



MetroTM

**City of Huntington 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 Huntington 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 Huntington 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 audits. We conducted our audits 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 audits 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 Huntington 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

As discussed in Note 12, the fiscal year 2015 financial statements of Measure R Local Return Fund have been restated to correct a misstatement. Our opinion is not modified with respect to this 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, before the financial statements of Measure R Local Return Fund were restated for the matter discussed in Note 12, were audited by other auditors, whose report, dated December 22, 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 21, 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 21, 2016

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

		June 30	
		2016	2015
ASSETS			
Cash and investments	\$	408,373	\$ 509,363
Interest receivable		62	285
Accounts receivable		1,914	-
Total assets	\$	410,349	\$ 509,648
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	36,372	\$ 260,084
Accrued payroll		6,034	3,978
Other performance deposit		25,000	25,000
Total liabilities		67,406	289,062
Fund balance			
Restricted		342,943	220,586
Total fund balance		342,943	220,586
Total liabilities and fund balance	\$	410,349	\$ 509,648

See notes to Funds financial statements.

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

	Years ended June 30	
	2016	2015
Revenues		
Proposition A	\$ 1,065,561	\$ 1,036,783
Proposition A Discretionary Incentive Grant	88,010	95,922
Project generated revenues	102,725	129,815
Investment income	302	1,213
Miscellaneous revenue	1,000	-
Total revenues	1,257,598	1,263,733
 Expenditures		
Various projects	1,135,241	1,588,731
Total expenditures	1,135,241	1,588,731
 Excess (deficiency) of revenues over expenditures	122,357	(324,998)
 Fund balance at beginning of year	220,586	545,584
 Fund balance at end of year	\$ 342,943	\$ 220,586

See notes to Funds financial statements.

City of Huntington 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			2015 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
110-02	Fixed Route Public Transit Services	\$ 455,000	\$ 407,434	\$ 47,566	\$ 282,342
120-01	General Public Paratransit Dial-A-Ride	500,000	503,325	(3,325)	862,677
140-02	Special Event Transit	15,000	11,445	3,555	9,795
250-01	User Side Subsidy (Elderly/Handicapped)	55,000	55,000	-	70,584
270-01	Transportation Planning Organization Dues	40,000	40,000	-	-
480-03	Administration Prop A	129,004	118,037	10,967	363,333
Total expenditures		\$ 1,194,004	\$ 1,135,241	\$ 58,763	\$ 1,588,731

See report of independent auditors.

City of Huntington Park
Proposition A 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>
6/30/2000	Fargo Quatro I.D.	\$ 4,435	\$ -	\$ -	\$ 4,435
7/17/2003	2005 Chevrolet 15-Passenger Express Van	27,929	-	-	27,929
7/28/2003	Chevrolet Van Unit #195	645	-	-	645
7/30/2008	El Dorado Elite 270	610,512	-	-	610,512
6/14/2010	Ford E-350 Paratransit bus	53,131	-	-	53,131
6/15/2010	Ford E-350 Paratransit bus	60,578	-	-	60,578
6/16/2010	Ford E-350 Paratransit bus	60,578	-	-	60,578
6/17/2010	Ford E-350 Paratransit bus	60,578	-	-	60,578
2/16/2016	Starcraft Allstar Bus	-	252,908	-	252,908
Total		\$ 878,386	\$ 252,908	\$ -	\$ 1,131,294

See report of independent auditors.

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

		June 30	
		2016	2015
ASSETS			
Cash and investments	\$	433,198	\$ 569,431
Interest receivable		89	320
Total assets	\$	433,287	\$ 569,751
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	386,595	\$ 17,329
Accrued payroll		12,471	5,618
Total liabilities		399,066	22,947
Fund balance			
Restricted		34,221	546,804
Total fund balance		34,221	546,804
Total liabilities and fund balance	\$	433,287	\$ 569,751

See notes to Funds financial statements.

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

	Years ended June 30	
	2016	2015
Revenues		
Proposition C	\$ 889,087	\$ 865,402
Interest income	1,411	860
Total revenues	890,498	866,262
 Expenditures		
Various projects	1,403,081	549,188
Total expenditures	1,403,081	549,188
 Excess (deficiency) of revenues over expenditures	(512,583)	317,074
 Fund balance at beginning of year	546,804	229,730
 Fund balance at end of year	\$ 34,221	\$ 546,804

See notes to Funds financial statements.

City of Huntington 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)	
110-02	Fixed Route Public Transit Services	\$ 445,000	\$ 586,909	\$ (141,909) *	\$ 187,636
120-01	General Public Paratransit Dial-A-Ride	150,000	122,084	27,916	-
150-01	Bus Stop Improvements	179,319	113,026	66,293	-
170-01	Bus Shelter Maintenance Program	-	-	-	104,605
270-02	Gateway Cities Council of Government I- 710 Major Corridor Study	25,000	-	25,000	25,000
270-03	Huntington Park Local Transit Service Operations	150,000	60,527	89,473	-
280-01	Huntington Park Express Bus Wraps	28,000	27,981	19	-
440-01	Pacific Boulevard Pedestrian Improvements	2,000,000	207,873	1,792,127	-
440-02	Street Operation Program Bus Route	-	-	-	19,858
480-03	Administration Prop C	329,749	284,681	45,068 *	212,089
Total expenditures		\$ 3,307,068	\$ 1,403,081	\$ 1,903,987	\$ 549,188

* See Compliance Matrix and Schedule of Findings and Questioned Costs

See report of independent auditors.

City of Huntington 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>
1/01/2002	Bus Shelter Improvement	\$ 127,166	\$ -	\$ -	\$ 127,166
8/31/2005	Santa Fe Resurfacing	29,907	-	-	29,907
	Total	\$ 157,073	\$ -	\$ -	\$ 157,073

See report of independent auditors.

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

		June 30	
		2016	2015 (as restated)
ASSETS			
Cash and investments	\$	1,713,930	\$ 1,398,832
Due from LACMTA		696,669	-
Interest receivable		1,894	685
Total assets	\$	2,412,493	\$ 1,399,517
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	524,056	\$ 93,529
Accrued payroll		3,993	989
Total liabilities		528,049	94,518
Fund balance			
Restricted		1,884,444	1,304,999
Total fund balance		1,884,444	1,304,999
Total liabilities and fund balance	\$	2,412,493	\$ 1,399,517

See notes to Funds financial statements.

**City of Huntington Park
Measure R Local Return Fund**

Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2016	2015 (as restated)
Revenues		
Measure R	\$ 663,292	\$ 645,132
Open Street Grant Program	417,839	-
LACMTA Call for Projects Grant	278,831	-
Interest income	4,828	2,308
Proceeds from sale of assets	8,600	-
Total revenues	1,373,390	647,440
Expenditures		
Various projects	793,945	662,284
Total expenditures	793,945	662,284
Excess (deficiency) of revenues over expenditures	579,445	(14,844)
Other financing source		
Transfers-in	-	63,034
Total other financing source	-	63,034
Net change in fund balance	579,445	48,190
Fund balance at beginning of year, as restated	1,304,999	1,256,809
Fund balance at end of year	\$ 1,884,444	\$ 1,304,999

See notes to Funds financial statements.

City of Huntington 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		Variance Positive (Negative)	2015 Actual (as restated)
		LACMTA Budget	Actual		
3.05	Parklette Construction	\$ -	\$ -	\$ -	101,340
3.10	MultiModel Way Finding Signs	-	-	-	11,270
5.20	Park and Ride Lot Lighting and Security Improvement	-	-	-	46,718
6.40	Kiosks and Traffic Control Equipment for Bike Events	-	-	-	65,387
6.40	Promotions and Events	638,515	519,415	119,100	-
7.10	Eco Rapid Transit JPA Membership Dues	-	-	-	5,962
7.90	Pacific Blvd Revitalization - Pedestrian Improvements	-	-	-	248,724
7.90	Other Planning, Engineering or CMP	578,000	200,772	377,228	-
8.10	Salary and Benefits for Admin	-	-	-	182,883
8.10	Fund Administration	65,840	73,758	(7,918)	-
Total expenditures		\$ 1,282,355	\$ 793,945	\$ 488,410	\$ 662,284

See report of independent auditors.

City of Huntington 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>
10/9/2014	Samsung LED Sign	\$ 6,450	\$ -	\$ -	\$ 6,450
Total		\$ 6,450	\$ -	\$ -	\$ 6,450

See report of independent auditors.

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

		June 30	
		2016	2015
ASSETS			
Cash and investments	\$	4,302	\$ -
Due from LACMTA		-	64,679
Interest receivable		32	-
Total assets	\$	4,334	\$ 64,679
LIABILITIES AND FUND BALANCE			
Liabilities			
Due to other fund	\$	14,604	\$ 16,535
Total liabilities		14,604	16,535
Fund balance (deficit)			
Restricted		(10,270)	48,144
Total fund balance (deficit)		(10,270)	48,144
Total liabilities and fund balance (deficit)	\$	4,334	\$ 64,679

See notes to Funds financial statements.

City of Huntington 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	\$ -	\$ 64,679
Interest income	193	15
Total revenues	193	64,694
Expenditures		
Construction/Maintenance	58,607	46,177
Total expenditures	58,607	46,177
Excess (deficiency) of revenues over expenditures	(58,414)	18,517
Fund balance at beginning of year	48,144	29,627
Fund balance (deficit) at end of year	\$ (10,270)	\$ 48,144

See notes to Funds financial statements.

City of Huntington 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:					
City-wide Pedestrian Signal and Sidewalk Repairs	2016	\$ -	\$ 58,607	\$ (58,607)	Completed
Totals		\$ -	\$ 58,607	(58,607)	
Interest income				193	
Fund balance at beginning of year				48,144	
Fund balance (deficit) at end of year				\$ (10,270)	

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 INCENTIVE GRANT

Proposition A Discretionary Incentive Grant represents additional funds received from LACMTA for participating in the National Transit Database Reporting Program. The Proposition A Discretionary Incentive Grant was recorded under PALRF. The City received \$88,010 and \$95,922 for the years ended June 30, 2016 and 2015, respectively, for participating in the program.

NOTE 8 PROJECT GENERATED REVENUES

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

		2016		2015
Dial-A-Ride fares	\$	665	\$	27,756
Fixed route fares		69,546		69,297
MTA bus pass sales		31,600		32,588
Miscellaneous incomes		1,914		174
	\$	103,725	\$	129,815

NOTE 9 MEASURE R OPEN STREET GRANT PROGRAM AND CALL FOR PROJECTS

In June 2014, the LACMTA Board approved the award of \$598,515 to the City for its Open Street Event titled CicLAvia: Southeast Cities (Open Street Grant Program). Under the agreement, LACMTA as the pass through agency will advance local funds up to the grant amount for the project and then submits requests based on the City's invoices, to Caltrans for reimbursement with Congestion Mitigation Air Quality (CMAQ) funds. The CMAQ funds are provided to LACMTA pursuant to another grant dated August 2014 between Caltrans and LACMTA. Meanwhile, the City has agreed to provide the required local match (in kind or monetary) of \$194,235 as additional funding to complete the project. The one-time grant is paid on reimbursement basis and the City is required to comply with all requirements of the federal grant and other applicable requirements of the United States Department of Transportation, the United States Department of Labor, and Caltrans. The City recognized \$417,839 of revenue from this program during the year ended June 30, 2016.

In September 2009, the LACMTA Board of Directors approved the Pacific Boulevard Pedestrian Improvement Project as part of the 2009 Call for Projects. Under the agreement, LACMTA will make a one-time grant of the Local Transportation Funds for the projects to the extent the funds are available. The release of funds to the City is made on a reimbursement basis and the City is required to submit a quarterly progress/expenditure report within a certain number of days after the close of each quarter. The City recognized \$278,831 of revenue from this program during the year ended June 30, 2016.

NOTE 10 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 2010/11 reserve	\$ -	\$ 25,985
FY 2011/12 reserve	-	30,944
FY 2012/13 reserve	-	7,750
	\$ -	\$ 64,679

NOTE 11 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 reserve	\$ 37,950	\$ 37,950
FY 2013/14 reserve	47,509	47,509
FY 2014/15 reserve	38,694	38,694
FY 2015/16 allocation	37,621	-
	\$ 161,774	\$ 124,153

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 12 RESTATEMENT OF MEASURE R LOCAL RETURN FUND FINANCIAL STATEMENTS

The 2015 financial statements of Measure R Local Return Fund were restated to reflect the adjustments on the following accounts:

	Balance, as previously reported	Adjustment	Balance, as restated
Cash and investment	\$ 1,335,798	\$ 63,034	\$ 1,398,832
Due from General Fund	63,034	(63,034)	-
Transfers-in	-	63,034	63,034
Interest income	2,893	(585)	2,308
Expenditures	599,197	63,087	662,284
Fund balance, beginning	1,256,171	638	1,256,809

NOTE 13 SUBSEQUENT EVENTS

The City has evaluated subsequent events through December 31, 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 Huntington 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 Huntington 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 21, 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 an instance 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 21, 2016**

COMPLIANCE SECTION

Report of Independent Auditors on Compliance

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

Report on Compliance

We have audited the compliance of the City of Huntington 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 with the Guidelines 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 Huntington 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 consider the deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as Findings #2016-001 and #2016-002 to be material weaknesses.

Other Matters

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

A handwritten signature in black ink that reads "Vasquez & Company LLP".

Los Angeles, California
December 21, 2016

**City of Huntington 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		\$5,081	See Finding #2016-002
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				

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

Finding #2016-001: PCLRF

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 percent without obtaining prior approval through a revised Form A for Project code 110-02, Fixed Route Public Transit Services. The amount in excess of 25 percent of the approved budget was \$30,659.</p> <p>Projects with greater than 25 percent 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 from prior year audit.</p>
Cause	Transitions have unintended consequences in the organization; this is evidenced in the particular circumstances relating to LACMTA's Propositions A and C. The Public Works department has been in flux for the past 2+ years, and only recently (in the last 30 days) has there been an appointment of a permanent Public Works Director. This appointment should serve to provide stability within the organization for projects and reporting within the capital projects sphere, and should facilitate more timely reporting to grantors.
Effect	The City's PCLRF 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 the City submit Form A to obtain LACMTA's approval for any changes in the project's originally approved budget. Also, we recommend the City implement controls to ensure compliance with this requirement.

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

Finding #2016-001: PCLRF (Continued)

Management's Response	Given that, this past week, we drafted and distributed an Administrative Instruction (AI) regarding Propositions A and C funds. The AI articulates the responsibilities for time and responsibility reporting to MTA. The Public Works Director has the responsibility for the submission of Capital Project Information and budgetary changes, with Financial Reporting (CFO) providing year-end expenditure data.
Findings Resolved During the Audit	LACMTA Program Manager granted a retroactive approval of the increase in project budget on December 21, 2016. No follow up is required.

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

Finding #2016-002: PCLRF

Compliance Reference	Section II (A)(15) of Proposition C Local Return Program Guideline states that, "The administrative expenditures for any year shall not exceed 20 percent of the total LR annual expenditures, based on year-end expenditures, and will be subject to an audit finding if the figure exceeds 20 percent."
Condition	<p>The City's administrative expenditures exceeded more than 20 percent of its total Proposition C Local Return expenditures in the amount of \$5,081.</p> <p>This is a repeat finding from prior year audit.</p>
Cause	<p>Transitions have unintended consequences in the organization; this is evidenced in the particular circumstances relating to LACMTA's Propositions A and C. The Public Works department has been in flux for the past 2+ years, and only recently (in the last 30 days) has there been an appointment of a permanent Public Works Director. This appointment should serve to provide stability within the organization for projects and reporting within the capital projects sphere, and should facilitate more timely reporting to grantors.</p> <p>Transitions also matter in this regard; lack of program familiarity also has an impact as to the understanding of limitations on administrative expenses</p>
Effect	The City's PCLRF administrative expenditures exceeded 20 percent of its local return annual expenditure and the City did not comply with the Guidelines.
Recommendation	We recommend the City establish procedures and controls to ensure administrative charges do not exceed 20 percent of the local return annual expenditures. Also, we recommend the City return the excess to PCLRF.
Management's Response	The Finance Department is very much aware of this requirement and via Administrative Instruction, has communicated the same to the City Manager and the Public Works Department.
Findings Resolved During the Audit	The City has reimbursed the City's PCLRF account the amount of \$5,081 in FY 2016/17. No follow up is required.

EXIT CONFERENCE

An exit conference was held on December 21, 2016 with the City of Huntington Park representatives. Those in attendance were:

Vasquez and Company LLP representatives:
Marialyn Salvador – Audit Manager
Cynthia Villamin – Audit Supervisor

City of Huntington Park representatives:
Jan Mazyck – Finance Director
Annie Ruiz – Accounting Manager
Edwin Aragon – Senior Accountant

Matters discussed:

Results of the audit disclosed instances of noncompliance with the Local Return Guidelines.

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

Jan Mazyck – Finance Director
Annie Ruiz – Accounting Manager
Edwin Aragon – Senior Accountant



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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 publicly traded companies. Vasquez is a member of the RSM US Alliance. RSM US Alliance provides its members with access to resources of RSM US LLP. RSM US 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. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International. Visit rsmus.com/about-us for more information regarding RSM US LLP and RSM International. The RSM™ logo is used under license by RSM US LLP. RSM US Alliance products and services are proprietary to RSM US LLP.

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