

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

**FINANCIAL SCHEDULE
WITH
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2020**

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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, 2020, 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 of the Association, for the year ended June 30, 2020, 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 10, 2020, on our consideration of the Association's internal control over financial reporting as it relates to the Measure V Funding Accounts 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 10, 2020

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS
MEASURE V FUNDING ACCOUNTS
SCHEDULE OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2020**

	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	\$ 647,743	\$ 221,106	\$ 222,508	\$ 361,694	\$ 805,399	\$ 1,569,659	\$ 4,145,550	\$ -	\$ -	\$ -	\$ -	\$ 7,973,659
Local projects-alt modes*	161,936	55,277	55,627	90,424	201,350	392,415	1,036,387	-	-	-	-	1,993,416
Regional Eastside	-	-	-	-	-	-	-	-	5,382,220	-	-	5,382,220
Regional Westside	-	-	-	-	-	-	-	-	-	3,388,805	-	3,388,805
Transit	-	-	-	-	-	-	-	996,707	-	-	-	996,707
Administration	-	-	-	-	-	-	-	-	-	-	199,340	199,340
Total revenues	809,679	276,383	278,135	452,118	1,006,749	1,962,074	5,181,937	996,707	5,382,220	3,388,805	199,340	19,934,147
EXPENDITURES												
Local projects	117,622	26,132	52,206	187,166	1,364,804	1,203,516	3,425,647	-	-	-	-	6,377,093
Local projects-alt modes*	71,464	-	197,784	-	714,697	223,971	255,234	-	-	-	-	1,463,150
Regional Eastside	-	-	-	-	-	-	-	-	5,484,262	-	-	5,484,262
Regional Westside	-	-	-	-	-	-	-	-	-	242,347	-	242,347
Transit	-	-	-	-	-	-	-	133,261	-	-	-	133,261
Administration	-	-	-	-	-	-	-	-	-	-	113,655	113,655
Total expenditures	189,086	26,132	249,990	187,166	2,079,501	1,427,487	3,680,881	133,261	5,484,262	242,347	113,655	13,813,768
Excess (deficiency) of revenues over (under) expenditures before other income (expenditures)	<u>620,593</u>	<u>250,251</u>	<u>28,145</u>	<u>264,952</u>	<u>(1,072,752)</u>	<u>534,587</u>	<u>1,501,056</u>	<u>863,446</u>	<u>(102,042)</u>	<u>3,146,458</u>	<u>85,685</u>	<u>6,120,379</u>
OTHER INCOME (EXPENDITURES)												
Investment earnings	14,040	-	-	3,067	16,089	134,861	-	-	-	-	-	168,057
Total other income (expenditures)	<u>14,040</u>	<u>-</u>	<u>-</u>	<u>3,067</u>	<u>16,089</u>	<u>134,861</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>168,057</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 634,633</u>	<u>\$ 250,251</u>	<u>\$ 28,145</u>	<u>\$ 268,019</u>	<u>\$(1,056,663)</u>	<u>\$ 669,448</u>	<u>\$ 1,501,056</u>	<u>\$ 863,446</u>	<u>\$ (102,042)</u>	<u>\$ 3,146,458</u>	<u>\$ 85,685</u>	<u>\$ 6,288,436</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 POLICIES

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)
Administration (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 POLICIES (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 POLICIES (continued)

Measure V Information (continued):

- Alternative Modes Projects (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 the Annual Transportation Measure Report
 5. Contract for annual independent audits
 6. Staff the regional committees and provide technical assistance

Measurement Focus, Basis of Accounting and Financial Schedule Presentation: Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Association considers revenues to be available if they are collected within 180 days of the end of the current fiscal period. Interest on invested funds is recognized when earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Schedule Presentation (continued): 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, 2020 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.

Nonexchange Transactions: Revenues from derived taxes, such as sales taxes, are considered to be nonexchange transactions. Revenues from nonexchange transactions are reported gross of any related expense in the accompanying financial schedule.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions of the affect the reported amounts of certain assets and liabilities and disclosures of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. As such, actual results could differ from those estimates.

Subsequent Events: In compliance with accounting standards, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in the financial statements. Management has determined that no events require disclosure in accordance with accounting standards. These subsequent events have been evaluated through December 10, 2020, which is the date the financial statements were available to be issued.

NOTE 2 - 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 and 2019 Measure V Implementation Plan Update. This is to show what is planned for future periods as these projects were not completed during fiscal year 2020.

Eastside Regional Project Estimates:

Winton Way Reconstruction Project Phase 1 and 2:

\$2,660,000 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 \$3,885,000. 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. This project was programmed in the 2018 Plan.

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

NOTE 2 - REGIONAL EAST AND REGIONAL WEST PROJECT DESCRIPTIONS (continued)

Hammatt and Campbell Intersection Improvements:

\$1,000,000 for the environmental, design and construction phases to improve the intersection of Hammatt Ave. and Campbell Blvd. in Livingston. The total cost of the project is estimated at \$1,500,000. This project was programmed in the 2019 Update.

Livingston Transit Center:

\$1,900,000 for the environmental, design, right-of-way, and construction for a transit center on Main St at the railroad tracks in Livingston. The total cost of the project is estimated at \$3,500,000. This project was programmed in the 2019 Update, in FY 2024/25.

Highway 59 Black Rascal Bridge Project:

\$4,090,000 for the project study, environmental, design, and construction 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.

Highway 59 Widening, Phase 1:

\$5,944,580 for the project development and construction 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 \$5,944,580.

Atwater-Merced Expressway, Phase 1B:

\$10,980,000 for environmental, design, and right-of-way for the Atwater-Merced Expressway, Phase 1B project, from Green Sands Road to Santa Fe Ave. The total project cost is estimated at \$58,000,000.

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 Estimates:

Center Avenue North Project:

\$786,000 towards the environmental, design and construction phases of the rehabilitation of the Center Avenue North project in Dos Palos. It includes Center Ave between Marguerite St and Loraine St, and Loraine St between Center Ave and Dos Palos Ave. 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 2 - REGIONAL EAST AND REGIONAL WEST PROJECT DESCRIPTIONS (continued)

Blossom Street East Project:

\$1,988,000 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 \$2,488,000. 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. This project was programmed in the 2018 Plan.

Highway 33/Highway 140 Signalization Project:

\$2,200,000 towards the environmental, design, right-of-way, and construction of a signalized intersection at 4th Street and Highway 140 in Gustine. The total project cost is estimated at \$2,200,000. The funding is programmed beginning in 2022/23. This project was programmed in the 2019 Update.

Ingomar Grade Reconstruction:

\$2,025,000 towards the design and construction phases of the rehabilitation of Ingomar Grade Road from Fahey Road to Badger Flat Road in Merced County. The total project cost is estimated at \$2,025,000. This project was programmed in the 2019 Update, with construction in 2024/25.

Eastside Storm Drainage Project:

\$51,802 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 Gustine Airport.

Airport Security Project:

\$92,086 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.

Henry Miller Avenue Project, Phases 1 and 2:

\$7,451,112 towards the design and construction phases of the rehabilitation of Henry Miller Road from State Highway 165 to Turner Island Road (Phase 1) and Highway 33 to Highway 165 (Phase 2) in Merced County. The total project cost is estimated at \$7,451,000. Phase 1 at \$2,426,112 was programmed in the 2018 Plan and is under construction. Phase 2 at \$5,025,000 was added in the 2019 Update, with construction in 2028/29.

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

NOTE 2 - REGIONAL EAST AND REGIONAL WEST PROJECT DESCRIPTIONS (continued)

Pioneer Road Widening Project:

\$8,650,000 towards the design and construction of a 6.5-mile-long Pioneer Road. Pioneer Road will be a 4-lane road including a 10-foot bike lane from Merced College to the intersection of State Highway 152 and Ward Road. The City of Los Banos will oversee the project.

NOTE 3 – CONTINGENCIES

Coronavirus Pandemic: Management has determined the events regarding the Novel Coronavirus require disclosure in accordance with accounting standards. On March 4, 2020, Governor Newsom issued an emergency proclamation declaring a state of emergency in California due to the Novel Coronavirus (COVID-19). The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak and the economic and other actions that may be taken by government authorities to contain the outbreak or treat its impact are uncertain. The ultimate impact of COVID-19 on the operations and finances of the Association remain unknown.

**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, 2020**

The table below shows the expenditures by funding category as they relate to total revenues for the fiscal year ending June 30, 2020. 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, 2020, 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	15%	9%	19%	41%	136%	61%	66%	0%	0%	0%	0%	32%
Local projects - alt modes*	9%	0%	71%	0%	71%	11%	5%	0%	0%	0%	0%	7%
Regional Eastside	0%	0%	0%	0%	0%	0%	0%	0%	102%	0%	0%	28%
Regional Westside	0%	0%	0%	0%	0%	0%	0%	0%	0%	7%	0%	1%
Transit	0%	0%	0%	0%	0%	0%	0%	13%	0%	0%	0%	1%
Administration	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	57%	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, 2020**

	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	\$ 647,743	\$ 221,106	\$ 222,508	\$ 361,694	\$ 805,399	\$ 1,569,659	\$ 4,145,550	\$ -	\$ 7,973,659
Local projects-alt modes*	161,936	55,277	55,627	90,424	201,350	392,415	1,036,387	-	1,993,416
Transit	-	-	-	-	-	-	-	996,707	996,707
Total revenues	809,679	276,383	278,135	452,118	1,006,749	1,962,074	5,181,937	996,707	10,963,782
EXPENDITURES									
Local projects	117,622	26,132	52,206	187,166	1,364,804	1,203,516	3,425,647	-	6,377,093
Local projects-alt modes*	71,464	-	197,784	-	714,697	223,971	255,234	-	1,463,150
Transit	-	-	-	-	-	-	-	133,261	133,261
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Excess (deficiency) of revenues over (under) expenditures before other income (expenditures)	620,593	250,251	28,145	264,952	(1,072,752)	534,587	1,501,056	863,446	2,990,278
OTHER INCOME (EXPENDITURES)									
Investment earnings	14,040	-	-	3,067	16,089	134,861	-	-	168,057
Total other income (expenditures)	14,040	-	-	3,067	16,089	134,861	-	-	168,057
Excess (deficiency) revenues over (under) expenditures	\$ 634,633	\$ 250,251	\$ 28,145	\$ 268,019	\$ (1,056,663)	\$ 669,448	\$ 1,501,056	\$ 863,446	\$ 3,158,335

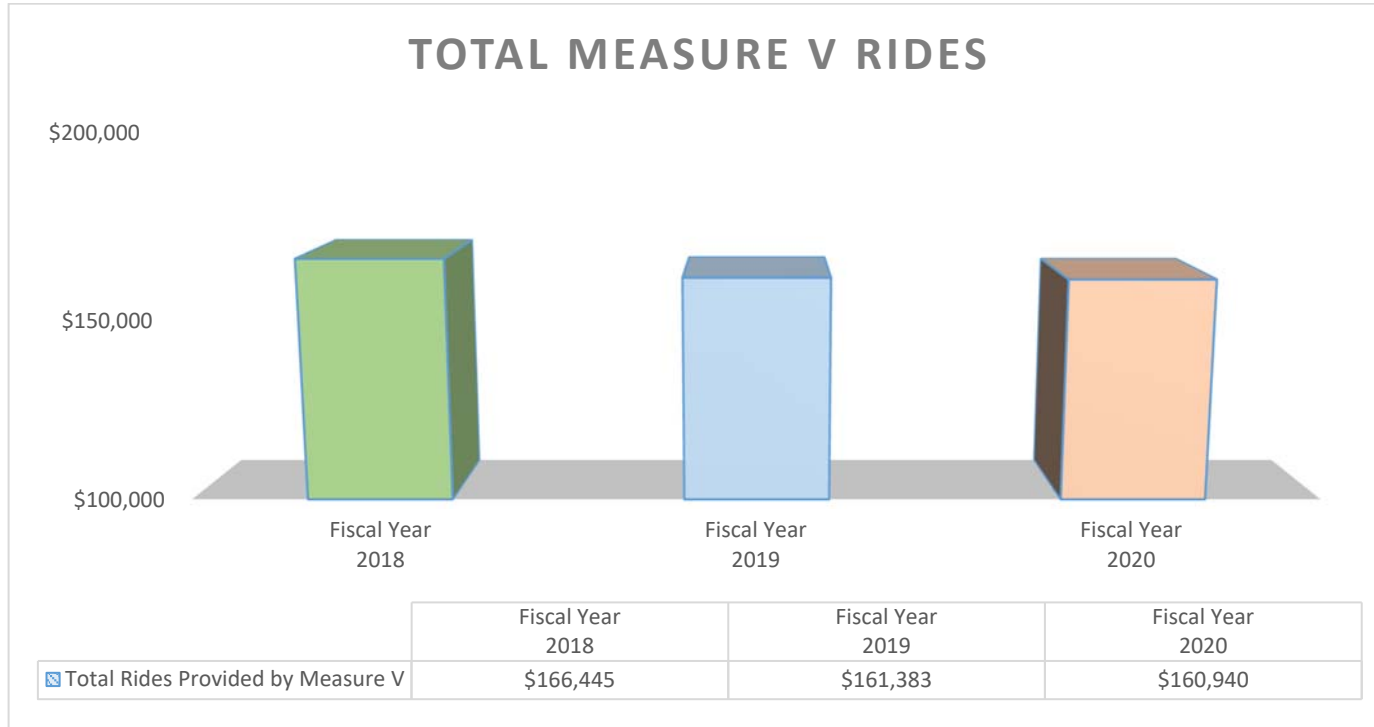
* Alternatives Modes Projects

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS
MEASURE V FUNDING ACCOUNTS
SCHEDULE OF REGIONAL EXPENDITURES BY PROJECT
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>East Side Regional Project</u>			<u>West Side Regional Project</u>				
	Winton Way Reconstruction Project	Bradbury Road Rehabilitation	Sandy Mush Road Rehabilitation	Henry Miller Ave Rehabilitation	Pioneer Road Widening	Pacheco Boulevard (SR 152)	Eastside Storm Drainage Project	Airport Security Project
Budget	\$ 2,660,000	\$ 950,000	\$ 2,465,420	\$ 2,426,112	\$ 8,650,000	\$ 600,000	\$ 51,802	\$ 92,086
Expenditure Reimbursements Requested and Approved:								
*Fiscal Year 2019 Expenditures		8,316	30,210					
*Fiscal Year 2020 Expenditures	88,067	897,856	2,278,409	1,594,072	26,253	1,066	51,802	92,086
Total Requested and Approved Expenditures:	<u>88,067</u>	<u>906,172</u>	<u>2,308,619</u>	<u>1,594,072</u>	<u>26,253</u>	<u>1,066</u>	<u>51,802</u>	<u>92,086</u>
Remaining Funds as of 6/30/2020	<u>\$ 2,571,933</u>	<u>\$ 43,828</u>	<u>\$ 156,801</u>	<u>\$ 832,040</u>	<u>\$ 8,623,747</u>	<u>\$ 598,934</u>	<u>\$ -</u>	<u>\$ -</u>
Project Status	Open	Completed	Completed	Open	Open	Open	Completed	Completed

*Expenditure amounts per fiscal year are based on reimbursement requests as approved by the MCAG Governing Board. Actual expenditures incurred during each fiscal year as reported on the Schedule of Revenues and Expenditures may differ.

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS
 MEASURE V FUNDING ACCOUNTS
 SCHEDULE OF MEASURE V RIDES PROVIDED
 FOR THE YEAR ENDED JUNE 30, 2020**



	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020
Total Local Trips	\$ 152,195	\$ 146,108	\$ 144,200
Total Intercity Trips	14,250	15,275	16,740
Total Rides Provided by Measure V	\$ 166,445	\$ 161,383	\$ 160,940

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS
MEASURE V FUNDING ACCOUNTS
BUDGET TO ACTUAL – REVENUE ALLOCATIONS
FOR THE YEAR ENDED JUNE 30, 2020**

<u>Category of Funding</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
Funding Directly to Local Jurisdictions			
Atwater-General Transportation-80%	\$ 498,000	\$ 647,743	\$ 149,743
Atwater-Alt Modes 20%	<u>124,500</u>	<u>161,936</u>	<u>37,436</u>
Atwater Total	<u>622,500</u>	<u>809,679</u>	<u>187,179</u>
Dos Palos-General Transportation-80%	197,522	221,106	23,584
Dos Palos-Alt Modes-20%	<u>49,380</u>	<u>55,277</u>	<u>5,897</u>
Dos Palos Total	<u>246,902</u>	<u>276,383</u>	<u>29,481</u>
Gustine-General Transportation-80%	198,101	222,508	24,407
Gustine-Alt Modes-20%	<u>49,525</u>	<u>55,627</u>	<u>6,102</u>
Gustine Total	<u>247,626</u>	<u>278,135</u>	<u>30,509</u>
Livingston-General Transportation-80%	292,210	361,694	69,484
Livingston-Alt Modes-20%	<u>73,052</u>	<u>90,424</u>	<u>17,372</u>
Livingston Total	<u>365,262</u>	<u>452,118</u>	<u>86,856</u>
Los Banos-General Transportation-80%	630,814	805,399	174,585
Los Banos-Alt Modes-20%	<u>157,703</u>	<u>201,350</u>	<u>43,647</u>
Los Banos Total	<u>788,517</u>	<u>1,006,749</u>	<u>218,232</u>
Merced City-General Transportation-80%	1,248,132	1,569,659	321,527
Merced City-Alt Modes-20%	<u>312,033</u>	<u>392,415</u>	<u>80,382</u>
Merced City Total	<u>1,560,165</u>	<u>1,962,074</u>	<u>401,909</u>
Merced County-General Transportation-80%	2,935,221	4,145,550	1,210,329
Merced County-Alt Modes-20%	<u>733,807</u>	<u>1,036,387</u>	<u>302,580</u>
Merced County Total	<u>3,669,028</u>	<u>5,181,937</u>	<u>1,512,909</u>
Total Funding Directly to Local Jurisdictions	<u>7,500,000</u>	<u>9,967,075</u>	<u>2,467,075</u>
Funding for Regional Projects			
Eastside Regional	4,050,000	5,382,220	1,332,220
Westside Regional	<u>2,550,000</u>	<u>3,388,805</u>	<u>838,805</u>
Total Funding for Regional Projects	<u>6,600,000</u>	<u>8,771,025</u>	<u>2,171,025</u>
Transit	<u>750,000</u>	<u>996,707</u>	<u>246,707</u>
Administration	<u>150,000</u>	<u>199,340</u>	<u>49,340</u>
Grand Total	<u>\$ 15,000,000</u>	<u>\$ 19,934,147</u>	<u>\$ 4,934,147</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, 2020, and the related notes to the Financial Schedule, and have issued our report thereon dated December 10, 2020.

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 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

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

Fresno, California
December 10, 2020

MERCED COUNTY ASSOCIATION OF GOVERNMENTS
MEASURE V FUNDING ACCOUNTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

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 weaknesses?	_____ 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*.