



MetroTM

**City of Baldwin Park
Annual Financial Report of its**

**Proposition A Local Return Fund
Proposition C Local Return Fund
Measure R Local Return Fund
Transportation Development Act Article 3 Fund**

**As of and for the Year Ended June 30, 2016
with Report of Independent Auditors**

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FINANCIAL SECTION

Report of Independent Auditors

To the Honorable Members of the City Council of the City of Baldwin Park, 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, Proposition C Local Return Fund, Measure R Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds), of the City of Baldwin Park, California (the City) which comprise the Funds' balance sheets as of June 30, 2016, and the related statements of revenues, expenditures and changes in fund balances for the year then ended, and the related notes to the financial statements.

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.

Auditors' 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 Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund and the Transportation Development Act Article 3 Fund of the City of Baldwin Park, California, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund and the Transportation Development Act Article 3 Fund, as of and for the year ended June 30, 2015, were audited by other auditors, whose report, dated December 2, 2015, expressed an unmodified opinion on those statements.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund and the Transportation Development Act Article 3 Fund of the City and do not purport to, and do not present fairly the financial position of the City as of June 30, 2016, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on each of the Funds' financial statements as a whole. The supplementary information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information identified in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the Funds' basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the Funds' basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the Funds' basic financial statements or to the Funds' basic 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 each of the Funds' basic financial statements as a whole.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2016 on our consideration of the City's internal control over the Funds' 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 the Funds' financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over the Funds' 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 the Funds' financial reporting and compliance.

Vacquez & Company LLP

Los Angeles, California
December 22, 2016

**City of Baldwin Park
Proposition A Local Return Fund
Balance Sheets**

		June 30	
		2016	2015
ASSETS			
Cash and investments	\$	314,443	\$ 1,021,395
Accounts receivable		40	84
Interest receivable		204	414
Total assets	\$	314,687	\$ 1,021,893
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	12,774	\$ 73,353
Accrued payroll and employee benefits		4,067	4,640
Total liabilities		16,841	77,993
Fund balance			
Restricted		297,846	943,900
Total fund balance		297,846	943,900
Total liabilities and fund balance	\$	314,687	\$ 1,021,893

See notes to Funds financial statements.

City of Baldwin Park
Proposition A Local Return Fund
Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2016	2015
Revenues		
Proposition A	\$ 1,384,725	\$ 1,349,652
Proposition A Incentive Funds	268,731	-
Interest income	1,630	1,916
Project generated revenue	30,352	31,657
Other	4,772	5,551
Total revenues	1,690,210	1,388,776
Expenditures		
Various projects	2,336,264	1,416,955
Total expenditures	2,336,264	1,416,955
Deficiency of revenues over expenditures	(646,054)	(28,179)
Fund balance at beginning of year	943,900	972,079
Fund balance at end of year	\$ 297,846	\$ 943,900

See notes to Funds financial statements.

City of Baldwin Park
Proposition A Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2016
(With Comparative Actuals for 2015)

Project Code	Project Name	2016		Variance	2015 Actual
		LACMTA Budget	Actual	Positive (Negative)	
110-01	Fixed Route Shuttle Service	\$ 750,000	\$ 700,992	\$ 49,008	\$ 880,409
120-02	Dial-A-Ride Services	230,000	114,921	115,079	228,416
140-01	Recreational Transit	35,000	38,559 *	(3,559)	25,086
200-01	Transit Buses	710,500	1,027,266	(316,766)	-
480-02	Prop A Administration	350,000	454,526 *	(104,526)	283,044
Total expenditures		\$ 2,075,500	\$ 2,336,264	\$ (260,764)	\$ 1,416,955

* See Compliance Matrix and Schedule of Findings and Questioned Costs.

See report of independent auditors.

City of Baldwin Park
Proposition A Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2016

Date Acquired	Description	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
12/1982	Park and Ride Lot	\$ 260,000	\$ -	\$ -	\$ 260,000
01/1984	1984 Ford Press Van	22,670	-	-	22,670
12/1988	Motorola Trunk Portable Radio	1,059	-	-	1,059
12/1990	HP Laser Jet II Printer	1,703	-	-	1,703
06/1993	Bus Pad - Puente Ave	26,675	-	-	26,675
06/1993	Commuter Rail	1,192,269	-	-	1,192,269
02/1996	Computer 486 W117" Monitor	1,650	-	-	1,650
02/1996	HP 4P Printer	1,012	-	-	1,012
05/2001	Intec Camera System - Rearview	2,268	-	-	2,268
08/2001	Power Pressure Washer	11,217	-	-	11,217
04/2002	Ice Machine	2,305	-	-	2,305
12/2002	(5) Transit Buses	1,077,500	-	-	1,077,500
12/2004	Additional Cost for Buses	101,809	-	-	101,809
04/2016	(5) El Dorado EZ Rider II Max White CNG Buses	-	1,027,266	-	1,027,266
Total		\$ 2,702,137	\$ 1,027,266	\$ -	\$ 3,729,403

See report of independent auditors.

**City of Baldwin Park
Proposition C Local Return Fund
Balance Sheets**

		June 30	
		2016	2015
ASSETS			
Cash and investments	\$	2,776,130	\$ 2,131,975
Interest receivable		1,876	714
Total assets	\$	<u>2,778,006</u>	<u>\$ 2,132,689</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	40,218	\$ 16,682
Accrued payroll and employee benefits		16,254	7,727
Total liabilities		<u>56,472</u>	<u>24,409</u>
Fund balance			
Restricted		<u>2,721,534</u>	2,108,280
Total fund balance		<u>2,721,534</u>	<u>2,108,280</u>
Total liabilities and fund balance	\$	<u>2,778,006</u>	<u>\$ 2,132,689</u>

See notes to Funds financial statements.

City of Baldwin Park
Proposition C Local Return Fund
Statements of Revenues, Expenditures and Changes in Fund Balance

		Years ended June 30	
		2016	2015
Revenues			
Proposition C	\$	1,151,695	\$ 1,122,918
Interest income		5,472	2,190
Total revenues		1,157,167	1,125,108
Expenditures			
Various projects		543,913	303,551
Total expenditures		543,913	303,551
Excess of revenues over expenditures		613,254	821,557
Fund balance at beginning of year		2,108,280	1,286,723
Fund balance at end of year	\$	2,721,534	2,108,280

See notes to Funds financial statements.

City of Baldwin Park
Proposition C Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2016
(With Comparative Actuals for 2015)

Project Code	Project Name	2016			2015 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
150-01	Bus Stop Improvements Project	\$ 200,000	\$ 30,052	\$ 169,948	\$ -
170-01	Landscaping at Metrolink	80,000	70,260	9,740	20,336
170-02	Bus Shelter Maintenance	90,000	61,168	28,832	21,818
230-01	Park/Ride Lot - Security	1,700	-	1,700	-
230-02	Park/Ride Lot - Utilities	15,000	3,236	11,764	-
230-03	Landscaping I-10, Puente Ave and Baldwin Park Blvd	30,000	28,543	1,457	32,051
230-04	Graffiti Abatement at Metro Station	50,000	40,716	9,284	78,078
250-02	Bus Fare Subsidy Program	20,000	-	20,000	-
280-01	Marketing/Public Outreach (Transit Marketing)	-	-	-	13,504
410-01	Two Traffic Signals at Los Angeles St and La Rica Ave and Baldwin Park Blvd and Ohio St	329,000	203,110	125,890	-
430-01	San Gabriel River Commuter Bikeway Project	315,000	-	315,000	-
440-35	Roadway Striping Improvements	-	-	-	48,770
440-36	Street Name Signs - Main Streets and Bus Routes, Citywide	-	-	-	28,571
480-01	General Administration Prop C	100,000	106,828	(6,828)	60,423
	Total expenditures	\$ 1,230,700	\$ 543,913	\$ 686,787	\$ 303,551

See report of independent auditors.

City of Baldwin Park
Proposition C Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2016

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
1992-93	Commuter Rail	\$ 206,000	\$ -	-	\$ 206,000
1992-93	Computer	2,246	-	-	2,246
1999-00	Airless Paint Sprayer	3,895	-	-	3,895
2001-02	Paint Sprayer	3,779	-	-	3,779
2003-04	5 Gallon Shaker	5,950	-	-	5,950
2013-14	Transit Center	2,722,776	-	-	2,722,776
Total		\$ 2,944,646	\$ -	-	\$ 2,944,646

See report of independent auditors.

**City of Baldwin Park
Measure R Local Return Fund
Balance Sheets**

		June 30	
		2016	2015
ASSETS			
Cash and investments	\$	2,237,816	\$ 2,559,334
Interest receivable		1,665	945
Total assets	\$	<u>2,239,481</u>	<u>\$ 2,560,279</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	53,710	\$ 41,888
Accrued payroll and employee benefits		11,938	3,678
Total liabilities		<u>65,648</u>	<u>45,566</u>
Fund balance			
Restricted		<u>2,173,833</u>	<u>2,514,713</u>
Total fund balance		<u>2,173,833</u>	<u>2,514,713</u>
Total liabilities and fund balance	\$	<u>2,239,481</u>	<u>\$ 2,560,279</u>

See notes to Funds financial statements.

City of Baldwin Park
Measure R Local Return Fund

Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2016	2015
Revenues		
Measure R	\$ 861,966	\$ 839,817
Interest income	5,524	3,221
Other revenue	475	-
Total revenues	867,965	843,038
Expenditures		
Various projects	1,208,845	406,018
Total expenditures	1,208,845	406,018
Excess (deficiency) of revenues over expenditures	(340,880)	437,020
Fund balance at beginning of year	2,514,713	2,077,693
Fund balance at end of year	\$ 2,173,833	\$ 2,514,713

See notes to Funds financial statements.

City of Baldwin Park
Measure R Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2016
(With Comparative Actuals for 2015)

Project Code	Project Name	2016			2015 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
1-001	Street Improvements per New Complete Streets Policy and Green Streets Policy	\$ 500,000	\$ 275,574	\$ 224,426	\$ 69,229
1-002	Maine Ave Complete Streets Projects	140,000	69,611	70,389	
1-004	Street Repair and Median Modifications on Bus Routes	500,000	467,133	32,867	22,290
1-004	Replace Damaged Street Names and Directional Signs - Citywide	-	-	-	97,829
2-005	Synchronize Traffic Signals on Pacific Ave and on Maine Ave	15,000	-	15,000	-
2-006	Install New Traffic Signal at Los Angeles St and Hornbrook Ave	160,000	17,579	142,421	-
3-001	Pedestrian Sidewalk Improvements to Meet ADA Standards at Various Locations	-	-	-	60,000
3-001	Downtown Improvements	600,000	-	600,000	-
4-003	Public Transit Capital Graffiti Abatement	60,000	54,747	5,253	16,570
5-001	Bus Stop Repairs - Repair/Replace Damages on Shelter and Benches	10,000	8,880	1,120	11,506
5-005	Metrolink Station Maintenance	10,000	6,969	3,031	4,245
6-003	Promote Transportation Program - Outreach Material to Public	4,000	-	4,000	2,204
7-001	SGVCOG Dues and TDM Related Activities Required by the CMP	4,903	5,345	(442)	5,043
7-002	Planning and Engineering for Eligible Projects	60,000	67,319	(7,319)	36,600
8-001	Transportation Administration	377,781	235,688	142,093	80,502
Total expenditures		\$ 2,441,684	\$ 1,208,845	\$ 1,232,839	\$ 406,018

See report of independent auditors.

City of Baldwin Park
Measure R Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2016

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
2013-14	Transit Center	\$ 429,599	\$ -	\$ -	\$ 429,599
	Total	\$ 429,599	\$ -	\$ -	\$ 429,599

See report of independent auditors.

City of Baldwin Park
 Transportation Development Act Article 3 Fund
 Pursuant to Public Utilities Code Section 99234
 Balance Sheets

		June 30	
		2016	2015
ASSETS			
Cash		\$ 4,487	\$ 8,934
	Total assets	\$ 4,487	\$ 8,934
LIABILITIES AND FUND BALANCE			
Liabilities			
Due to LACMTA		\$ 937	\$ -
	Total liabilities	937	-
Fund balance			
Restricted		3,550	8,934
	Total fund balance	3,550	8,934
	Total liabilities and fund balance	\$ 4,487	\$ 8,934

See notes to Funds financial statements.

City of Baldwin Park
 Transportation Development Act Article 3 Fund
 Pursuant to Public Utilities Code Section 99234
Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2016	2015
Revenues		
Intergovernmental Allocations:		
Article 3	\$ 60,000	\$ 31,382
Interest income	5	16
Total revenues	60,005	31,398
Expenditures		
Construction/Maintenance	65,389	38,038
Total expenditures	65,389	38,038
Deficiency of revenues over expenditures	(5,384)	(6,640)
Fund balance at beginning of year	8,934	15,574
Fund balance at end of year	\$ 3,550	\$ 8,934

See notes to Funds financial statements.

City Baldwin Park
Transportation Development Act Article 3 Fund
Pursuant to Public Utilities Code Section 99234
Supplementary Information
Schedule of Transportation Development Act Allocation for Specific Projects
Year ended June 30, 2016

Project Description	Program Year	Totals to Date		Unexpended Allocations	Project Status
		Allocations	Expenditures		
Local Allocations:					
Major Street Rehabilitation Project	2015	\$ -	\$ 6,111	\$ (6,111)	Ongoing
Walnut Creek Nature Park Project, Phase 1	2016	25,000	27,000	(2,000)	Ongoing
San Gabriel River Bikeway Project	2016	35,000	32,278	2,722	Ongoing
Totals		<u>\$ 60,000</u>	<u>\$ 65,389</u>	<u>(5,389)</u>	
Interest income				5	
Fund balance at beginning of year				<u>8,934</u>	
Fund balance at end of year				<u>\$ 3,550</u> *	

* The TDA Article 3 fund balance is encumbered as of June 30, 2016 for the above ongoing projects.

See report of independent auditors.

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.

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

The PALRF, PCLRF, MRLRF, and TDAA3F are reported as Special Revenue Funds of the City and are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become "susceptible to accrual", that is, measurable and available to finance expenditures of the current period. Expenditures are recorded when the liability is 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.

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 do not purport to, and do not present fairly the City's financial position as of June 30, 2016, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

NOTE 3 PROPOSITION A AND PROPOSITION C LOCAL RETURN COMPLIANCE REQUIREMENTS

The Proposition A Ordinance requires that Local Return (LR) funds be used exclusively to benefit public transit. Expenditures related to fixed route and paratransit services, Transportation Demand Management, Transportation Systems Management and fare subsidy programs that exclusively benefit transit are all eligible uses of Proposition A LR funds. Proposition A LR funds may also be traded with other Jurisdictions in exchange for general or other funds.

The Proposition C Ordinance directs that LR funds also be used to benefit public transit, as described above, but provides an expanded list of eligible project expenditures including Congestion Management Programs, bikeways and bike lanes, street improvements supporting public transit service, and Pavement Management System projects. Proposition C LR funds cannot be traded.

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. See accompanying Compliance Matrix.

NOTE 4 MEASURE R LOCAL RETURN COMPLIANCE REQUIREMENTS

The Measure R Ordinance specifies that LR funds be used exclusively for transportation purposes.

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. See accompanying Compliance Matrix.

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

Please refer to the City's Comprehensive Annual Financial Report (CAFR) for a full description of risks relating to cash and investments.

NOTE 7 PROPOSITION A DISCRETIONARY GRANT

The Proposition A Discretionary Incentive Grant represents additional funds received from LACMTA for participating in the Voluntary NTD Program. The amounts received for the years ended June 30, 2016 and 2015 consisted of the following:

	2016	2015
FY 2011/12 Voluntary NTD Reporting Program Year	\$ 137,245	\$ -
FY 2012/13 Voluntary NTD Reporting Program Year	131,486	-
	\$ 268,731	\$ -

The Proposition A Discretionary Incentive Grants were recorded under PALRF.

NOTE 8 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 2012/13 allocation	\$ 11,406	\$ 31,382
FY 2013/14 allocation	48,594	-
	\$ 60,000	\$ 31,382

NOTE 9 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 2012/13 allocation	\$ -	\$ 11,406
FY 2013/14 allocation	13,248	61,842
FY 2014/15 allocation	50,366	50,366
FY 2015/16 allocation	48,884	-
	\$ 112,498	\$ 123,614

For FY 2015/16, any TDA Article 3 funds left on reserve for FY 2011/12 or prior, are subject to lapse if not claimed by the City by June 30, 2016. There were no funds that lapsed in FY 2015/16.

NOTE 10 SUBSEQUENT EVENTS

The City has evaluated subsequent events through December 22, 2016, the date the financial statements were available to be issued, and concluded no events have occurred that require disclosure or adjustments to the financial statements.

**Report of Independent Auditors 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 Baldwin Park, California and the
Los Angeles County Metropolitan Transportation Authority**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Baldwin Park, California (the 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 22, 2016.

Internal Control over Financial Reporting

In planning and performing our audits of the Funds' financial statements, we considered the City's internal control over the Funds' financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Funds' 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 Funds' 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 audits 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 Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, and Transportation Development Act Article 3 Fund 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 audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Los Angeles, California
December 22, 2016

COMPLIANCE SECTION

Report of Independent Auditors on Compliance

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

Report on Compliance

We have audited the compliance of the City of Baldwin Park, California (the 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 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 the Guidelines.

Auditors' 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 the 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. Those standards and the Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the Proposition A Local Return Program, Proposition C Local Return Program, Measure R Local Return Program, and Transportation Development Act Article 3 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 with the Guidelines. However, our audit does not provide a legal determination of the City's compliance with the Guidelines.

Opinion

In our opinion, the City of Baldwin Park, California complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2016.



Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, 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 on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the requirements, such that there is a reasonable possibility that material noncompliance 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 Findings #2016-001 and #2016-002, that we consider to be significant deficiencies.

The City's responses to the internal control over compliance finding 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 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 requirements of the Guidelines. Accordingly, this report is not suitable for any other purpose.

Los Angeles, California
December 22, 2016

**City of Baldwin Park
Compliance Matrix
Year ended June 30, 2016**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
A. Proposition A and Proposition C Local Return Funds					
1. Uses the State Controller's Uniform System of Accounts and Records.	X				
2. Timely use of funds.	X				
3. Funds expended were approved and have not been substituted for property tax.	X				
4. Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A)		X			See Finding #2016-001
5. Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	X				
6. All on-going and carryover projects were reported in Form B.	X				
7. Annual Project Summary Report (Form B) was submitted on time.	X				
8. Annual Expenditure Report (Form C) was submitted on time.	X				
9. Cash or cash equivalents are maintained.	X				
10. Accounting procedures, record keeping and documentation are adequate.	X				
11. Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	X				
12. Local Return Account is credited for reimbursable expenditures.			X		
13. Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.			X		
14. Assurances and Understandings form was on file.	X				
15. Recreational Transit Form was submitted on time.		X		\$7,309	See Findings #2016-002 and #2016-003

**City of Baldwin Park
Compliance Matrix
Year ended June 30, 2016**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
B. Measure R Local Return Fund					
1. Funds were expended for transportation purposes.	X				
2. Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	X				
3. Signed Assurances and Understandings on file.	X				
4. Separate Measure R Local Return Account was established.	X				
5. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X				
6. Funds were expended with LACMTA's approval.	X				
7. Expenditure Plan (Form One) was submitted on time.	X				
8. Expenditure Report (Form Two) was submitted on time.	X				
9. Timely use of funds.	X				
10. Administrative expenses are within the 20% cap.	X				
11. Fund exchanges were approved by LACMTA.			X		
12. A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.			X		
13. Recreational transit form was submitted on time.			X		
C. Transportation Development Act Article 3 Fund					
1. Timely use of funds.	X				
2. Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.	X				

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Baldwin Park
Schedule of Findings and Questioned Costs
Year ended June 30, 2016

PALRF: Finding #2016-001

Compliance Reference	Section I(C) of the Proposition A and C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	<p>The City exceeded LACMTA's approved budget by more than 25% without obtaining prior approval through a revised Form A for PALRF's Project code 480-02, Prop A Administration. Amount in excess of 25% of the approved budget was \$17,026.</p> <p>Projects with greater than 25% change from the approved project budget should be amended by submitting an amended Project Description Form (Form A).</p> <p>This is a repeat finding in FY 2014/15 audit.</p>
Cause	The City noted increases in two of its local return projects expenditure, but did not submit an amended Form A to LACMTA on time.
Effect	The City's PALRF project expenditures exceeded 25 percent of LACMTA's approved budget without LACMTA's approval and the City did not comply with the Guidelines.
Recommendation	We recommend for the City to submit a Form A to obtain LACMTA's approval for the change in project budget and for the City to implement controls to ensure compliance with this requirement at all times.
Management's Response	Finance Department will assign a staff to monitor compliance with expenditure guidelines and reporting deadlines and assist the City's LACMTA Coordinator to ensure required forms are submitted on time, including any amended forms and budgets.
Finding Corrected During the Audit	On December 19, 2016, the City subsequently submitted an amended Form A and obtained LACMTA's approval for the increase in the budget.

City of Baldwin Park
Schedule of Findings and Questioned Costs
Year ended June 30, 2016

PALRF: Finding #2016-002

Compliance Reference	Under Section III (A) of the Proposition A and Proposition C Local Return Guidelines, for Jurisdictions with Recreational Transit projects, Jurisdictions are required to annually submit an accounting of Recreational Transit trips, destinations and costs. This information should be submitted along with the Form C, no later than October 15 after the fiscal year.
Condition	The Recreational Transit report was submitted on November 14, 2016, which is beyond the due date of October 15, 2016. This is a repeat finding in FY 2014/15 audit.
Cause	With the resignation of the former Public Works Director in July 2016, the Engineering Manager assumed the function of the Director position and the LACMTA Coordinator and Associate Engineer, partly assumed the Engineering Manager function as well. Due to his overwhelming workload, he forgot to forward the Recreational Transit report that was sent to him by the Program Coordinator prior to the October 15 deadline.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that the Annual Recreational Transit Report is submitted by October 15 as required by the Guidelines.
Management's Response	Although the Recreational Transit report was timely prepared, staff forgot to forward the report to LACMTA before the deadline. Finance Department will assign a staff to monitor compliance with reporting deadlines and assist the City's LACMTA coordinator in ensuring that the required forms and reports are submitted within the deadline in the future.

City of Baldwin Park
Schedule of Findings and Questioned Costs
Year ended June 30, 2016

PALRF: Finding #2016-003

Compliance Reference	<p>Under Section II (A)(1)(1.3) of the Proposition A and Proposition C Local Return Guidelines, Jurisdictions shall submit a listing of Recreational Transit Services no later than October 15 after the fiscal year. Recreational Transit Service projects must meet the following conditions:</p> <p>Travel within the area of Los Angeles, Orange and Ventura Counties, and portions of Kern, Riverside and San Bernardino Counties are eligible expenditures. Trip segments to areas shown on the proportionately eligible areas of the map must be funded through other sources. Trips to locations not within either the eligible or proportionately eligible area are not eligible.</p>
Condition	<p>The City claimed the full recreational trip costs to Las Vegas, NV, which is clearly outside the recreational service area map. The cost of the trips that was not eligible for PALRF funding amounts to \$7,309.</p>
Cause	<p>Due to the overwhelming job responsibility as previously discussed, the Associate Engineer, who is also the LACMTA Coordinator, was not able to fully perform his due diligence review on the list of recreational trips report.</p>
Effect	<p>The City was not in compliance with the use of the local return funds under the Local Return Guidelines.</p>
Recommendation	<p>We recommend for the City to reimburse the PALRF account the amount of \$7,309. We also recommend for the City to establish procedures and controls to ensure that the location of the recreational trips are within the service area map as prescribed in the Guidelines. If trips are outside the eligible areas, the City should only claim the portion that is proportionately eligible for local return funding.</p>
Management's Response	<p>The City, through its LACMTA Coordinator, will issue a memo to the Program Coordinator and Recreation Department to remind them regarding the Recreational Transit eligible trip destinations and allowed expenditures. Finance Department will assist the LACMTA Coordinator in reviewing the Recreational Transit report prior to submission to LACMTA.</p>

EXIT CONFERENCE

An exit conference was held on December 22, 2016 with the City of Baldwin Park representatives. Those in attendance were:

Vasquez and Company LLP representatives:
Cristy Canieda – Partner
Marialyn Salvador – Audit Manager

City of Baldwin Park representative:
Cid Conde – Accounting Manager

Matters discussed:

Results of the audit disclosed instances of noncompliance with LACMTA Guidelines.

A copy of this report was forwarded to the following City of Baldwin Park representatives for comments prior to the issuance of the final report:

Rose Tam – Finance Director
Cid Conde – Accounting Manager



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Vasquez & Company LLP has over 45 years of experience in performing audit, accounting & consulting services for all types of nonprofit organizations, for-profit companies, governmental entities and publically traded companies. Vasquez is a member of the McGladrey Alliance. McGladrey Alliance is a premier affiliation of independent accounting and consulting firms. McGladrey Alliance provides its members with access to resources of RSM US LLP (formerly known as McGladrey LLP). McGladrey Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Visit <http://www.rsmus.com/aboutus> for more information regarding RSM US LLP and RSM International. McGladrey®, the McGladrey Alliance logo and the McGladrey Alliance signatures are proprietary to RSM US LLP, while RSM™ is used under license by RSM US LLP.

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