesitate to reach out if you have any questions.

Sincerely,

Joyce Halabi

Deputy Director Public Works

[jhalabi@cityofpacificgrove.org](mailto:jhalabi@cityofpacificgrove.org) | (831) 648-5722 x 201



**CITY PACIFIC GROVE  
 MAINTENANCE OF EFFORT REPORT  
 FOR YEARS FY2009/10 –FY2011/12**

This document displays the new MOE in accordance with the Measure X funding agreement amendment executed on December 10, 2019.

**Year 1 – FY 09/10**

<b>Fund Source</b>	<b>Amount</b>	<b>Year</b>
<b>General Fund</b>	\$324,756	FY 09/10
<b>Total Expended on Transportation</b>	<b>\$324,756</b>	

**Year 2- FY 10/11**

<b>Fund Source</b>	<b>Amount</b>	<b>Year</b>
<b>General Fund</b>	\$396,862	FY 10/11
<b>Total Expended on Transportation</b>	<b>\$396,862</b>	

**Year 3- FY 11/12**

<b>Fund Source</b>	<b>Amount</b>	<b>Year</b>
<b>General Fund</b>	\$720,604	FY 11/12
<b>Total Expended on Transportation</b>	<b>\$720,604</b>	

**Three-Year Average of Transportation Expenditures:**

**\$ 481,407**

I, the undersigned, certify that the above information is true and correct to the best of my knowledge.

  
 Joyce Halabi, Deputy Director Public Works

**CITY OF PACIFIC GROVE**

**TRANSPORTATION SAFETY AND  
INVESTMENT PLAN ACCOUNT FUND**

**WITH INDEPENDENT  
AUDITORS' REPORT**

**JUNE 30, 2019**

\* \* \*



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

**CITY OF PACIFIC GROVE**  
**Transportation Safety and Investment Plan Account Fund**  
**June 30, 2019**

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## **FINANCIAL SECTION**





## **INDEPENDENT AUDITORS' REPORT**

City Council  
City of Pacific Grove  
Pacific Grove, California

### **Report on the Financial Statements**

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

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



**Emphasis of Matter**

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

**Other Matters**

*Other Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2019, on our consideration of the City of Pacific Grove Traffic Safety and Investment Plan Account Fund’s internal control over financial reporting and on our tests of its compliance with the requirements described in the TAMC’s Ordinance No. 2016-01 and in the Agreement between TAMC and the City and other matters for the fiscal year ended June 30, 2019. The purpose of that report is solely to report our opinion on compliance and to describe the scope of our testing of internal control over financial reporting and the results of that testing, and not to provide an opinion on the effectiveness of the City of Pacific Grove Traffic Safety and Investment Plan Account Fund’s internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Pacific Grove Traffic Safety and Investment Plan Account Fund’s compliance.

*C & A LLP*

December 23, 2019  
San Jose, California

**City of Pacific Grove**  
**Transportation Safety and Investment Plan Accounting Fund**  
**Balance Sheet**  
**June 30, 2019**

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**ASSETS**

Cash and investments	\$	783,631
Taxes receivable		<u>153,214</u>
<b>Total assets</b>	\$	<u><u>936,845</u></u>

**LIABILITIES AND FUND BALANCE**

**Liabilities:**

Accounts payable	\$	20,377
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**Fund Balance:**

Restricted		<u>916,468</u>
<b>Total Liabilities and Fund balance</b>	\$	<u><u>936,845</u></u>

The accompanying notes are an integral part of these financial statements

**City of Pacific Grove**  
**Transportation Safety and Investment Plan Accounting Fund**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**June 30, 2019**

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**REVENUES**

Transportation Safety and Investment Plan Account revenue	\$ 737,151
Interest	14,141
<b>Total Revenues</b>	<u>751,292</u>

**EXPENDITURES**

Capital outlay	<u>20,377</u>
<b>Total Expenditures</b>	<u>20,377</u>

Net Change in Fund Balance 730,915

Fund Balance Beginning 185,553

Fund Balance Ending \$ 916,468

The accompanying notes are an integral part of these financial statements



**City of Pacific Grove**  
**Transportation Safety and Investment Plan Account Fund**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

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

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

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

**Reporting Entity**

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

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

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

**NOTE 2 – CASH DEPOSITS**

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

**City of Pacific Grove**  
**Transportation Safety and Investment Plan Account Fund**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

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**NOTE 3 – MAINTENANCE OF EFFORT**

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

The following eligible expenditures were made:

Fiscal year ended June 30:	
2010	\$ 326,756
2011	396,862
2012	720,604
Total	<u>\$ 1,444,222</u>
Three-year average	\$ 481,407
Fiscal year ended June 30, 2017	\$ 912,274
Current year eligible expenditures	\$ 756,094
Compliant (Yes or No)	No

Total expenditures from the general fund for street and highway purposes for the fiscal year ended June 30, 2019 was \$756,094. The City was not in compliance with the Maintenance of Effort requirement of the Measure X Master Programs Funding Agreement between the City of Pacific Grove and the Transportation Agency for Monterey County.

**SUPPLEMENTARY  
INFORMATION**

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
Transportation Safety and Investment Plan Account revenue	\$ 442,400	\$ 804,619	\$ 737,151	\$ (67,468)
Interest	-	2,008	14,141	12,133
<b>Total Revenues</b>	<u>442,400</u>	<u>806,627</u>	<u>751,292</u>	<u>(55,335)</u>
<b>EXPENDITURES</b>				
Capital outlay	530,000	530,000	20,377	509,623
<b>Total Expenditures</b>	<u>530,000</u>	<u>530,000</u>	<u>20,377</u>	<u>509,623</u>
Net Change in Fund Balance	(87,600)	276,627	730,915	454,288
Fund Balance Beginning	<u>185,553</u>	<u>185,553</u>	<u>185,553</u>	<u>-</u>
Fund Balance Ending	<u>\$ 97,953</u>	<u>\$ 462,180</u>	<u>\$ 916,468</u>	<u>\$ 454,288</u>

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



**OTHER INDEPENDENT  
AUDITORS REPORTS**



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

City Council  
City of Pacific Grove  
Pacific Grove, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Transportation Safety and Investment Plan Account Fund (Measure X Fund) of City of Pacific Grove (the "City") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise City of Pacific Grove's Measure X Fund financial statements, and have issued our report thereon dated December 23, 2019.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Pacific Grove's Measure X Fund financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of



noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and recommendations as Finding 2019-001.

**City's Responses to Findings**

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and recommendations. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C & A LLP

December 23, 2019  
San Jose, California



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
TAMC ORDINANCE NO. 2016-01 AND THE MEASURE X  
MASTER PROGRAMS FUNDING AGREEMENT**

City Council  
City of Pacific Grove  
Pacific Grove, California

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

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Basis for Qualified Opinion on Compliance with TAMC Ordinance No. 2016-01**

Management did not meet the Maintenance of Effort requirements imposed by Measure X and State law to be in compliance with TAMC Ordinance No. 2016-01.



**Qualified Opinion on Compliance with the TAMC Ordinance No. 2016-01**

In our opinion, except for the effects of the matters described in the "Basis for Qualified Opinion on Compliance with TAMC Ordinance No. 2016-01" paragraph, the funds allocated to and received by the City's Measure X Fund, complied, in all material respects, with the compliance requirements referred to above that are applicable in accordance to the compliance requirements described in the Transportation Agency for Monterey County's (TAMC) Ordinance No. 2016-01 and in the Measure X Master Programs Funding Agreement between TAMC and the City for the fiscal year ended June 30, 2019. The noncompliance with the Maintenance of Effort requirements are described in the accompanying schedule of findings and recommendations as Finding 2019-001.

**City's Responses to Findings**

The City's responses to the compliance findings identified in our audit are described in the accompanying schedule of findings and recommendations. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to report our opinion on compliance with the TAMC Ordinance No. 2016-01 and to describe the scope of our testing over compliance and the results of that testing. This report is intended solely for the information and use of City Council, management of the Transportation Agency for Monterey County and for filing with the appropriate regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

*C & A LLP*

December 23, 2019  
San Jose, California

## **FINDINGS AND RECOMMENDATIONS**

**City of Pacific Grove**  
**Transportation Safety and Investment Plan Account Fund**  
**Schedule of Findings and Recommendations**  
**For the Fiscal Year Ended June 30, 2019**

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**Finding 2019-001 Maintenance of Effort**

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

**Condition:** During our audit, we noted that the City did not expend from its general fund for street and highway purposes an amount not less than the baseline amount. The baseline amount of \$912,274 was the annual average of the City’s expenditures from its general fund during the 2009-10, 2010-11, and 2011-12 fiscal years. For the current fiscal year ending June 30, 2019, the City only expended \$756,094 in eligible expenditures on local transportation, which did not meet the Maintenance of Effort requirement.

**Effect:** Failure to meet any of the conditions included in the Agreement with TAMC could result in the suspension of the distribution of funds to the City. If funding is suspended, resumption of funding distribution to the City shall resume only after full repayment for any misuse, and confirmation by TAMC of compliance to each of the conditions in the Agreement.

**Cause:** Subsequent to the end of the fiscal year, TAMC amended the Maintenance of Effort calculation as outlined in Ordinance 2016-01, to be more consistent to Senate Bill 1 Local Streets & Roads program. Due to this amendment, there was some confusion as to the effective date of the new calculation, so the City was applying the old calculation which used a rolling average of the prior three years of expenditures from the general fund for local street and highway purposes. Also, during the fiscal year ended June 30, 2019, the City had to delay some projects back a few months to accommodate other events in the local area which shifted some of the planned expenditures into the next reporting period.

**Recommendation:** We recommend that the City confirm its understand the Maintenance of Effort calculation with TAMC to ensure compliance with the MOE requirement. The City should also ensure that controls are in place to monitor streets expenditures, and that eligible expenditures are incurred in the proper reporting period, in order to properly meet the Maintenance of Effort requirements.

**City’s Response:** The City concurs with the auditor’s calculation of the Maintenance of Effort. The City has tentatively agreed with TAMC to place the difference between the amount expended and the fiscal year 16/17 Maintenance of Effort requirement of \$156,783 into the Transportation Safety and Investment Plan Account Fund. These funds will be expended in fiscal year 19/20, along with the regular General Fund Maintenance of Effort calculations to bring the City in compliance with Measure X requirements. This tentative agreement or catch-up provisions are subject to the approval of the TAMC Board, as well as the Pacific Grove City Council.