

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS
MEASURE V FUNDING ACCOUNTS**

**FINANCIAL SCHEDULE
WITH
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2019**

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INDEPENDENT AUDITORS' REPORT

To the Citizens Oversight Committee
Merced County Association of Governments

Report on the Schedule of Revenues and Expenditures

We have audited the accompanying schedule of revenues and expenditures of the Measure V Funding Accounts (Financial Schedule) of the Merced County Association of Governments (the Association), as of and for the year ended June 30, 2019, and the related notes to the Financial Schedule.

Management's Responsibility for the Financial Schedule

Management is responsible for the preparation and fair presentation of the Financial Schedule 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 the Financial Schedule that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the Financial Schedule based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the Financial Schedule 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 Association's internal control as it relates to the Measure V Fund Funding Accounts. 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 Schedule.

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 Schedule referred to above presents fairly, in all material respects, the revenues and expenditures of the Measure V Funding Accounts, for the year ended June 30, 2019, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Financial Schedule. The supplementary information as presented in the table of contents is presented for purposes of additional analysis. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the Financial Schedule. Such information has been subjected to the auditing procedures applied in the audit of the Financial Schedule and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the Financial Schedule and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the Financial Schedule as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2019, on our consideration of the Association's internal control over financial reporting as it relates to the Measure V Fund and our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

HUDSON HENDERSON & COMPANY, INC.

A handwritten signature in blue ink that reads "Hudson Henderson & Company, Inc." in a cursive script.

Fresno, California
December 20, 2019

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS
MEASURE V FUNDING ACCOUNTS
SCHEDULE OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2019**

	City of Atwater	City of Dos Palos	City of Gustine	City of Livingston	City of Los Banos	City of Merced	County of Merced	Transit	Regional Eastside	Regional Westside	Administration	Total Measure V Funding Accounts
REVENUES												
Local projects	\$ 640,415	\$ 226,729	\$ 281,280	\$ 357,091	\$ 823,266	\$ 1,673,164	\$ 3,995,874	\$ -	\$ -	\$ -	\$ -	\$ 7,997,819
Local projects-alt modes*	160,104	56,682	56,881	89,273	205,817	418,291	998,969	-	-	-	-	1,986,017
Regional Eastside	-	-	-	-	-	-	-	-	5,362,243	-	-	5,362,243
Regional Westside	-	-	-	-	-	-	-	-	-	3,376,227	-	3,376,227
Transit	-	-	-	-	-	-	-	993,008	-	-	-	993,008
Administration	-	-	-	-	-	-	-	-	-	-	198,602	198,602
Total revenues	800,519	283,411	338,161	446,364	1,029,083	2,091,455	4,994,843	993,008	5,362,243	3,376,227	198,602	19,913,916
EXPENDITURES												
Local projects	20,653	13,778	-	104,372	44,262	812,698	2,519,976	-	-	-	-	3,515,739
Local projects-alt modes*	77,427	93,649	84,324	11,259	41,138	379,053	3,440	-	-	-	-	690,290
Regional Eastside	-	-	-	-	-	-	-	-	38,525	-	-	38,525
Regional Westside	-	-	-	-	-	-	-	-	-	1,593,125	-	1,593,125
Transit	-	-	-	-	-	-	-	132,494	-	-	-	132,494
Administration	-	-	-	-	-	-	-	-	-	-	195,322	195,322
Total expenditures	98,080	107,427	84,324	115,631	85,400	1,191,751	2,523,416	132,494	38,525	1,593,125	195,322	6,165,495
Excess of revenues over expenditures before other income (expenditures)	702,439	175,984	253,837	330,733	943,683	899,704	2,471,427	860,514	5,323,718	1,783,102	3,280	13,748,421
OTHER INCOME (EXPENDITURES)												
Investment earnings	6,075	-	-	2,691	28,037	52,194	-	-	75,880	47,776	-	212,653
Total other income (expenditures)	6,075	-	-	2,691	28,037	52,194	-	-	75,880	47,776	-	212,653
Excess of revenues over expenditures	<u>\$ 708,514</u>	<u>\$ 175,984</u>	<u>\$ 253,837</u>	<u>\$ 333,424</u>	<u>\$ 971,720</u>	<u>\$ 951,898</u>	<u>\$ 2,471,427</u>	<u>\$ 860,514</u>	<u>\$ 5,399,598</u>	<u>\$ 1,830,878</u>	<u>\$ 3,280</u>	<u>\$ 13,961,074</u>

*Alternative Modes Projects

The accompanying notes are an integral part of the schedule of revenues and expenditures.

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS
MEASURE V FUNDING ACCOUNTS
NOTES TO THE FINANCIAL SCHEDULE**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING INFORMATION

Financial Reporting Entity

Formed through a Joint Powers Agreement signed by member jurisdictions in 1967, the Merced County Association of Governments (the Association) serves as the Metropolitan Planning Organization, Regional Transportation Planning Agency and Local Transportation Authority for Merced County. The Association is comprised of seven-member agencies including six cities (Atwater, Dos Palos, Gustine, Livingston, Los Banos, and Merced) and the County of Merced. The Association's Governing Board includes a supervisor from each of the five county districts and an elected official from each of the cities. In addition to transportation planning, the Association also administers the Transit Joint Powers Authority for Merced County, Merced County Regional Waste Management Authority, and Yosemite Area Regional Transportation System. For more information, visit the Association's website at <http://mcagov.org/>.

The association is also responsible for the administration of Measure V, a 30-year life, ½ cent transportation sales tax passed by Merced County voters in November 2016. The measure went into effect April 1, 2017. Per the voter approved Measure V Expenditure Plan, 50% of the new revenue has been allocated directly to the local jurisdictions within Merced County, 44% to regional projects on the east and west sides of the county, and 5% to transit uses. The Association receives 1% of the revenue for administration and implementation activities. Additional information about Measure V can be found at <https://www.measurev-mcag.com/>.

The Association's governing board is comprised of a 14-member Citizen's Oversight Committee appointed by the Association's Board to review expenditures and payments through Measure V. The Committee consists of one member from each Agency receiving Measure V Funding and representatives from the following areas; Agriculture Industry, Audit, Finance or Budget Professional, Bike/Pedestrian or Transit Representative, Building Industry, Environment Advocacy Group, Ethnic Community Group, and a Major Private Sector Employer.

Measure V Information

In November 2016, the County voters approved a ballot measure authorizing the Association. The ½ cent sales tax will expire on October 31, 2046.

Funding Recipients

City of Atwater
City of Dos Palos
City of Gustine
City of Livingston
City of Los Banos
City of Merced
County of Merced
Transit (Transit Joint Powers Authority of Merced County)
Regional Westside (part of the Association)
Regional Eastside (part of the Association)
Admin (part of the Association)

The sales tax revenues received by the Association under Measure V, after deducting certain administrative costs, are to be spent for programs set forth in the Measure V Expenditure Plan and approved by the Association. All revenues, including interest and other revenues, not designated by Measure V for a specific purpose are to be spent on capital projects for other government agencies. The Expenditure Plan will be updated every two years to adjust the projection of sales tax receipts.

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS
MEASURE V FUNDING ACCOUNTS
NOTES TO THE FINANCIAL SCHEDULE (continued)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING INFORMATION (continued):

Measure V Information (continued):

The primary elements of the 2016 Measure V Programs consist of the following:

- **Regional Projects**
 - 44% of the Transportation Measure funds are allocated to Regional Projects which are established in the adopted Regional Transportation Plan (RTP) approved by the MCAG Governing Board. 27% must be spent on projects east of the San Joaquin River, and 17% must be spent on projects west of the San Joaquin River. The projects within the RTP were selected through a process that evaluated safety, performance measures and cost effectiveness.
 - The RTP is updated every four years with 25 years of transportation projects. Regional Projects provide for the movement of goods, services, and people throughout Merced County and benefit multiple jurisdictions.
 - Examples of Regional Projects include but are not limited to:
 1. Improving highway and freeways
 2. Adding lanes to projects on the Regional Road System
 3. Improvements on the Regional Transportation System
 4. Passenger Rail
 5. Bus Rapid Transit
 6. Regional bikeways and trails
 7. Improvements to Regional Airports
 8. Transportation Demand Management benefitting more than one jurisdiction, such as vanpools and ridesharing
 - Funds can be used for all phases of project development and implementation. In some cases, other sources of funding will also be used for these projects, for example State Transportation Improvement Program (STIP) funds.

- **Local Projects**
 - 50% of the Transportation Measure funds are allocated to Local Projects to address the diverse needs of the cities and the County. The Local Projects funding category provides each of the member agencies with the flexibility to develop a priority list of local projects.
 - This category will allow funding for projects ranging from pot-hole repair and road rehabilitation to sidewalks and safe routes to schools to freeway interchange improvements.
 - Potential uses include but are not limited to:
 1. Pothole repair
 2. Repaving streets
 3. Bridge repair or replacement
 4. Traffic signals
 5. Add additional lanes to existing streets and roads
 6. Improve sidewalks
 7. Bicycle or pedestrian facilities
 8. Separate street traffic from rail traffic

- **Alternative Modes Projects**
 - At least 20 percent (20%) of the Local Projects funds each jurisdiction receives must be used for Alternative Modes projects. This sub-category is intended to fund projects that provide transportation alternatives including bicycle, pedestrian, passenger rail, or other modes of transportation that reduce single-occupant vehicle use.

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS
MEASURE V FUNDING ACCOUNTS
NOTES TO THE FINANCIAL SCHEDULE (continued)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING INFORMATION (continued):

Measure V Information (continued):

- This sub-category may be used for projects and programs that provide alternatives to single-occupant vehicle use, including but not limited to:
 1. Sidewalks, crosswalks, safe routes to schools, ADA curb ramps, and other pedestrian projects
 2. Bicycle projects
 3. Passenger Rail
 4. Railroad crossing safety improvements
 5. Vanpools, carpools or other ridesharing programs or incentives
 6. Roundabouts or other air quality improvements
 7. Other alternative modes
- This sub-category may be used for new projects or programs, for safety improvements, or for maintenance or operation of existing projects or programs. Funds can be used for all phases of project development and implementation.
- Transit
 - 5% of the Transportation Measure funds are directed to support increased transit service.
 - To accomplish this important goal, funding is provided to the transit agency within the County to expand transit services. Potential uses include but are not limited to:
 1. New routes to enhance existing transit service
 2. Low emission buses
 3. Night and weekend service
 4. Bus shelters and other capital improvements
 5. Safer access to public transit services
 6. Fare reduction or subsidies
- Administration
 - The remaining 1% of the total Transportation Measure funding is directed to program implementation activities. Details regarding the administration of the funds are provided in Appendix A of the Expenditure Plan.
 - One percent (1%) of the funds will be allocated to MCAG to:
 1. Prepare Implementation Plan updates
 2. Develop funding allocation requirements
 3. Administer and conduct specified activities identified in the categories described above
 4. Prepare Annual Transportation Measure Report
 5. Contract for annual independent audits
 6. Staff the regional committees and provide technical assistance

NOTE 2 - BASIS OF ACCOUNTING

The Schedule of Revenues and Expenditures present detail of the following information:

Revenues - these are the ½ cent Merced County Transportation Sales Tax allocations passed through the Association and provided to each Agency. They are broken out by Funding Category as detailed in the Measure V Expenditure Plan.

Expenditures - these are the related expenditures incurred during the fiscal year ended June 30, 2019 broken out by Funding Category as detailed in the Measure V Expenditure Plan. Each Agency is required to submit an Expenditure Report to the Association detailing the expenditures incurred and ensuring they are in compliance with the Measure V Expenditure Plan.

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS
MEASURE V FUNDING ACCOUNTS
NOTES TO THE FINANCIAL SCHEDULE (continued)**

NOTE 3 - REGIONAL EAST AND REGIONAL WEST PROJECT DESCRIPTIONS

The following is a list of projects for the Eastside Regional and Westside Regional jurisdictions based on the 2018 Measure V Implementation Plan. This is to show what is planned for future periods as these projects were not completed during fiscal year 2019.

PROJECT ESTIMATES

Eastside Regional Project Estimated Cost - \$6,480,000

Winton Way Reconstruction Project Phase 1

\$1,000,000 towards the reconstruction of Winton Way in Atwater beginning at Broadway Avenue to include ADA sidewalks and relocated crosswalks. The total cost of the project is estimated at \$1,500,000. The City of Atwater has committed local funding to complete this project.

Highway 99 Winton Parkway On-Ramp Widening Project

\$840,000 for the environmental, design and construction phases to widen Winton Parkway in Livingston to include a dedicated turn lane for the State Highway 99 southbound on-ramp. The total cost of the project is estimated at \$1,240,000. The City of Livingston has committed Local Transportation Funds, SB 1 funds and Measure V Local Project funds to complete this project.

Highway 59 Black Rascal Bridge Project

\$460,000 for the project study, environmental and design phases to widen Black Rascal Bridge on State Highway 59 in Merced to a four-lane structure. The total project cost is estimated at \$4,090,000. The City of Merced will pursue additional funding through the Federal Highway Bridge program to complete this project.

Highway 59 Phase 1

\$764,580 for the project development phases to widen State Highway 59 from 16th Street to Olive Avenue/Santa Fe Drive in Merced and construct new sidewalks. The total project cost is estimated at \$5,944,300. The City of Merced will pursue additional funding to complete this project.

Bradbury Road Project

\$950,000 for the design and construction phases of the Bradbury Road rehabilitation project from just east of State Highway 165 to just west of State Highway 99 in Merced County. The total project cost is estimated at \$950,000.

Sandy Mush Road Phase 1

\$2,465,420 towards the design and construction phases of the Sandy Mush Road rehabilitation project from State Highway 59 to Nickel Road in Merced County. The total project cost is estimated at \$2,465,420.

Westside Regional Project Estimated Cost - \$4,080,000

Center Avenue North Project

\$200,000 towards the environmental, design and construction phases of the rehabilitation of Center Avenue and Loraine Street in Dos Palos and Center Avenue in Merced County. The project includes complete street rehabilitation including a bike path, ADA ramps and new transit stop. The total project cost is estimated at \$936,000. The City of Dos Palos has committed local funding and will be pursuing grant opportunities to complete this project.

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS
MEASURE V FUNDING ACCOUNTS
NOTES TO THE FINANCIAL SCHEDULE (continued)**

NOTE 3 - REGIONAL EAST AND REGIONAL WEST PROJECT DESCRIPTIONS (continued):

Blossom Street East Project

\$400,000 towards the environmental, design and construction/rehabilitation of East Blossom Street and portions of Lucerne Avenue, Leonard Avenue and Harris Avenue including ADA compliant sidewalks. The total project cost is estimated at \$2,488,310. The City of Dos Palos has committed local funding and will be pursuing other public and private funding opportunities to complete this project.

Highway 33/Highway 140 Roundabout Project

\$310,000 towards the construction of a new roundabout on State Highway 33/140 at the intersection of 4th Street and 6th Avenue in Gustine. The total project cost is estimated at \$2,800,000. Other funding sources being used to complete this project include a Congestion Mitigation Air Quality grant.

Eastside Storm Drainage Project

\$68,888 towards the construction of a renovated storm drainage system at Gustine Municipal Airport. The total project cost is estimated at \$763,388. Other funding sources being used to complete this project include the Federal Aviation Administration and Turlock Airport.

Airport Security Project

\$75,000 towards the installation of new safety perimeter fencing and security gates at Gustine Municipal Airport. The total project cost is estimated at \$115,000. Other funding sources being used to complete this project include the Local Partnership Program.

Pacheco Boulevard (SR 152) Regional Path

\$600,000 towards the project development and construction phases for a class 1 bike path along the northside of State Highway 152 between the City of Los Banos and Merced College Los Banos Campus (from Merced College easterly to Badger Flat Road). The total project cost is estimated at \$2,221,000. The City of Los Banos is pursuing a state Active Transportation Program grant to complete this project.

Henry Miller Avenue Project

\$2,426,112 towards the design and construction phases of the rehabilitation of Henry Miller Avenue from State Highway 165 to Turner Island Road in Merced County. The total project cost is estimated at \$2,426,112.

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS
MEASURE V FUNDING ACCOUNTS**

SUPPLEMENTARY INFORMATION

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS
 MEASURE V FUNDING ACCOUNTS
 EXPENDITURES BY FUNDING CATEGORY AS A PERCENTAGE OF TOTAL REVENUES
 FOR THE YEAR ENDED JUNE 30, 2019**

The table below shows the expenditures by funding category as they relate to total revenues for the fiscal year ending June 30, 2019. As the Measure V funding plan will continue through the year 2047 and expenditures for the related projects have not yet been fully executed, the percentages listed below will not meet the required compliance requirements per the Measure V Expenditure Plan. As expenditures are below the revenue allocations as of June 30, 2019, the Measure V Funding Accounts Expenditures by Funding Category as a Percentage of Total Revenues are deemed to be in compliance until further expenditures are incurred to obtain more complete percentages. As a notion regarding compliance requirements per the Measure V Expenditure Plan, regional projects may not exceed 44%, Local projects may not exceed 50%, alt-modes projects may be at least 20% of local projects, transit expenditures may not exceed 5%, and administrative expenditures may not exceed 1% of total sales tax revenue.

	City of Atwater	City of Dos Palos	City of Gustine	City of Livingston	City of Los Banos	City of Merced	County of Merced	Transit	Regional Eastside	Regional Westside	Administration	Total Measure V Funding Accounts
EXPENDITURES												
Local projects	3%	5%	0%	23%	4%	39%	50%	0%	0%	0%	0%	18%
Local projects - alt modes*	10%	33%	25%	3%	4%	18%	0%	0%	0%	0%	0%	3%
Regional Eastside	0%	0%	0%	0%	0%	0%	0%	0%	1%	0%	0%	0%
Regional Westside	0%	0%	0%	0%	0%	0%	0%	0%	0%	47%	0%	8%
Transit	0%	0%	0%	0%	0%	0%	0%	13%	0%	0%	0%	1%
Administration	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	98%	1%

*Alternative Modes Projects

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS
MEASURE V FUNDING ACCOUNTS
SCHEDULE OF REVENUES AND EXPENDITURES HELD BY MCAG TRUST
FOR THE YEAR ENDED JUNE 30, 2019**

	City of Atwater	City of Dos Palos	City of Gustine	City of Livingston	City of Los Banos	City of Merced	County of Merced	Transit	Total Measure V Funding Accounts Held by MCAG in Trust
REVENUES									
Local projects	\$ 640,415	\$ 226,729	\$ 281,280	\$ 357,091	\$ 823,266	\$ 1,673,164	\$ 3,995,874	\$ -	\$ 7,997,819
Local projects-alt modes*	160,104	56,682	56,881	89,273	205,817	418,291	998,969	-	1,986,017
Transit	-	-	-	-	-	-	-	993,008	993,008
Total revenues	800,519	283,411	338,161	446,364	1,029,083	2,091,455	4,994,843	993,008	10,976,844
EXPENDITURES									
Local projects	20,653	13,778	-	104,372	44,262	812,698	2,519,976	-	3,515,739
Local projects-alt modes*	77,427	93,649	84,324	11,259	41,138	379,053	3,440	-	690,290
Transit	-	-	-	-	-	-	-	132,494	132,494
Total expenditures	98,080	107,427	84,324	115,631	85,400	1,191,751	2,523,416	132,494	4,338,523
Excess of revenues over expenditures before other income (expenditures)	702,439	175,984	253,837	330,733	943,683	899,704	2,471,427	860,514	6,638,321
OTHER INCOME (EXPENDITURES)									
Investment earnings	6,075	-	-	2,691	28,037	52,194	-	-	88,997
Total other income (expenditures)	6,075	-	-	2,691	28,037	52,194	-	-	88,997
Excess revenues over expenditures	\$ 708,514	\$ 175,984	\$ 253,837	\$ 333,424	\$ 971,720	\$ 951,898	\$ 2,471,427	\$ 860,514	\$ 6,727,318

* Alternatives Modes Projects

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS
MEASURE V FUNDING ACCOUNTS
BUDGET TO ACTUAL – REVENUE ALLOCATIONS
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Category of Funding</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget Positive (Negative)</u>
Funding Directly to Local Jurisdictions			
Atwater-General Transportation-80%	\$ 498,000	\$ 640,415	\$ 142,415
Atwater Alt Modes 20%	124,500	160,104	35,604
Atwater Total	<u>622,500</u>	<u>800,519</u>	<u>178,019</u>
Dos Palos-General Transportation-80%	197,522	226,729	29,207
Dos Palos Alt Modes-20%	49,380	56,682	7,302
Dos Palos Total	<u>246,902</u>	<u>283,411</u>	<u>36,509</u>
Gustine-General Transportation-80%	198,101	281,280	479,381
Gustine Alt Modes-20%	49,525	56,881	7,356
Gustine Total	<u>247,626</u>	<u>338,161</u>	<u>90,535</u>
Livingston-General Transportation-80%	292,210	357,091	64,881
Livingston Alt Modes-20%	73,052	89,273	16,221
Livingston Total	<u>365,262</u>	<u>446,364</u>	<u>81,102</u>
Los Banos-General Transportation-80%	630,814	823,266	192,452
Los Banos-Alt Modes-20%	157,703	205,817	48,114
Los Banos Total	<u>788,517</u>	<u>1,029,083</u>	<u>240,566</u>
Merced City-General Transportation-80%	1,248,132	1,673,164	425,032
Merced City-Alt Modes-20%	312,033	418,291	106,258
Merced City Total	<u>1,560,165</u>	<u>2,091,455</u>	<u>531,290</u>
Merced County-General Transportation-80%	2,935,221	3,995,874	1,060,653
Merced County-Alt Modes-20%	733,807	998,969	265,162
Merced County Total	<u>3,669,028</u>	<u>4,994,843</u>	<u>1,325,815</u>
Total Funding Directly to Local Jurisdictions	<u>7,500,000</u>	<u>9,983,836</u>	<u>2,483,836</u>
Funding for Regional Projects			
Eastside Regional	4,050,000	5,362,243	1,312,243
Westside Regional	2,550,000	3,376,227	826,227
Total Funding for Regional Projects	<u>6,600,000</u>	<u>8,738,470</u>	<u>2,138,470</u>
Transit	<u>750,000</u>	<u>993,008</u>	<u>243,008</u>
Administration	<u>150,000</u>	<u>198,602</u>	<u>48,602</u>
Grand Total	<u>\$ 15,000,000</u>	<u>\$ 19,913,916</u>	<u>\$ 4,913,916</u>



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL SCHEDULE PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS AND THE RULES AND REGULATIONS OF THE MEASURE V ENABLING LEGISLATION

To the Citizens Oversight Committee
Merced County Association of Governments

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Schedule of Revenues and Expenditures of the Measure V Funding Accounts (Financial Schedule) of the Merced County Association of Governments (the Association), as of and for the year ended June 30, 2019, and the related notes to the Financial Schedule, and have issued our report thereon dated December 20, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the Financial Schedule, we considered the Association's internal control over financial reporting as it relates to the Measure V Fund Funding Accounts, to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Financial Schedule, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's Financial Schedule is 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 Schedule amounts. Our audit was further made to determine that allocations made and expended by the Association were made in accordance with the Measure V Enabling Legislation. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

HUDSON HENDERSON & COMPANY, INC

Hudson Henderson & Company, Inc.

Fresno, California
December 20, 2019

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS
MEASURE V FUNDING ACCOUNTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Schedule

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	_____ yes <u> X </u> no
Significant deficiencies identified that are not considered to be material weakness?	_____ yes <u> X </u> none reported
Noncompliance material to financial schedule noted?	_____ yes <u> X </u> no

SECTION II - FINANCIAL SCHEDULE FINDINGS

There are no reportable financial schedule findings to be reported in accordance with Government Auditing Standards.