

CITY OF VISALIA
INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES
MEASURE T
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

M. GREEN AND COMPANY LLP
Certified Public Accountants

Page No.

Independent Accountants' Report on Applying Agreed-Upon Procedures	1
---	----------



INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

City Council
City of Visalia and Citizens Advisory Committee
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 Citizens Advisory Committee (CAC), with respect to the administration, financial management and accounting of the City's Measure T funds for the fiscal year ended June 30, 2018. The City's management is responsible for the City's administration, financial management and accounting for Measure T. 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 T commitments as expressed in the Measure T ballot measure from the March 2, 2004 election, the Enabling Ordinance adopted by the City Council, the Board of Equalization Agreements for implementation and administration of additional sales tax, the City Council approved Program Guidelines and expenditure plans for the current fiscal year and the Annual Recertification Plan for June 30, 2018, as approved by the City Council.

Findings: None

- (2) We updated our documentation of the following Measure T compliance provisions, as interpreted by the City Council adopted enabling ordinance, program guidelines 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

*Dinuba
Hanford
Lindsay
Tulare
Visalia*

- (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 a separate Measure T fund or fund group;
 - b. Establishment within the Measure T fund(s) of an accountability structure that allows for accountability of the Measure T sales tax proceeds mandated allocations - police (60%) and fire (40%);
 - c. That reasonable interest allocation methodologies were applied to Measure T fund(s) regarding interest revenue for unexpended net proceeds and interest charged for other City fund advances;
 - d. That General Fund support for police and fire services during the fiscal year 2017-18, without regard to Measure T funds based upon budgeted expenditure levels, was not less than General Fund police and fire services support during the fiscal year 2016-17, unless the Council declared an economic emergency by a 4/5th vote;
 - e. Establishment of a separate "Economic Uncertainty" fund within the Measure T fund(s) of 25% of the budgeted Measure T tax revenues.

Finding:

Measure T calls for the budgeted General Fund support for police and fire services during the fiscal year 2017-18, without regard to Measure T, to be greater than the General Fund police and fire services support during the fiscal year 2016-17, unless the council declares an economic emergency by a 4/5th vote.

General Fund support for police and fire services during the fiscal year 2017-18, without regard to Measure T, was greater than the General Fund police and fire services support during the fiscal year 2016-17; therefore, the City has met the maintenance of effort calculations.

Finding:

The Measure calls for the establishment and funding of an Economic Uncertainty Fund in the amount of 25% of the annually budgeted revenues. The Fire and Police Measure T Economic Uncertainty Fund balances as of June 30, 2018, were \$634,204 and \$901,550, respectively. The amount for the Fire and Police Measure T Economic Uncertainty Funds exceeded the required 25% by \$36,154 and \$4,000, respectively.

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

Findings: None

- (6) We performed procedures to verify the summaries of Measure T receipts, disbursements and unexpended funds pertaining to the fiscal year 2017-18 as prepared by the City.

Finding:

Our review indicated that 23 police officers and 15 firemen were hired as of June 30, 2018 in accordance with plan objectives. Due to reduced sales tax revenue compared to original Plan projections and the Measure T sales tax revenue recovery at a slow rate, the number of police officers hired was reduced from the original 28 planned. During the reduction three officers were transferred to the General Fund and will be transferred back once sales tax revenues improve. The remaining two positions were left vacant by attrition and will be filled when sales tax receipts increase sufficiently to fund these positions. The number of firemen hired was reduced from the original 18 planned to 15 until sales tax revenues improve.

Finding:

We found that the Capital Improvement Program expenditures are generally proceeding in accordance with the Measure T Plan. The Southwest Fire Station construction project had been completed in February of 2016. However, there were some minimal remaining project costs that were incurred during the current fiscal year.

The Capital Improvement Program expenditures for construction of a Visalia Emergency Communication Center had been put on hold due to the declared economic emergency that the City faced in previous fiscal years but the City has finished construction of the project during the current fiscal year. The project was completed in April 2018. The expenditures made towards the project were not charged to Fire and Police Measure T Funds, as the project is a multi-funded project which is being funded with prior year Certificates of Participation (COP) proceeds. Therefore, expenditures related to the construction of the Visalia Emergency Communication Center, were recorded in another fund where all project expenditures will be accounted for. COP in the amount of \$17,910,000 were issued in the 2015-16 fiscal year to fund the project. The Measure T Plan was recertified approving the Police Measure T Fund to pay 14% of the total debt payment in the amount of \$151,000. However, Measure T's portion of the COP proceeds and debt service payments is 9.577540%. Police Measure T Funds paid \$150,955 of debt service payments in the current year in accordance with approved plan and is budgeted to pay for their percentage of the project through an additional 13 years of debt service payments ending in fiscal year 2029-30.

Recommendation:

We recommend that Measure T's correct portion of the COP proceeds and debt service payments be reflected in the next annual recertification of the Plan.

Management Response:

City staff has made the changes and it will be reflected in the next annual recertification of the plan.

- (7) We determined if the Measure T allocations were made in accordance with the following required funding priorities:

- a. Funding of the current year's budgeted expenditures;
- b. Funding of the "Economic Uncertainty" Fund including annual revision;
- c. Funding expenditures budgeted for subsequent plan years.

Findings: None

- (8) 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 examination 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 CAC 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
M. GREEN AND COMPANY LLP
Certified Public Accountants

November 10, 2018
Visalia, California