

CITY OF VISALIA
INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES
MEASURE N
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

M. GREEN AND COMPANY LLP
Certified Public Accountants

CITY OF VISALIA
JUNE 30, 2017
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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

City Council
City of Visalia and Measure N Sales Tax Oversight Board
707 W. Acequia
Visalia, CA 93291-6100

We have performed the procedures enumerated below, which were agreed to by the City of Visalia (City), solely to assist the City and the independent Measure N Sales Tax Oversight Board, with respect to the administration, financial management and accounting of the City's Measure N funds for the fiscal year ended June 30, 2017. The City's management is responsible for the City's administration, financial management and accounting for Measure N. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures applied and findings, as pertinent, are as follows:

- (1) We obtained and reviewed the City's Measure N commitments as expressed in the Measure N ballot measure from the November 8, 2016 election, the Enabling Ordinance adopted by the City Council, the Board of Equalization Agreements for implementation and administration of additional sales tax, and the City Council approved initial expenditure plan, annual expenditure plan and any amendments, as applicable for the current fiscal year.

Findings:

We found that the City Council approved the extended initial plan year to cover the period April 1 2017, when the tax collection began, through June 30, 2018.

- (2) We identified and documented the following Measure N compliance provisions, as interpreted by the City Council adopted enabling ordinance and interim progress report reported to City staff:

- a. Administrative procedures
- b. Accounting control (including budgetary) procedures

Findings: None

- (3) We updated our understanding of the City's implementation of the material administrative compliance procedures.

Findings: None

- (4) We updated our understanding of the City's implementation of the material accounting control procedures and determined if the following were implemented or maintained:
- a. Establishment of an initial spending plan specifying the uses of the proceeds of the sales or use tax for the period between implementation of the sales and use tax and the end of the subsequent fiscal year; and,
 - b. Establishment of an annual expenditure plan, as part of adoption of an annual City General Fund budget, specifying the uses of the proceeds of the sales or use tax for the coming fiscal year prior to the expiration of the initial expenditure plan; and,
 - c. That any amendments to the initial expenditure plan and subsequent annual expenditure plan were made by resolution adopted by a majority of the Council following:
 - i. Submission for comment and recommendation to the Measure N Sales Tax Oversight Committee and
 - ii. Public hearing during at least two regularly scheduled and appropriately noticed meetings of the City Council; and,
 - d. That the initial expenditure plan, any subsequent annual expenditure plan, and any amended expenditure plans were made publicly accessible at all times; and,
 - e. Establishment of a separate "Economic Uncertainty" fund within the Measure N fund(s) of 10% of the budgeted Measure N sales tax proceeds for the coming plan year; and,
 - f. Establishment of a separate "Maintenance and Emerging Needs" fund within the Measure N fund(s) of 10% of the budgeted Measure N sales tax proceeds for the coming plan year of which 2% of the budgeted Measure N sales tax proceeds shall be used for youth programs; and,
 - g. That none of the Measure N sales tax proceeds were used to pay annual debt service requirements.

Finding:

The Measure calls for the establishment and funding of an Economic Uncertainty Fund in the amount of 10% of the annually budgeted revenues. The Measure N Economic Uncertainty Fund balance as of June 30, 2017, was \$303,178. The amount for the Measure N Economic Uncertainty Fund exceeded the required 10% by \$28,178.

The Measure also calls for the establishment and funding of a Maintenance and Emerging Needs Fund in the amount of 10% of the annually budgeted revenues of which 2% of the budgeted revenues shall be used for youth programs. The Maintenance and Emerging Needs Fund and The Maintenance and Emerging Needs Fund - Youth Fund balances as of June 30, 2017, were \$220,000 and \$55,000, respectively which met the required percentages.

We noted that during the current fiscal year the City funded the Measure N Economic Uncertainty Fund by depositing 10% of the Plan's actual sales tax cash receipts into this fund. The Enabling Ordinance requires the funding of this fund based on a percentage of annually budgeted revenues, not actual sales tax revenues. Since sales tax revenues during the current fiscal year were greater than budgeted revenues, the City was able to fund the required percentage for this fiscal year. However, if actual revenues had been less than the budgeted revenues this requirement wouldn't have been met.

Recommendation:

Since the Enabling Ordinance funding calculation requirement is based on budgeted revenues, we recommend that the City fund this Fund at the beginning of each fiscal year.

Management Response:

The City agrees with the finding and has already funded the Measure N Economic Uncertainty Fund for fiscal year 2017-2018 based on the budgeted revenues for the year. The City initially recorded the funding for the Measure N Economic Uncertainty Fund at 10% of actual sales tax receipts for fiscal year 2016-2017 but chose not to adjust to budget revenues for the year as the required 10% had been exceeded by \$28,178, no additional funds were needed for the other categories of Measure N, and additional funds were going to be required for fiscal year 2017-2018.

- (5) We traced all Measure N monies remitted by the State Board of Equalization to determine whether they were properly deposited into the appropriate Measure N fund.

Findings: None

- (6) We performed procedures to verify the summaries of Measure N receipts, disbursements and unexpended funds pertaining to the fiscal year 2016-2017 as prepared by the City.

Finding:

Police

Our review indicated that four police officers and academy cadets were hired as of June 30, 2017 in accordance with plan objectives. The amended Measure N Plan calls for the hiring of 14 police officers and two police professional staff in the initial plan year, which is through June 30, 2018.

Parks and Recreation

The amended Measure N Plan also calls for the hiring of two parks and recreation maintenance employees, an urban forest employee and a recreation coordinator which the City plans to begin recruitment for in the next fiscal year.

Finding:

We found that the Capital Improvement Program expenditures are generally proceeding in accordance with the Measure N Plan.

Fire

A ladder truck has been purchased as of June 30, 2017 in accordance with the Measure N plan.

Roads

Various road projects have been approved to begin in fiscal year 2017-2018 in accordance with the Measure N plan. No amounts had been expended as of June 30, 2017.

Parks and Recreation

The City plans to increase maintenance elements of existing contracts during the 2017-2018 fiscal year in accordance with the Measure N plan. No amounts had been expended as of June 30, 2017.

Maintenance and Emerging Needs (Including Youth)

Various building maintenance and youth programs were approved to begin in fiscal year 2017-2018 in accordance with the Measure N plan. No amounts had been expended as of June 30, 2017.

- (7) We conducted an exit interview with City staff representatives.

Findings: None

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 administration, financial management and accounting. 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.

This report is intended solely for the information and use of the City Council, City management and the Measure N Sales Tax Oversight Board and is not intended to be and should not be used by anyone other than those specified parties. However, this report is a matter of public record and its distribution is not limited.

Very truly yours,

M. Green and Company LLP

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November 8, 2017
Visalia, California