

***CITY OF PASADENA
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 PASADENA
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FINANCIAL SECTION



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRAINARD 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 PASADENA, 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 (TDAA3F) Fund of the City of Pasadena, California 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 an opinion 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about 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 Pasadena, 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 Statement 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 22, 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 Pasadena, 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 Pasadena, 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 the purposes of additional analysis and is not a required part of 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 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 5, 2016, on our consideration of the City of Pasadena'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* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Simpson & Simpson".

Los Angeles, California
December 5, 2016

CITY OF PASADENA

PROPOSITION A LOCAL RETURN FUND

BALANCE SHEETS
JUNE 30

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and investments	\$ 3,992,454	\$ 3,418,139
Accounts receivable	265,369	118,056
Due from LACMTA	-	324,180
Interest receivable	12,472	8,255
Total assets	<u>\$ 4,270,295</u>	<u>\$ 3,868,630</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Account payable	\$ 220,829	\$ 322,161
Accrued payroll and benefits	9,609	5,045
Total liabilities	<u>230,438</u>	<u>327,206</u>
Fund Balance		
Restricted- metro gold line enhancements	48,664	48,452
Restricted - light rail related projects	510,425	170,425
Restricted - general capital projects	113,638	88,703
Restricted-others	3,367,130	3,233,844
Total fund balance	<u>4,039,857</u>	<u>3,541,424</u>
Total liabilities and fund balance	<u>\$ 4,270,295</u>	<u>\$ 3,868,630</u>

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

CITY OF PASADENA

PROPOSITION A LOCAL RETURN FUND

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

For the Fiscal Years Ended June 30

	2016	2015
REVENUES		
Proposition A	\$ 2,542,901	\$ 2,476,294
Proposition A exchange (Note 9)	-	506,000
Investment income	52,016	28,266
Proposition A discretionary incentive grant	395,346	324,179
Miscellaneous revenues	5,138	-
Project generated revenues	240,172	311,106
Total revenues	3,235,573	3,645,845
EXPENDITURES		
Various projects	2,737,140	3,271,649
Total expenditures	2,737,140	3,271,649
Excess of revenues over expenditures	498,433	374,196
Fund balance at beginning of year	3,541,424	3,167,228
Fund balance at end of year	\$ 4,039,857	\$ 3,541,424

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

CITY OF PASADENA

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		Variance	2015 Actual
		Metro Budget	Actual	Favorable (Unfavorable)	
110-01	ARTS community circulator	\$ -	\$ -	\$ -	\$ 759,000
130-03	Dial-A-Ride	1,223,566	1,598,482	a (374,916)	1,600,140
140-02	Recreation transit	43,000	42,894	106	42,897
140-08	Senior transit project	3,500	-	3,500	-
160-01	Bus shelters and benches	50,000	-	50,000	19,616
180-01	Vehicles and miscellaneous equipment	450,000	225,066	224,934	-
200-01	Dial-A-Ride vehicle purchase	3,804,882	248,712	3,556,170	248,712
200-02	ARTS bus purchase	717,782	-	717,782	-
250-09	Homeless transit subsidy	7,950	-	7,950	-
250-17	Senior/Disabled bus pass buy down	24,000	66,640	b (42,640)	71,404
250-18	Youth summer program transit subsidy	2,000	-	2,000	-
270-05	Transit services - Prop A	109,025	130,859	(21,834)	173,972
270-13	San Gabriel valley council of governments	30,000	27,740	2,260	27,457
300-01	CNG fueling facilities for transit buses (not on form B, form A approved on 12/3/15)	340,000	-	340,000	-
310-14	Gold line light rail station enhancements #75021	1,850,000	-	1,850,000	-
380-01	Metro gold line enhancements	3,900,000	-	3,900,000	-
380-23	South access pedestrian bridge to Sierra Madre villa light rail station	609,558	-	609,558	-
410-04	Transportation demand management	139,091	136,601	2,490	124,821
480-01	Prop A administration	289,218	260,146	29,072	203,630
		<u>\$ 13,593,572</u>	<u>\$ 2,737,140</u>	<u>\$ 10,856,432</u>	<u>\$ 3,271,649</u>

The actual variance after considering other funding sources is calculated as follows:

a) LACMTA Budget		\$ 1,223,566
Total expenditures	\$ 1,598,482	
Less: Project generated revenues (Note 7)	190,177	
Less: Proposition A Discretionary Incentive Grant	<u>395,346</u>	
PALRF Expenditures		<u>1,012,959</u>
Actual Variance Positive (Negative)		<u>210,607</u>
 b) LACMTA Budget		 \$ 24,000
Total expenditures	\$ 66,640	
Less: Project generated revenues (Note 7)	<u>49,995</u>	
PALRF Expenditures		<u>16,645</u>
Actual Variance Positive (Negative)		<u>7,355</u>

See accompanying independent auditor's report.

CITY OF PASADENA

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
6/18/91	1 - Bookcase	\$ 478	\$ -	\$ -	\$ 478
3/17/93	1 - Communications Radio	500	-	-	500
5/17/93	1 - Desk	728	-	-	728
5/2/95	1 - Ricoh Fax	2,982	-	2,982	-
8/22/95	1 - HP Laser IV Printer	1,815	-	1,815	-
6/2/97	3 - Dell OptiPlex GMXT 5166 Computers	9,474	-	-	9,474
8/1/97	Office Chair	457	-	457	-
5/25/99	1 - HP DesignJet 36" Wide Plotter *	3,367	-	-	3,367
7/28/00	1 - Dell Dimension 4100 Computer	1,342	-	-	1,342
4/16/01	1 - Sony VPL-CX10 Projector ***	1,046	-	-	1,046
6/29/09	1- 2009 Starcraft Allstar ****	57,570	-	-	57,570
6/29/09	1- 2009 Starcraft Allstar ****	57,570	-	-	57,570
6/29/09	1- 2009 Starcraft Allstar ****	57,570	-	-	57,570
6/29/09	1- 2009 Starcraft Allstar ****	57,570	-	-	57,570
6/29/09	1- 2009 Starcraft Allstar ****	57,570	-	-	57,570
6/29/09	1- 2009 Starcraft Allstar ****	57,570	-	-	57,570
10/24/11	1-2012 Starcraft Allstar 25 *****	118,939	-	-	118,939
5/16/12	1- 2012 Starcraft Allstar 25' *****	118,869	-	-	118,869
5/16/12	1-2012 Starcraft Allstar 25' *****	118,869	-	-	118,869
5/16/12	1- 2012 Starcraft Allstar 25' *****	118,869	-	-	118,869
5/16/12	1-2012 Starcraft Allstar 25' *****	118,869	-	-	118,869
5/16/12	1-2012 Starcraft Allstar 25' *****	118,869	-	-	118,869
9/1/2012	10- 2012 El Dorado E-Z Rider II Max (partial funding)	2,236,578	248,712	-	2,485,290
2/12/2014	2014 El Dorado E-Z Rider II Max	101,143	-	-	101,143
2/12/2014	2014 El Dorado E-Z Rider II Max	101,143	-	-	101,143
2/12/2014	2014 El Dorado E-Z Rider II Max	101,143	-	-	101,143
2/12/2014	2014 El Dorado E-Z Rider II Max	101,143	-	-	101,143
2/12/2014	2014 El Dorado E-Z Rider II Max	101,143	-	-	101,143
2/12/2014	2014 El Dorado E-Z Rider II Max	101,143	-	-	101,143
2/12/2014	2014 El Dorado E-Z Rider II Max	101,143	-	-	101,143
Total		\$ 4,025,474	\$ 248,712	\$ 5,254	\$ 4,268,932

See accompanying independent auditor's report.

CITY OF PASADENA

PROPOSITION C LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and investments	\$ 7,578,572	\$ 7,004,671
Accounts receivable	5,000	37,624
Due from LACMTA	782,143	581,676
Account receivable	25,145	16,916
Total assets	<u>\$ 8,390,860</u>	<u>\$ 7,640,887</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Account payable	\$ 498,254	\$ 777,691
Accrued payroll and benefits	3,496	5,176
Total liabilities	<u>501,750</u>	<u>782,867</u>
 Deferred inflows of resources		
Unavailable Revenues	<u>320,554</u>	<u>179,809</u>
 Fund Balance		
Restricted- light rail related projects	551,000	551,000
Restricted-others	7,017,556	6,127,211
Total fund balance	<u>7,568,556</u>	<u>6,678,211</u>
 Total liabilities, deferred inflow of resources, and fund balance	<u>\$ 8,390,860</u>	<u>\$ 7,461,078</u>

See accompanying independent auditor's report.

CITY OF PASADENA

PROPOSITION C LOCAL RETURN FUND

STATEMENTS OF REVENUES, EXPENDITURES,

For the Fiscal Years Ended June 30

	2016	2015
REVENUES		
Proposition C	\$ 2,110,849	\$ 2,056,522
Investment income	100,352	75,967
Proposition A discretionary incentive Grant	221,267	230,657
Proposition A growth over inflation fund	422,855	389,529
Federal transit administration (FTA) grant	200,113	345,324
LACMTA call for project grant: fold-N-go pasadena program	-	174,827
Project generated revenues	1,229,154	1,236,674
Miscellaneous revenues	4,176	-
Other revenues	-	16,202
Total revenues	<u>4,288,766</u>	<u>4,525,702</u>
EXPENDITURES		
Various projects	5,250,830	4,356,737
Project funded by MRLRF	-	773,415
Project funded by LACMTA call for project grant	-	27,255
Project funded by FTA grant	-	11,643
Total expenditures	<u>5,250,830</u>	<u>5,169,050</u>
Deficiency of revenues over expenditures	(962,064)	(643,348)
Other financing sources		
Transfers in from general fund	378,994	379,500
Transfers in from transport sales tax fund	-	759,000
Transfers in from traffic reduction fund	700,000	700,000
Transfers in from MRLRF	773,415	773,415
Total other financing sources	<u>1,852,409</u>	<u>2,611,915</u>
Excess of revenues over expenditures and other financing uses	890,345	1,968,567
Fund balance at beginning of year	<u>6,678,211</u>	<u>4,709,644</u>
Fund balance at end of year	\$ <u>7,568,556</u>	\$ <u>6,678,211</u>

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

CITY OF PASADENA

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)	
110-01	ARTS community circulator	\$ 1,076,916	\$ 4,706,502	\$ (3,629,586) a	\$ 3,940,068
140-02	Recreation transit	15,000	7,938	7,062	7,598
180-01	Vehicles and miscellaneous equipment	321,655	75,917	245,738	72,660
200-01	Dial-A-Ride vehicle purchase	500,000	-	500,000	-
270-13	Transportation planning organizations	15,000	-	15,000	-
310-14	Gold line light rail station enhancements #75021	166,500	-	166,500	-
380-01	Metro gold line enhancements	666,347	-	666,347	-
380-20	Gold line pedestrian enhancements	190,000	-	190,000	-
480-02	Prop C administration	450,160	439,440	10,720	336,411
N/A	Expense unrelated to Prop C funded through other source	-	21,033	(21,033)	-
		<u>\$ 3,401,578</u>	<u>\$ 5,250,830</u>	<u>\$ (1,849,252)</u>	<u>\$ 4,356,737</u>

The actual variance after considering other funding sources is calculated as follows:

a) LACMTA Budget		\$ 1,076,916
Total expenditures	\$ 4,706,502	
Less: project generated revenues (Note 7)	1,229,154	
Less: proposition A discretionary incentive grant (Note 8)	644,122	
Less: federal transit administration funds	200,113	
Less: deferred inflow of resources	320,554	
Less: transfers in from Traffic Reduction Fund	700,000	
Less: transfer from transit funds	<u>378,994</u>	
PALRF expenditures		<u>1,233,565</u>
Actual Variance Positive (Negative)		<u>\$ (156,649)</u>

See accompanying independent auditor's report.

CITY OF PASADENA

PROPOSITION C 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
9/13/06	2- 2007 El Dorado CNG Buses 2007	\$ 309,684	\$ -	\$ -	\$ 309,684
9/13/06	El Dorado CNG Bus 2007	309,684	-	-	309,684
6/2/02	1-OKidata C7400C Color Led Printer	2,702	-	2,702	-
6/7/11	Computer software Adobe Illustrator	599	-	-	599
6/1/11	Computer/monitor	1,218	-	-	1,218
9/1/12	2012 El Dorado E-Z Rider II Max	42,654	-	-	42,654
9/1/12	2012 El Dorado E-Z Rider II Max	42,654	-	-	42,654
9/1/12	2012 El Dorado E-Z Rider II Max	42,654	-	-	42,654
9/1/12	2012 El Dorado E-Z Rider II Max	42,654	-	-	42,654
9/1/12	2012 El Dorado E-Z Rider II Max	42,654	-	-	42,654
9/1/12	2012 El Dorado E-Z Rider II Max	42,654	-	-	42,654
9/1/12	2012 El Dorado E-Z Rider II Max	42,654	-	-	42,654
9/1/12	2012 El Dorado E-Z Rider II Max	42,654	-	-	42,654
9/1/12	2012 El Dorado E-Z Rider II Max	42,654	-	-	42,654
9/1/12	2012 El Dorado E-Z Rider II Max	42,654	-	-	42,654
Total		\$ <u>1,050,427</u>	\$ <u>-</u>	\$ <u>2,702</u>	\$ <u>1,047,725</u>

See accompanying independent auditor's report.

CITY OF PASADENA

MEASURE R LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and investments	\$ 1,399,206	\$ 737,936
Interest receivable	<u>2,878</u>	<u>1,782</u>
Total assets	<u>\$ 1,402,084</u>	<u>\$ 739,718</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ <u>-</u>	\$ <u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
Fund Balance		
Restricted	<u>1,402,084</u>	<u>739,718</u>
Total fund balance	<u>1,402,084</u>	<u>739,718</u>
Total liabilities and fund balance	<u>\$ 1,402,084</u>	<u>\$ 739,718</u>

CITY OF PASADENA

MEASURE R LOCAL RETURN FUND

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

For the Fiscal Years Ended June 30

	2016	2015
REVENUES		
Measure R	\$ 1,582,909	\$ 1,540,865
Investment income	14,263	7,309
Total revenues	1,597,172	1,548,174
EXPENDITURES		
Various projects	-	-
Total expenditures	-	-
Excess of revenues over expenditures	1,597,172	1,548,174
Other financing uses		
Transfer out to capital projects fund	(161,391)	(93,696)
Transfer out to PCLRF	(773,415)	(773,415)
	(934,806)	(867,111)
Excess of revenues over expenditures and other financing uses	662,366	681,063
Fund balance at beginning of year	739,718	58,655
Fund balance at end of year	\$ 1,402,084	\$ 739,718

The accompanying notes are an integral part of the financial statements

CITY OF PASADENA

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		Variance Favorable (Unfavorable)	2015 Actual
		Metro Budget	Actual		
1.30	Cordova street road diet	\$ 457,500	\$ -	\$ 457,500	\$ -
2.03	Intelligent Transportation System (ITS) Improvements	70,000	70,000	-	-
3.16	Bicycles detection systems	-	-	-	93,696
3.20	Pedestrian crossing enhancement	167,500	73,263	94,237	-
3.90	Pasadena bicycle program	75,000	18,128	56,872	-
4.05	Area Rapid Transit System (ARTS)	882,620	773,415	109,205	773,415
	Total expenditures	\$ 1,652,620	934,806	- 717,814	\$ 867,111

See accompanying independent auditor's report.

CITY OF PASADENA

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	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

CITY OF PASADENA

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

BALANCE SHEETS

JUNE 30

	<u>2016</u>	<u>2015</u>
ASSETS		
Due from metro	\$ -	\$ -
Interest receivable	-	-
	<u>-</u>	<u>-</u>
Total assets	\$ <u>-</u>	\$ <u>-</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Due to general fund	\$ -	\$ 3,580
	<u>-</u>	<u>3,580</u>
Total liabilities	<u>-</u>	<u>3,580</u>
 Fund Balance		
Reserved	-	(3,580)
	<u>-</u>	<u>(3,580)</u>
Total fund balance	<u>-</u>	<u>(3,580)</u>
 Total liabilities and fund balance	\$ <u>-</u>	\$ <u>-</u>

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

CITY OF PASADENA

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>
REVENUES		
Article 3	\$ <u>6,041</u>	\$ <u>125,080</u>
Total revenues	<u>6,041</u>	<u>125,080</u>
 EXPENDITURES		
Construction	<u>2,461</u>	<u>41,447</u>
Total expenditures	<u>2,461</u>	<u>41,447</u>
 Excess of revenues over expenditures	3,580	83,633
 Fund balance at beginning of year	<u>(3,580)</u>	<u>(87,213)</u>
 Fund balance at end of year	\$ <u><u>-</u></u>	\$ <u><u>(3,580)</u></u>

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

CITY OF PASADENA

**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>
Local allocations					
Pasadena bicycle program sidewalk construction	2016	\$ 6,041	\$ 2,461	\$ 3,580	On-going
Total :		<u>\$ 6,041</u>	<u>\$ 2,461</u>	<u>\$ 3,580</u>	
Fund balance at beginning of year				<u>(3,580)</u>	
Fund balance at end of year				<u>\$ -</u>	

See accompanying independent auditor's report.

CITY OF PASADENA

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), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF) and Transportation Development Act Article 3 Fund (TDAA3F) (collectively, the Funds) 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 is derived from 15% of a county-wide 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 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. Statement of revenue, expenditures and changes in fund balance for Special Revenue Funds generally present increase (revenue 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 PASADENA

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

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 investment at fair value and recognizes unrealized gain (loss) on investments.

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

Fund Balance Reporting

Governmental Accounting Standard 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 extent to which a government is bound to observe constraints imposed upon the use of 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 purpose, 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 balance 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, and 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 PASADENA

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. See accompanying Compliance Matrix.

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 and investment 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 quarterly balances to the total of the pooled cash and investments.

NOTE 7- PROJECT GENERATED REVENUES

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

PALRF	2016	2015
Senior/disabled bus passes	\$ 49,995	\$ 53,606
Fare transit program	136,951	210,018
Farebox revenue	53,197	47,482
Total	\$ 240,143	\$ 311,106

PCLRF :	2016	2015
Transit shelter program	\$ 363,600	\$ 363,600
Farebox revenue	765,554	773,074
Other private contribution	100,000	100,000
Total	\$ 1,229,154	\$ 1,236,674

CITY OF PASADENA

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

NOTE- 8 PROPOSITION A DISCRETIONARY INCENTIVE GRANTS AND PROPOSITION A GROWTH OVER INFLATION GRANT

Proposition A Discretionary Incentive Grants for the years ended June 30, 2016 and 2015 consisted of the following:

	2016	2015
Sub-regional paratransit services	\$ 395,346	\$ 324,179
Voluntary NTD reporting	221,267	230,657
Total	\$ 616,613	\$ 554,836

The **Proposition A Discretionary Incentive Grant** amounting to \$395,346 and \$324,179 for the years ended June 30, 2016 and 2015, respectively, represent incentive funds received from LACMTA for extended services provided by the Dial-A-ride program in the Pasadena area. The revenue was recorded under PALRF.

The **Proposition A Discretionary Incentive Grant** amounting to \$221,267 and \$230,657 for the years ended June 30, 2016 and 2015, respectively, represent additional funds received from LACMTA for participating in the Voluntary NTD Program for the fiscal years 2011/12 and 2010/11, respectively. The revenue was recorded under PCLRF where the corresponding project expenditures were recorded.

The **Proposition A Growth- Over Inflation Grant** amounting to \$422,855 and \$389,529 for the years ended June 30, 2016 and 2015, respectively, represent additional funds received from LACMTA to expand and improve fixed route transit services provided in the Pasadena area. The revenue was recorded in the PCLRF where the corresponding expenditures were recorded.

NOTE 9- PROPOSITION A FUND EXCHANGE

In May 2014, the City entered into an agreement with the City of Montebello to exchange \$379,500 of the City's General Fund monies for \$506,000 of Proposition A Local Return monies, or \$0.75 of general fund per \$1 PALRF monies in each of the fiscal years 2013/14 and 2014/15. No exchange is recorded in FY 2015/16.

NOTE 10- CAPITAL RESERVE

In August 2004, LACMTA and the City entered into an agreement to establish a capital reserve account (Account) of \$4,566,347 for the Metro Gold Line Enhancements (Project). The Account will be funded with the Proposition A Local Return Funds of \$3,900,000 and Proposition C Local Return funds of \$666,347. All interest and investment earnings shall be accrued and placed in the Account for exclusive use of the Project.

CITY OF PASADENA

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

NOTE 10- CAPITAL RESERVE (continued)

With the exception granted by LACMTA in writing to extend the terms, unexpended funds will be automatically lapsed in three (3) years.

On July 1, 2007, LACMTA and the City amended the agreement to extend the term of the reserve agreement for an additional three (3) years to September 2, 2010. In June 2011, LACMTA and the City amended the agreement to further extend the term of the Account to June 30, 2016.

For the years ended June 30, 2016 and 2015, the following is the capital reserve amount:

	PALRF	PCRLF
Capital reserve at 6/30/2014	\$ 48,001	\$ -
Allocations and earnings during the year	451	-
Capital reserve at 6/30/2015	48,452	-
Allocations and earnings during the year	212	-
Capital reserve at 6/30/2016	\$ 48,664	\$ -

On December 22, 2016, the LACMTA Program Manager granted the city a one year waiver on unexpended funds that were due to lapse at June 30, 2016. Fund must be expended by June 30, 2017, or they will be subject to lapse.

NOTE 11- RESTRICTED FUNDS

The City has restricted a portion of the ending fund balance within both the PALRF and the PCRLF to fund Light-Rail related projects, general capital projects, and other future projects. The following is a breakdown of the restricted fund balance at June 30, 2016:

	PALRF	PCRLF
Restricted Capital Reserve- Metro Gold Line Enhancements	\$ 48,664	\$ -
Restricted- Light Rail Related Projects	510,425	551,000
Restricted- General Capital Projects	113,638	-
Restricted- Others	3,367,130	7,017,556
Total restricted funds and fund balance	\$ 4,039,857	\$ 7,568,556

CITY OF PASADENA

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

NOTE 12- TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND REVENUE ALLOCATION

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

	2016	2015
FY 2011/12 reserve	\$ -	\$ 31,303
FY 2012/13 reserve	6,041	93,777
Total	<u>\$ 6,041</u>	<u>\$ 125,080</u>

NOTE 13- TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUNDS RESERVED

In accordance with TDA Article 3 (SB821) Guidelines, funds which will not be 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 LACMTA. As of June 30, 2016 and 2015, the City has funds on reserve as follows:

	2016	2015
FY 2012/2013 reserve	\$ 8,028	\$ 14,069
FY 2013/2014 reserve	113,456	113,456
FY 2014/2015 reserve	92,396	92,396
FY 2015/2016 reserve	89,755	-
Total	<u>\$ 303,635</u>	<u>\$ 219,921</u>

NOTE 14- SUBSEQUENT EVENTS

The City has evaluated subsequent events or transactions that occurred subsequent to June 30, 2016 through December 5, 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 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
BRAINARD 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 PASADENA, 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 PASADENA, 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 5, 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 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 of 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 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 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 & Simpson".

Los Angeles, California
December 5, 2016

COMPLIANCE SECTION



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRAINARD 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 PASADENA, California and the
Los Angeles County Metropolitan Transit Authority

Report on Compliance

We have audited the compliance of the City of Pasadena, 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 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 City's compliance with those requirements.

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

In our opinion, the City of Pasadena 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 (TDAA3F) Fund for the year ended June 30, 2016.



Report on Internal Control over Compliance

Management of the City of Pasadena 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 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 we consider to be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 requirements of the Guidelines. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script, reading 'Simpson & Simpson'.

Los Angeles, California
December 5, 2016

CITY OF PASADENA
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	
3.	Funds were used on approved projects only and expenditures were supported and allowable per Guidelines.	X		None	
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) was 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 was properly credited to the Measure R Local Return Account.	X		None	

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

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		None	
4.	Fund were not substituted for property tax	X		None	
5.	Administrative expenses are within the 20% cap.	X		None	
6.	Form One (Expenditure Plan) 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 was properly credited to the Measure R Local Return Account.	X		None	
11.	funds were not used to supplant existing local revenue being used for transportation purpose	X		None	

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

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 PASADENA

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
June 30, 2016

No findings were noted.

EXIT CONFERENCE

CITY OF PASADENA

**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 5, 2016 with the City of Pasadena. Those in attendance were:

Simpson & Simpson Representative:

Joseph Simpson, Auditor

City's Representative:

Valerie Gibson – Transit Manager

Vicky Ly – Senior Accountant

Matters Discussed:

Results of the audit disclosed no significant financial and compliance issues.

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

Valerie Gibson – Transit Manager

Vicky Ly – Senior Accountant

Simpson & Simpson, LLP
633 West 5th Street, Suite 3320
Los Angeles, CA 90071

RE: CITY OF PASADENA ANNUAL FINANCIAL REPORT OF THE PROPOSITION A LOCAL RETURN FUND, PROPOSITION C LOCAL RETURN FUND, MEASURE R LOCAL RETURN FUND, AND TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

I have received the annual financial report of the Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, and Transportation Development Act Article 3 Fund for the years ended June 30, 2016 and 2015 for the City of Pasadena and agree with the contents of the report except as indicated below:

(Attach additional pages if necessary)

Very truly yours,

Name

Title

Date