

***CITY OF DOWNEY  
ANNUAL FINANCIAL REPORT OF THE  
PROPOSITION A LOCAL RETURN FUND  
PROPOSITION C LOCAL RETURN FUND  
MEASURE R LOCAL RETURN FUND  
TRANSPORTATION DEVELOPMENT ACT  
ARTICLE 3 FUND***

***FOR THE FISCAL YEARS ENDED  
JUNE 30, 2016 AND 2015***



Simpson & Simpson, LLP  
Certified Public Accountants

***CITY OF DOWNEY***  
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## *FINANCIAL SECTION*

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SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS  
BRANARD C. SIMPSON, CPA  
MELBA W. SIMPSON, CPA

U.S. BANK TOWER  
633 WEST 5TH STREET, SUITE 3320  
LOS ANGELES, CA 90071  
(213) 736-6664 TELEPHONE  
(213) 736-6692 FAX  
www.simpsonandsimpsoncpas.com

## Independent Auditor's Report

To the Honorable Members of the City Council of the  
City of Downey, California and the  
Los Angeles County Metropolitan Transportation Authority

### Report on the Financial Statements

We have audited the accompanying financial statements of the Proposition A Local Return Fund (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), and Transportation Development Act Article 3 Fund (TDAA3F) of the City of Downey, California (City) as of and for the year ended June 30, 2016, 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 opinions 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 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 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 opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the PALRF, PCLRF, MRLRF, and TDAA3F of the City of Downey, California, as of June 30, 2016, and the respective changes in their financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

The financial statements of the PALRF, PCLRF, MRLRF, and TDAA3F as of and for the year ended June 30, 2015, were audited by other auditors, whose report, dated March 2, 2016, expressed an unmodified opinion on those statements.

### ***Emphasis of Matter***

As discussed in Note 2, the financial statements present only the PALRF, PCLRF, MRLRF, and TDAA3F and do not purport to, and do not, present fairly the financial position of the City of Downey, California, as of June 30, 2016 and 2015, and the changes in financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Downey, California's PALRF, PCLRF, MRLRF, and TDAA3F Fund financial statements as a whole. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. 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 statements.

The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, 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 statements as a whole.



### **Other Reporting Required by Governmental Auditing Standards**

In accordance with *Government Auditing Standards*, we have issued our report dated December 7, 2016, on our consideration of the City of Downey's internal control over financial reporting and on our tests 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, 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* and in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Simpson &amp; Simpson". The signature is written in a cursive, flowing style.

Los Angeles, California  
December 7, 2016

**CITY OF DOWNEY**

**PROPOSITION A LOCAL RETURN FUND**

**BALANCE SHEETS**

**JUNE 30**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and investments	\$ 582,571	\$ 384,409
Accounts receivable	62,556	-
Due from PCLRF	61,180	-
Prepaid cost	-	1,163
Total assets	<u>\$ 706,307</u>	<u>\$ 385,572</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 300,669	\$ 270,089
Accrued liabilities	49,741	35,264
Due from other funds	16,078	16,078
Total liabilities	<u>366,488</u>	<u>321,431</u>
<b>Fund Balance</b>		
Restricted	<u>339,819</u>	<u>64,141</u>
Total fund balance	<u>339,819</u>	<u>64,141</u>
Total liabilities and fund balance	<u>\$ 706,307</u>	<u>\$ 385,572</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF DOWNEY**

**PROPOSITION A LOCAL RETURN FUND**

**STATEMENTS OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE**

For the Fiscal Years Ended June 30

	2016	2015
<b>REVENUES</b>		
Proposition A	\$ 2,046,230	\$ 1,994,210
Interest income	2,702	2,234
Unrealized gain on investments	647	323
Project generated revenue (Note 7)	43,676	36,024
Gain on sale of capital assets	-	6,755
Proposition A Discretionary Incentive Grant (Note 8)	93,310	97,043
Total revenues	<u>2,186,565</u>	<u>2,136,589</u>
<b>EXPENDITURES</b>		
Various projects	<u>3,020,397</u>	<u>2,979,988</u>
Total expenditures	<u>3,020,397</u>	<u>2,979,988</u>
Deficiency of revenues over expenditures	<u>(833,832)</u>	<u>(843,399)</u>
<b>OTHER FINANCING SOURCES</b>		
Transfers in - MRLRF (Note 9)	774,510	-
Transfers in - PCLRF (Note 9)	335,000	1,120,904
Total other financing sources	<u>1,109,510</u>	<u>1,120,904</u>
Excess of revenues over expenditures and other financing sources	275,678	277,505
Fund balance at beginning of year	<u>64,141</u>	<u>(213,364)</u>
Fund balance at end of year	\$ <u><u>339,819</u></u>	\$ <u><u>64,141</u></u>

The accompanying notes are an integral part of the financial statements.



**CITY OF DOWNEY**

**PROPOSITION A LOCAL RETURN FUND**

**SUPPLEMENTARY INFORMATION**

**SCHEDULE OF EXPENDITURES**

**ACTUAL AND METRO APPROVED PROJECT BUDGET**

For the Fiscal Year Ended June 30, 2016

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2015)

Project Code	Project Name	2016			2015 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
110-13	Fixed Route Program	\$ 1,426,522	\$ 1,489,389	\$ (62,867)	\$ 1,436,623
130-02	Revised Senior/Handicapped Transit Program	1,091,718	962,327	129,391	992,160
140-08	Recreation/Special Event Transit	134,770	141,369	(6,599)	141,254
150-02	Bus Stop Maintenance	305,540	219,042	86,498	193,439
160-01	Downey Depot Maintenance	62,700	54,422	8,278	49,663
180-01	DAR Replacement Vehicles and Communications Equipment	61,838	-	61,838	-
230-03	Transit Depot Security	8,000	9,312	(1,312)	10,356
270-01	Fixed Route Transit Planning	10,000	7,536	2,464	-
270-01	Professional and Technical Assistance	-	-	-	10,991
270-02	Transportation Planning	35,500	-	35,500	-
270-03	DAR Transit Planning	20,000	-	20,000	8,502
480-03	Senior/Handicapped Transit Program Administration	137,000	137,000	-	137,000
Total expenditures		<u>\$ 3,293,588</u>	<u>\$ 3,020,397</u>	<u>\$ 273,191</u>	<u>\$ 2,979,988</u>

See accompanying independent auditor's report.

**CITY OF DOWNEY**

**PROPOSITION A LOCAL RETURN FUND**

**SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CAPITAL ASSETS**

June 30, 2016

Date Acquired	Description	Balance 7/1/2015	Additions	Deletions	Balance 6/30/2016
10/1989	Metrek Mobil Radio (12686)	\$ 1,640	\$ -	\$ -	\$ 1,640
10/1989	Metrek Mobil Radio (12687)	1,640	-	-	1,640
10/1989	Metrek Mobil Radio (12688)	1,640	-	-	1,640
4/1998	Motorola Mobil Radio (20306)	800	-	-	800
4/1998	Motorola Mobil Radio (20307)	800	-	-	800
4/1998	Motorola Mobil Radio (20308)	800	-	-	800
7/2002	HP Laserjet (22696)	1,150	-	-	1,150
8/2002	Motorola Radio (23169)	944	-	-	944
8/2002	Motorola Radio (23170)	944	-	-	944
6/2005	Ford Bus (6233)	63,475	-	-	63,475
11/2004	Cisco 1721 Router (23925)	995	-	-	995
12/2005	Dell Optiplex (24061)	1,069	-	-	1,069
7/2007	9 Motorola Radio/Display (04713-04721)	19,725	-	-	19,725
2/2008	2007 Ford Bus	69,795	-	-	69,795
3/2008	Whirlpool Refrigerator	1,213	-	-	1,213
2/2008	2007 Ford Bus	72,263	-	-	72,263
6/2008	Storage Server	13,341	-	-	13,341
6/2008	2008 Starcraft Allstar Type III	69,795	-	-	69,795
6/2008	2008 Starcraft Allstar Type III	69,795	-	-	69,795
6/2008	2008 Starcraft Allstar Type III	69,796	-	-	69,796
6/2008	32" LCD TV	1,629	-	-	1,629
6/2008	2 Optiplex 755	3,048	-	-	3,048
6/2008	Dell Rack Server	6,398	-	-	6,398
10/2008	Surveillance	45,828	-	-	45,828
10/2008	2-Way DAR Radio	1,946	-	-	1,946
12/2008	2008 Chevrolet Uplander - White	46,620	-	-	46,620
12/2008	10 Digital Recorders	19,269	-	-	19,269
4/2009	2009 Starcraft Allstar Bus	74,257	-	-	74,257
4/2009	2009 Starcraft Allstar Bus	74,257	-	-	74,257
4/2009	2009 Starcraft Allstar Bus	74,258	-	-	74,258
6/2010	6 Navigational Router - Novus DCC-PRO II	63,337	-	-	63,337

See accompanying independent auditor's report

**CITY OF DOWNEY**

**PROPOSITION A LOCAL RETURN FUND**

**SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CAPITAL ASSETS**

(Continued)

June 30, 2016

Date Acquired	Description	Balance 7/1/2015	Additions	Deletions	Balance 6/30/2016
8/2010	Property at 9300 Stewart and Gray Road for the Consolidated City Corporate Yard Project (Partly Funded by Proposition A Local Return)	\$ 877,999	\$ -	\$ -	\$ 877,999
9/2010	Laptop-Dell Latitude E6500-Black	1,833	-	-	1,833
9/2010	Projector - Dell 1410X	662	-	-	662
6/2011	GPS - TREQ (MDC)	4,149	-	-	4,149
6/2011	GPS - TREQ (MDC)	4,149	-	-	4,149
6/2011	GPS - TREQ (MDC)	4,150	-	-	4,150
9/2011	Desktop - Dell Optiplex - GX 790	1,598	-	-	1,598
9/2011	Desktop - Dell Optiplex - GX 790	1,598	-	-	1,598
9/2011	Desktop - Dell Optiplex - GX 790	1,597	-	-	1,597
6/2014	Coin Counter/Sorter - Semacon	396	-	-	396
Total		\$ 1,770,598	\$ -	\$ -	\$ 1,770,598

See accompanying independent auditor's report.

**CITY OF DOWNEY**

**PROPOSITION C LOCAL RETURN FUND**

**BALANCE SHEETS**

**JUNE 30**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and investments	\$ 120,219	\$ 7,598
Accounts receivable	22,503	3,152
Due from other funds	<u>-</u>	<u>101,304</u>
Total assets	<u><u>\$ 142,722</u></u>	<u><u>\$ 112,054</u></u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 223,278	\$ 176,792
Accrued salaries and benefits payable	4,730	1,755
Due to PALRF	<u>61,180</u>	<u>-</u>
Total liabilities	<u><u>289,188</u></u>	<u><u>178,547</u></u>
<b>Fund Balance</b>		
Restricted	<u>(146,466)</u>	<u>(66,493)</u>
Total fund balance	<u><u>(146,466)</u></u>	<u><u>(66,493)</u></u>
Total liabilities and fund balance	<u><u>\$ 142,722</u></u>	<u><u>\$ 112,054</u></u>

The accompanying notes are an integral part of the financial statements.

**CITY OF DOWNEY**

**PROPOSITION C LOCAL RETURN FUND**

**STATEMENTS OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE**

For the Fiscal Years Ended June 30

	<u>2016</u>	<u>2015</u>
<b>REVENUES</b>		
Proposition C	\$ 1,695,742	\$ 1,653,401
Interest income	3,245	3,781
Unrealized gain on investments	831	17
Other revenues (Note 10)	36,317	-
Federal grant for Paramount Boulevard Pavement Rehabilitation	-	326,930
Miscellaneous	-	3,152
Total revenues	<u>1,736,135</u>	<u>1,987,281</u>
<b>EXPENDITURES</b>		
Various projects	<u>1,481,108</u>	<u>2,196,526</u>
Total expenditures	<u>1,481,108</u>	<u>2,196,526</u>
Excess (deficiency) of revenues over expenditures	<u>255,027</u>	<u>(209,245)</u>
<b>OTHER FINANCING USES</b>		
Transfers out - PALRF (Note 9)	(335,000)	(1,120,904)
Reimbursement to lessee	-	(5,600)
Total other financing uses	<u>(335,000)</u>	<u>(1,126,504)</u>
Deficiency of revenues over expenditures and other financing uses	(79,973)	(1,335,749)
Fund balance at beginning of year	<u>(66,493)</u>	<u>1,269,256</u>
Fund balance at end of year	\$ <u><u>(146,466)</u></u>	\$ <u><u>(66,493)</u></u>

The accompanying notes are an integral part of the financial statements.

**CITY OF DOWNEY**

**PROPOSITION C LOCAL RETURN FUND**

**SUPPLEMENTARY INFORMATION**

**SCHEDULE OF EXPENDITURES**

**ACTUAL AND METRO APPROVED PROJECT BUDGET**

For the Fiscal Year Ended June 30, 2016

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2015)

Project Code	Project Name	2016			2015 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
110-13	Fixed Route	\$ 193,658	\$ -	\$ 193,658	\$ -
130-02	Revise Senior/Handicapped Transit Program	141,342	-	141,342	-
270-45	Lakewood Boulevard/Rosemead Boulevard Corridor Study	65,000	62,224	2,776	-
270-46	I-5 and I-710 Corridor Consortium and 91/605/405 Corridor Study Committee Membership Dues	100,000	75,000	25,000	-
400-05	Paramount Boulevard Fiberoptic Communication System	-	-	-	114,978
400-06	Imperial Highway Fiberoptic Communication System	58,000	2,691	55,309	11,270
400-43	Imperial Highway Traffic Signal Fiberoptic Communication System	58,000	-	58,000	-
400-50	Paramount Boulevard Fiberoptic Communications System	38,500	4,820	33,680	-
420-01	Downeylink Fixed Route Transit Services	12,613	12,613	-	-
440-02	Firestone Boulevard at Lakewood Boulevard Intersection Improvement Project	36,000	317	35,683	-
440-03	Woodruff Avenue Pavement Rehabilitation (Imperial - Stewart and Gray)	70,000	70,000	-	-
440-28	Firestone Boulevard Pavement Rehabilitation (Old River School Road - Brookshire Avenue)	-	-	-	1,018,755
440-29	Firestone Boulevard Pavement Rehabilitation (Nash Avenue - East City Limit)	-	-	-	2,340
440-32	Bellflower Boulevard Pavement Rehabilitation (Foster Road - Stewart and Gray Road)	110,000	-	110,000	-
440-34	Bridge Improvements	200,000	86,693	113,307	-

See accompanying independent auditor's report.

**CITY OF DOWNEY**

**PROPOSITION C LOCAL RETURN FUND**

**SUPPLEMENTARY INFORMATION**

**SCHEDULE OF EXPENDITURES**

**ACTUAL AND METRO APPROVED PROJECT BUDGET**

For the Fiscal Year Ended June 30, 2016

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2015)

Project Code	Project Name	2016		Variance Favorable (Unfavorable)	2015 Actual
		Metro Budget	Actual		
440-35	Old River School Road Pavement Rehabilitation (Imperial Highway to Arnett Street)	\$ 65,000	\$ 12,524	\$ 52,476	\$ -
440-36	Firestone Boulevard Street Improvements (Lakewood Boulevard to East City Limit)	500,000	494,816	5,184	-
440-37	Brookshire Avenue Pavement Rehabilitation (Imperial Highway to Gardendale Street)	700,000	43,043	656,957	-
440-40	Brookshire Avenue Pavement Rehabilitation (Firestone Boulevard to Florence Avenue)	640,000	60,380	579,620	-
450-25	Bellflower Boulevard at Imperial Highway Intersection Improvement Project	-	-	-	47,757
450-26	Lakewood Boulevard Improvement Phase 3B (Florence Avenue - Gallatin Road)	68,243	68,243	-	921,757
450-33	Firestone Boulevard Street Improvements	130,900	128,856	2,044	-
450-42	Telegraph Traffic Throughput and Safety Enhancements - Phase II	28,000	1,544	26,456	-
450-44	Firestone Boulevard Median (Pattone Road to Marbel Avenue)	720,000	229,173	490,827	-
470-41	Pavement Management System	50,000	50,000	-	-
480-02	Ride Sharing Program Administration	53,000	52,805	195	55,120
480-28	Local Return Fund Administration (Public Works)	25,008	25,366	(358)	24,549
Total expenditures		<u>\$ 4,063,264</u>	<u>\$ 1,481,108</u>	<u>\$ 2,582,156</u>	<u>\$ 2,196,526</u>

See accompanying independent auditor's report.

***CITY OF DOWNEY***

**PROPOSITION C LOCAL RETURN FUND**

**SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS**

June 30, 2016

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 7/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2016</u>
08/2009	Desktop - Dell GX760	\$ 1,218	\$ -	\$ -	\$ 1,218
08/2009	Server - Dell R410	4,199	-	-	4,199
5/2011	Desktop - Dell Optiplex 380	1,095	-	-	1,095
	Total	\$ 6,512	\$ -	\$ -	\$ 6,512

See accompanying independent auditor's report.



***CITY OF DOWNEY***

**MEASURE R LOCAL RETURN FUND**

**BALANCE SHEETS**

**JUNE 30**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and investments	\$ 1,149,230	\$ 2,306,113
Accounts receivable	15,167	-
Due from other funds	<u>16,078</u>	<u>16,078</u>
Total assets	<u>\$ 1,180,475</u>	<u>\$ 2,322,191</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 89,647	\$ 45,041
Retention payable	7,500	-
Accrued liabilities	<u>6,562</u>	<u>9,571</u>
Total liabilities	<u>103,709</u>	<u>54,612</u>
<b>Fund Balance</b>		
Restricted	<u>1,076,766</u>	<u>2,267,579</u>
Total fund balance	<u>1,076,766</u>	<u>2,267,579</u>
Total liabilities and fund balance	<u>\$ 1,180,475</u>	<u>\$ 2,322,191</u>

The accompanying notes are an integral part of the financial statements.

***CITY OF DOWNEY***

**MEASURE R LOCAL RETURN FUND**

**STATEMENTS OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE**

For the Fiscal Years Ended June 30

	<u>2016</u>	<u>2015</u>
<b>REVENUES</b>		
Measure R	\$ 1,273,741	\$ 1,240,890
Interest income	14,134	15,112
Other revenues (Note 10)	15,167	-
Unrealized gain on investments	<u>4,193</u>	<u>1,817</u>
Total revenues	<u>1,307,235</u>	<u>1,257,819</u>
<b>EXPENDITURES</b>		
Various projects	<u>1,723,538</u>	<u>831,603</u>
Total expenditures	<u>1,723,538</u>	<u>831,603</u>
(Deficiency) excess of revenues over expenditures	(416,303)	426,216
<b>OTHER FINANCING USE</b>		
Transfers out - PALRF (Note 9)	<u>(774,510)</u>	<u>-</u>
Total other financing use	<u>(774,510)</u>	<u>-</u>
(Deficiency) excess of revenues over expenditures and other financing use	(1,190,813)	426,216
Fund balance at beginning of year	<u>2,267,579</u>	<u>1,841,363</u>
Fund balance at end of year	\$ <u><u>1,076,766</u></u>	\$ <u><u>2,267,579</u></u>

The accompanying notes are an integral part of the financial statements.

**CITY OF DOWNEY**  
**MEASURE R LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES**  
**ACTUAL AND METRO APPROVED PROJECT BUDGET**

For the Fiscal Year Ended June 30, 2016  
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2015)

Project Code	Project Name	2016			2015 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	FY 14-15 Residential Street Pavement Rehabilitation Project	\$ 950,000	\$ 929,507	\$ 20,493	\$ -
1.05	Gardendale St Pavement Rehabilitation (Lakewood Boulevard - Garfield Avenue)	150,000	150,000	-	-
1.05	Woodruff Avenue Pavement Rehabilitation (Imperial Highway - Stewart and Gray Road)	40,000	19,262	20,738	-
1.05	Firestone Boulevard Street Improvements (Lakewood Boulevard - East City Limit)	826,000	15,167	810,833	-
1.05	Pavement Rehabilitation at Various Locations	50,000	46,411	3,589	-
1.05	Spring of All Major Roadway - Citywide	65,000	12,697	52,303	-
1.05	Imperial East City Limits - Frontage Road/Bridge Improvement	25,000	18,300	6,700	-
1.20	Safety Improvements at Various Locations	125,000	99,301	25,699	-
1.20	Paramount Boulevard Median (Firestone Boulevard - Imperial Highway)	150,000	55,761	94,239	-
1.20	Paramount Boulevard Median (Firestone Boulevard-Florence Avenue)	145,000	53,294	91,706	-
1.20	Street Lighting Improvements	188,000	153,828	34,172	-
1.20	Lakewood Blvd. LED Retrofit (Gardendale Street - Cecilia Street)	160,000	-	160,000	-
1.90	Street Name Sign Replacement	150,000	146,912	3,088	-
4.05	Fixed Route	326,778	-	326,778	-
4.50	Recreational Transit	10,000	2,805	7,195	-
4.90	Public Service Transit	447,732	-	447,732	-
8.10	Public Works Executive Management Salary (not to exceed 10%)	20,000	20,293	(293)	19,639

See Accompanying independent auditor's report.

**CITY OF DOWNEY**

**MEASURE R LOCAL RETURN FUND**

**SUPPLEMENTARY INFORMATION**

**SCHEDULE OF EXPENDITURES**

**ACTUAL AND METRO APPROVED PROJECT BUDGET**

(Continued)

For the Fiscal Year Ended June 30, 2016

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2015)

Project Code	Project Name	2016		Variance Favorable (Unfavorable)	2015 Actual
		Metro Budget	Actual		
1-002	FY 2014-15 Residential Street Pavement Rehabilitation Project	\$ -	\$ -	\$ -	\$ 347,239
1-003	Gardendale St Pavement Rehabilitation (Lakewood Boulevard - Garfield Avenue)	-	-	-	47,336
1-004	Firestone Boulevard Street Improvements (ORSR - Brookshire Avenue)	-	-	-	200,000
1-005	Firestone Boulevard Street Improvements (Lakewood Boulevard -	-	-	-	3,244
1-007	Paramount Boulevard Median (Firestone Boulevard - Imperial Highway)	-	-	-	1,841
1-008	Paramount Boulevard Median (Firestone Boulevard - Florence Avenue)	-	-	-	308
1-009	Street Name Sign Replacement	-	-	-	104,007
1-010	Old River School Road Pavement Rehabilitation (Imperial - Arnett)	-	-	-	4,287
2-001	Recreational Transit	-	-	-	5,014
2-001	Paramount Boulevard Traffic Signal Communications and Upgrades Project	-	-	-	98,688
Total expenditures		<u>\$ 3,828,510</u>	<u>\$ 1,723,538</u>	<u>\$ 2,104,972</u>	<u>\$ 831,603</u>

See accompanying independent auditor's report.

***CITY OF DOWNEY***

**MEASURE R LOCAL RETURN FUND**

**SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS**

June 30, 2016

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 7/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2016</u>
	None	\$ -	\$ -	\$ -	\$ -
	Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report.

***CITY OF DOWNEY***

**TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND  
(PURSUANT TO PUBLIC UTILITIES CODE SECTION 99234)**

**BALANCE SHEETS**

**JUNE 30**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash	\$ -	\$ -
Grants Receivable - LACMTA	<u>82,778</u>	<u>-</u>
Total assets	<u>\$ 82,778</u>	<u>\$ -</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ -	\$ 7,287
Due to other fund	<u>82,778</u>	<u>5,491</u>
Total liabilities	<u>82,778</u>	<u>12,778</u>
 <b>Fund Balance</b>		
Restricted (Unassigned)	<u>-</u>	<u>(12,778)</u>
Total fund balance	<u>-</u>	<u>(12,778)</u>
 Total liabilities and fund balance	<u>\$ 82,778</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

***CITY OF DOWNEY***

**TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND**

**STATEMENTS OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE**

For the Fiscal Years Ended June 30

	<u>2016</u>	<u>2015</u>
<b>REVENUES</b>		
Payment from prior years reserve	\$ 78,039	\$ 16,301
Drawdown FY 2015-16 apportionment	<u>4,739</u>	<u>-</u>
Total revenues	<u>82,778</u>	<u>16,301</u>
<b>EXPENDITURES</b>		
Construction/Maintenance	<u>70,000</u>	<u>30,034</u>
Total expenditures	<u>70,000</u>	<u>30,034</u>
Excess (deficiency) of revenues over expenditures	12,778	(13,733)
Fund balance at beginning of year	<u>(12,778)</u>	<u>955</u>
Fund balance at end of year	\$ <u><u>-</u></u>	\$ <u><u>(12,778)</u></u>

The accompanying notes are an integral part of the financial statements.

***CITY OF DOWNEY***

**TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND  
SUPPLEMENTARY INFORMATION**

**SCHEDULE OF TRANSPORTATION DEVELOPMENT ACT  
ALLOCATION FOR SPECIFIC PROJECTS**

For the Fiscal Year Ended June 30, 2016

<u>Project Description</u>	<u>Program Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended Allocations</u>	<u>Project Status</u>
<b>Local allocations</b>					
City Sidewalk Survey and Improvements	2015-16	\$ 82,778	\$ 70,000	\$ 12,778	On-going
	Total	<u>\$ 82,778</u>	<u>\$ 70,000</u>	12,778	
Fund balance at beginning of year				<u>(12,778)</u>	
Fund balance at end of year				<u>\$ -</u>	

See accompanying independent auditor's report.



## ***CITY OF DOWNEY***

### **NOTES TO FINANCIAL STATEMENTS** **For the Fiscal Years Ended June 30, 2016 and 2015**

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### ***Fund Accounting***

The operations of the Proposition A Local Return Fund (PALRF) and Proposition C Local Return Funds (PCLRF), Measure R Local Return Fund (MRLRF), and Transportation Development Act Article 3 Fund (TDAA3F) are accounted for in separate sets of self-balancing accounts that comprise their assets, liabilities, fund balance, revenues and expenditures.

PALRF and PCLRF represent 25% and 20% respectively, of the ½ cent Proposition A and ½ cent Proposition C sales taxes which are distributed to the jurisdictions within Los Angeles County based on population and must be used exclusively for transportation related programs and projects.

MRLRF represents 15% of the ½ cent sales tax which is distributed to the jurisdictions within Los Angeles County based on a per capita basis and must be used exclusively for transportation purposes.

Transportation Development Act Article 3 Fund (TDAA3F) is a Special Revenue Fund that accounts for the City's share of the Transportation Development Act Article 3 allocations which are legally restricted for specific purposes.

##### ***Basis of Accounting and Measurement Focus***

PALRF, PCLRF, MRLRF, and TDAA3F are accounted for using the modified accrual basis of accounting whereby revenues are recognized when they become both measurable and available to finance expenditures of the current period and expenditures are generally recognized when the related fund liabilities are incurred.

Special Revenue funds are reported on a spending or "financial flow" measurement focus. This means that generally only current assets, current liabilities and deferred inflows and outflows of resources are included on their balance sheets. Statements of revenues, expenditures and changes in fund balances for Special Revenue Funds generally present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

##### ***Budgets and Budgetary Accounting***

The budgeted amounts presented in this report for comparison to the actual amounts are presented in accordance with accounting principles generally accepted in the United States of America.

## ***CITY OF DOWNEY***

### **NOTES TO FINANCIAL STATEMENTS** **For the Fiscal Years Ended June 30, 2016 and 2015**

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### ***Fair Value Measurement***

In accordance with GASB Statement No. 72, Fair Value Measurement and Application, which became effective for the fiscal year ended June 30, 2016, the City categorizes its fair value measurement within the fair value hierarchy that is based on the valuation inputs used to measure the fair value of the investment. Level 1 inputs are quoted prices in active markets for identical investments; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Accordingly, the City reports its investments at fair value and recognizes unrealized gain (loss) on investments.

Refer to the City's 2016 Comprehensive Annual Financial Report for detailed disclosures regarding the City's investments policy and fair value measurements.

##### ***Fund Balance Reporting***

Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, establishes the fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The PALRF, PCLRF, MRLRF, and TDAA3F report the following fund balance classification as of June 30, 2016:

- Restricted – Amounts that are constrained for specific purposes, which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation. The use of the Funds' remaining fund balances are restricted for projects approved by LACMTA.

Information regarding the fund balance reporting policy adopted by the City is described in Note 1 to the City's Comprehensive Annual Financial Report.

#### **NOTE 2 – ANNUAL FINANCIAL STATEMENTS**

The financial statements reflect only the financial position and results of operations of the PALRF, PCLRF, MRLRF, and TDAA3F and their compliance with the Proposition A and Proposition C Local Return Program Guidelines, Measure R Local Return Program Guidelines, Transportation Development Act Article 3, and the Los Angeles County Metropolitan Transportation Authority Funding and Allocation Guidelines for Transportation Development Act Article 3 Bicycle and Pedestrian Funds.

**CITY OF DOWNEY**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Years Ended June 30, 2016 and 2015**  
**(Continued)**

**NOTE 3 – PROPOSITION A AND PROPOSITION C LOCAL RETURN COMPLIANCE REQUIREMENTS**

In accordance with Proposition A and Proposition C Local Return Program Guidelines, funds received pursuant to these guidelines may only be used for Proposition A and Proposition C Local Return approved programs.

**NOTE 4 – MEASURE R LOCAL RETURN COMPLIANCE REQUIREMENTS**

In accordance with Measure R Local Return Program Guidelines, funds received pursuant to these guidelines may only be used for Measure R Local Return approved programs.

**NOTE 5 – TRANSPORTATION DEVELOPMENT ACT COMPLIANCE REQUIREMENTS**

In accordance with Public Utilities Code Section 99234, funds received pursuant to this Code's section may only be used for activities relating to pedestrians and bicycle facilities.

**NOTE 6 – CASH AND INVESTMENTS**

The PALRF, PCLRF, MRLRF, and TDAA3F cash balances were pooled with various other City funds for deposit and investment purposes. The share of each fund in the pooled cash account was separately maintained and interest income was apportioned to the participating funds based on the relationship of their average balances to the total of the pooled cash and investments.

**NOTE 7 – PROJECT GENERATED REVENUE - PALRF**

Project generated revenues for the year ended June 30, 2016 and 2015 consisted of the following:

	2016	2015
Senior citizen passenger passes	\$ 8,930	\$ 6,975
LACMTA bus pass sales	2,478	5,256
Rental income	32,268	23,793
Total	<u>\$ 43,676</u>	<u>\$ 36,024</u>

**CITY OF DOWNEY**

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Years Ended June 30, 2016 and 2015

**NOTE 8 – PROPOSITION A DISCRETIONARY INCENTIVE GRANTS**

The City entered into various Memorandum of Understanding (MOU) agreements with the Los Angeles County Metropolitan Transportation Authority (Metro) to receive Proposition A discretionary incentive grants for participating in the Consolidated National Transit Database (NTD) Voluntary Reporting. The amounts received for the years ended June 30, 2016 and 2015 consisted of the following:

Agreement <u>Date</u>	<u>Period</u>	NTD Voluntary <u>Reporting</u>	MOU <u>Amount</u>	Amount Received	
				<u>2016</u>	<u>2015</u>
September 14, 2015	7/1/14 – 6/30/16	FY 2012-13	\$ 93,310	\$ 93,310	\$ -
May 21, 2014	7/1/13 – 6/30/15	FY 2011-12	\$ 97,043	-	97,043
Total				\$ <u>93,310</u>	\$ <u>97,043</u>

The Proposition A discretionary incentive grants for fiscal years ended June 30, 2016 and 2015 were recorded under PALRF.

**NOTE 9 – TRANSFERS IN/OUT**

Transfers were made from PCLRF and MRLRF to PALRF in the amounts of \$335,00 and \$774,510, respectively, to provide and subsidize funding for PALRF's Project Code 110-13, Fixed Route Program, and Project Code 130-02, Revised Senior/Handicapped Transit Program.

**NOTE 10 – OTHER REVENUES – PCLRF AND MRLRF**

The Other revenues for PCLRF and MRLRF in the amounts of \$36,317 and \$15,167, respectively were received from LACMTA. The City entered into an agreement with LACMTA on May 25, 2011 to participate in technical forums involving regional transportation projects including the Interstate 5 Capacity Enhancement from I-605 to Orange County Line.

**NOTE 11 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION**

The revenue allocation for the years ended June 30, 2016 and 2015 consisted of the following:

	2016	2015
FY 2013-14 allocation	\$ 3,628	\$ 16,301
FY 2014-15 allocation	74,411	-
FY 2015-16 allocation	4,739	-
Available reserve balance	\$ <u>82,778</u>	\$ <u>16,301</u>

**CITY OF DOWNEY**

**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2016 and 2015  
(Continued)

**NOTE 12 – TRANSPORTATION DEVELOPMENT ACT FUNDS RESERVED**

In accordance with TDA Article 3 (SB821) Guidelines, funds not spent during the fiscal year have been placed on reserve in the Local Transportation Fund (LTF) account with the County Auditor-Controller to be drawn down whenever the funds become eligible for a specific project and an approved drawdown request is received by Metro. As of June 30, 2016 and 2015, the City has funds on reserve as follows:

	2016	2015
FY 2013-14 allocation	\$ -	\$ 3,628
FY 2014-15 allocation	-	74,411
FY 2015-16 allocation	67,489	-
Available reserve balance	<u>\$ 67,489</u>	<u>\$ 78,039</u>

**NOTE 13 – SUBSEQUENT EVENTS**

The City has evaluated events or transactions that occurred subsequent to June 30, 2016 through December 7, 2016, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined no subsequent matters require disclosure or adjustment to the accompanying financial statements.



SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS  
BRANARD C. SIMPSON, CPA  
MELBA W. SIMPSON, CPA

U.S. BANK TOWER  
633 WEST 5TH STREET, SUITE 3320  
LOS ANGELES, CA 90071  
(213) 736-6664 TELEPHONE  
(213) 736-6692 FAX  
www.simpsonandsimpsoncpas.com

**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

To the Honorable Members of the City Council of the  
City of Downey, California and the  
Los Angeles County Metropolitan Transit Authority

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 Proposition A Local Return Fund (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), and Transportation Development Act Article 3 (TDAA3F) Fund of the City of Downey, California (City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated December 7, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City's local return funds and TDAA3F financial statements 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 City's 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 no instances of noncompliance or other matters that is 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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Simpson &amp; Simpson".

Los Angeles, California  
December 7, 2016

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## *COMPLIANCE SECTION*

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SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS  
BRANARD C. SIMPSON, CPA  
MELBA W. SIMPSON, CPA

U.S. BANK TOWER  
633 WEST 5TH STREET, SUITE 3320  
LOS ANGELES, CA 90071  
(213) 736-6664 TELEPHONE  
(213) 736-6692 FAX  
www.simpsonandsimpsoncpas.com

## **Independent Auditor's Report on Compliance**

To the Honorable Members of the City Council of the  
City of Downey, California and the  
Los Angeles County Metropolitan Transit Authority

### **Report on Compliance**

We have audited the compliance of the City of Downey, California (City) with the Proposition A and Proposition C Local Return Guidelines, Measure R Local Return Guidelines, Transportation Development Act Article 3, and the Los Angeles County Metropolitan Transportation Authority's Funding and Allocation Guidelines for the Transportation Development Act Article 3 Bicycle and Pedestrian Funds (collectively, the Guidelines) for the year ended June 30, 2016.

#### ***Management's Responsibility***

Management is responsible for the City's compliance with those guidelines.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the City's compliance based on our audit.

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, and the Guidelines referred to in the preceding paragraph. Those standards and the Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a local return program 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. Our audit does not provide a legal determination of the City's compliance with those requirements.

#### ***Opinion on Each Local Return Program and Transportation Development Act Article 3***

In our opinion, the City of Downey complied, in all material respects, with the compliance requirements referred to above that apply to Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, and Transportation Development Act Article 3 Fund (TDAA3F) for the year ended June 30, 2016.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and which are described in the accompanying Schedule of Findings and Questioned Costs as Finding Nos. 2016-001, 2016-002, and 2016-003. Our opinion on each local return program is not modified with respect to these matters.

The City's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of the City of Downey is responsible for establishing and maintaining effective internal control over compliance with the Requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the Requirements that could have a direct and material effect on the Local Return programs and the TDAA3F to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Requirements, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Finding Nos. 2016-002 and 2016-003, that we consider to be significant deficiencies.

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's responses and, accordingly, we express no opinion on the responses.



The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirement of the Guidelines. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Simpson &amp; Simpson". The script is fluid and cursive, with the ampersand clearly visible.

Los Angeles, California  
December 7, 2016

**CITY OF DOWNEY**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2016

Compliance Requirement		In Compliance		Questioned Costs	If no, provide details and management response.
		Yes	No		
A. Proposition A and Proposition C Local Return Funds					
1.	Timely use of funds.	X		None	
2.	Expenditures were approved before being incurred.		X	None	See Finding No. 2016-001 on the Schedule of Findings and Questioned Costs.
3.	Funds were used on approved projects only and expenditures were supported and allowable per Guidelines.		X	PALRF: \$137,000 PCLRF: \$25,366	See Finding No. 2016-002 on the Schedule of Findings and Questioned Costs.
4.	Expenditures did not exceed 25% of Metro's approved budget.	X		None	
5.	Administrative expenses were within the 20% cap.	X		None	
6.	All on-going and carryover projects were reported in Form B.	X		None	
7.	Annual Project Summary Report (Form B) was submitted on time.	X		None	
8.	Annual Expenditure Report (Form C) and listing of Recreational Transit Services, if applicable, were submitted on time.	X		None	
9.	Cash or cash equivalents were maintained.	X		None	
10.	Accounting procedures, record keeping and documentation were adequate.	X		None	
11.	Revenues received including allocations, project generated revenues, and interest income were properly credited to the PALRF and PCLRF accounts.	X		None	

**CITY OF DOWNEY**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2015  
(Continued)

(Continued)

Compliance Requirement		In Compliance		Questioned Costs	If no, provide details and management response.
		Yes	No		
B. Measure R Local Return Fund					
1.	Timely use of funds.	X		None	
2.	Expenditures were approved before being incurred.	X		None	
3.	Funds were used on approved projects only and expenditures were supported and allowable per Guidelines.		X	\$20,293	See Finding No. 2016-003 on the Schedule of Findings and Questioned Costs
4.	Fund were not substituted for property tax.	X		None	
5.	Administrative expenses were within the 20% cap.	X		None	
6.	Expenditure Plan (Form One) was submitted on time.	X		None	
7.	Expenditure Report (Form Two) was submitted on time.	X		None	
8.	Cash or cash equivalents were maintained.	X		None	
9.	Accounting procedures, record keeping and documentation were adequate.	X		None	
10.	Revenues received including allocations, project generated revenues, and interest income were properly credited to the Measure R account.	X		None	
11.	Funds were not used to supplant existing local revenues being used for transportation purpose.	X		None	

**CITY OF DOWNEY**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2016  
(Continued)

(Continued)

Compliance Requirement		In Compliance		Questioned Costs	If no, provide details and management response.
		Yes	No		
C. Transportation Development Act Article 3 Fund					
1.	Timely use of funds.	X		None	
2.	Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.	X		None	

***CITY OF DOWNEY***

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year ended June 30, 2016

**PCLRF: Finding No. 2016-001**

Compliance Reference	According to Proposition C Local Return Guidelines, Section I (B.3), "If Local Return Funds have been expended prior to Metro approval and/or used for ineligible purposes, Jurisdictions will be required to reimburse their Proposition C Local Return account..."
Condition	The expenditures for PCLRF's Project Code 420-01, Downeylink Fixed Route Transit Services, and Project Code 450-26, Lakewood Boulevard Improvements Phase 3B (Florence Avenue – Gallatin Road), in the amounts of \$12,613 and \$68,243, respectively, were incurred prior to the approval from LACMTA for fiscal year 2015-16. However, the City subsequently received LACMTA's approval on the PCLRF projects on December 1, 2016 and November 17, 2016, respectively.
Cause	The City staff believed that the prior year's budget approval would be carried forward in the fiscal year 2015-16 and therefore, did not include the request for the project's approval in Form B submitted to LACMTA.
Effect	The City did not comply with the Guidelines when expenditures for PALRF projects are incurred without LACMTA's approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from LACMTA prior to implementing any Proposition A Local Return projects. Form B (Annual Project Summary Report) should be properly prepared and submitted before the due date of August 1st so that the City's expenditures of Proposition A Local Return Funds are in accordance with LACMTA's approval and the Guidelines. In accordance with the Guidelines, the City should include all approved on-going and carryover Local Return projects in Form B.
Management's Response	Management agrees with the audit results and has adopted internal procedures to ensure that MTA approval is obtained prior to incurring expenditures on a project.

**CITY OF DOWNEY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year ended June 30, 2016

(Continued)

**PALRF and PCLRF: Finding No. 2016-002**

Compliance Reference	<p>According to Proposition A and C Local Return Guidelines, Section II, “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance” and Section V, “It is jurisdictions’ responsibility to maintain proper accounting records and documentation...”In addition, LACMTA Local Return Program Manager issued a memo dated on April 29, 2014 to jurisdictions to provide recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines, those recommendations are “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, “(4) Where employees work on multiple activities or cost objectives, a distribution or their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <p style="padding-left: 40px;">(b) A Federal award and non-Federal award.</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p style="padding-left: 40px;">(b) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p style="padding-left: 40px;">(f) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances.”</p>
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**CITY OF DOWNEY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year ended June 30, 2016

(Continued)

**PALRF and PCLRF: Finding No. 2016-002 (Continued)**

Condition	To support the propriety of expenditures being charged to Proposition A and C Local Return Fund, payroll expenditures should be supported by properly executed payrolls, time records, activity reports, vouchers, or other official documentation evidencing in proper detail the nature of the charges. However, the salaries and benefits charged to PALRF's Senior/Handicapped Transit Program Administration Project Code 480-03 and PCLRF's Local Return Fund Administration (Public Works) Project Code 480-28 in the amounts of \$137,000 and \$25,366, respectively, were based on an estimate of a percentage of time spent on PALRF and PCLRF activity rather than the employee's actual working hours spent on the projects. Although the City provided a time study listing the employees charged to PALRF and PCLRF, the payroll costs and benefits were based on estimated percentages of the time spent on the projects. Moreover, the hours were not adjusted to reflect the "true" hours worked on the projects at the end of the fiscal year 2015-16.
Cause	The City allocates administrative charges for management that was based on a time study performed by the City in prior years. Those same percentages have been used in prior fiscal years and also, in fiscal year 2015-16.
Effect	The payroll costs claimed under the Proposition A and C Local Return Fund project may include expenditures which may not be an allowable Proposition A and C project expenditures. This resulted in questioned costs of \$137,000 and \$25,366 for PALRF and PCLRF, respectively.
Recommendation	In accordance with the Guidelines, we recommend that the City reimburse its Proposition A and C Local Return Fund account by \$137,000 and \$25,366, respectively. In addition, we recommend that the City revise its current labor costs reporting procedures to ensure that labor costs charged to Local Return Funds are adequately supported by time sheets or similar documentation which includes employees' actual working hours.
Management's Response	Management agrees with the audit results. The City has engaged Matrix Consulting to complete a cost allocation study which started in November 2016. The cost allocation study will be completed by March 2017 and submitted to our cognizant agency for OMB approval.

**CITY OF DOWNEY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year ended June 30, 2016

(Continued)

**MRLRF: Finding No. 2016-003**

Compliance Reference	<p>According to Measure R Local Return Guidelines, Section II, “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance” and Section V, “It is jurisdictions’ responsibility to maintain proper accounting records and documentation...”In addition, LACMTA Local Return Program Manager issued a memo dated on April 29, 2014 to jurisdictions to provide recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines, those recommendations are “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, “(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <p>(b) A Federal award and non-Federal award.</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p>(b) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p>(f) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances.”</p>
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***CITY OF DOWNEY***

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year ended June 30, 2016

(Continued)

**MRLRF: Finding No. 2016-003 (Continued)**

Condition	To support the propriety of expenditures being charged to Measure R Local Return Fund, payroll expenditures should be supported by properly executed payrolls, time records, activity reports, vouchers, or other official documentation evidencing in proper detail the nature of the charges. However, the salaries and benefits charged to Public Works Executive Management Salary Project Code 8.10 in the amount of \$20,293 was based on an estimate of a percentage of time spent on MRLRF activity rather than the employee's actual working hours spent on the project. Although the City provided a time study listing the employees charged to MRLRF, the payroll costs and benefits were based on estimated percentages of the time spent on the projects. Moreover, the hours were not adjusted to reflect the "true" hours worked on the projects at the end of the fiscal year 2015-16.
Cause	The City allocates administrative charges for management that was based on a time study performed by the City in prior years. Those same percentages have been used in prior fiscal years and also, in fiscal year 2015-16.
Effect	The payroll costs claimed under the Measure R Local Return Fund project may include expenditures which may not be an allowable Measure R project expenditures. This resulted in questioned costs of \$20,293.
Recommendation	In accordance with the Guidelines, we recommend that the City reimburse its Measure R Local Return Fund account by \$20,293. In addition, we recommend that the City revise its current labor costs reporting procedures to ensure that labor costs charged to Local Return Funds are adequately supported by time sheets or similar documentation which includes employees' actual working hours.
Management's Response	Management agrees with the audit results. The City has engaged Matrix Consulting to complete a cost allocation study which started in November 2016. The cost allocation study will be completed by March 2017 and submitted to our cognizant agency for OMB approval.

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***EXIT CONFERENCE***

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***CITY OF DOWNEY***

**PROPOSITION A, PROPOSITION C, MEASURE R LOCAL RETURN FUNDS, AND  
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND  
EXIT CONFERENCE**

**June 30, 2016**

An exit conference was held on December 21, 2016 via telephone conference. Those in attendance were:

***Simpson & Simpson Representative:***

Yung Dang, Semi-Senior Auditor

***City's Representative:***

Elisa Gratil, Senior Accountant

***Matters Discussed:***

Results of the audit disclosed two (2) significant control deficiencies and three (3) non-compliance issues with LACMTA's Guidelines.

A copy of this report was forwarded to the following City representative(s) for their comments prior to the issuance of the final report:

Elisa Gratil, Senior Accountant