



MetroTM

**City of Maywood
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 Maywood, 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 Maywood, 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 Maywood, 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 4, 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 19, 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 19, 2016

**City of Maywood
 Proposition A Local Return Fund
 Balance Sheets**

		June 30	
		2016	2015
ASSETS			
Cash and investments	\$	595,940	\$ 76,682
Total assets	\$	595,940	\$ 76,682
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	-	\$ -
Total liabilities		-	-
Fund balance			
Restricted		595,940	76,682
Total fund balance		595,940	76,682
Total liabilities and fund balance	\$	595,940	\$ 76,682

See notes to Funds financial statements.

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

		Years ended June 30	
		2016	2015
Revenues			
Proposition A	\$	501,039	\$ 488,291
Proposition A Discretionary Incentive Grant		18,094	17,558
Interest income		125	499
Total revenues		519,258	506,348
Expenditures			
Various projects		-	1,350,000
Total expenditures		-	1,350,000
Excess (deficiency) of revenues over expenditures		519,258	(843,652)
Fund balance at beginning of year		76,682	920,334
Fund balance at end of year		\$ 595,940	\$ 76,682

See notes to Funds financial statements.

City of Maywood
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)	
405-02	Sale of Prop A Funds to Hawaiian Gardens	\$ 500,000	\$ -	\$ 500,000	\$ 500,000
405-03	Fund Exchange	-	-	-	850,000
	Total expenditures	\$ 500,000	\$ -	\$ 500,000	\$ 1,350,000

See report of independent auditors.

City of Maywood
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>
	None	\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See report of independent auditors.

**City of Maywood
Proposition C Local Return Fund
Balance Sheets**

		June 30	
		2016	2015
ASSETS			
Cash and investments	\$	866,997	\$ 1,000,794
Prepaid expense		-	2,706
Total assets	\$	866,997	\$ 1,003,500
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	90,514	\$ 55,536
Accrued payroll		1,009	450
Due to other funds		-	120,654
Total liabilities		91,523	176,640
Fund balance			
Restricted		775,474	826,860
Total fund balance		775,474	826,860
Total liabilities and fund balance	\$	866,997	\$ 1,003,500

See notes to Funds financial statements.

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

	Years ended June 30	
	2016	2015
Revenues		
Proposition C	\$ 417,082	\$ 406,605
Interest income	327	481
Bus pass sales	9,684	9,432
Total revenues	427,093	416,518
Expenditures		
Various projects	478,479	418,933
Total expenditures	478,479	418,933
Deficiency of revenues over expenditures	(51,386)	(2,415)
Fund balance at beginning of year	826,860	829,275
Fund balance at end of year	\$ 775,474	\$ 826,860

See notes to Funds financial statements.

City of Maywood
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		Variance Positive (Negative)	2015 Actual
		LACMTA Budget	Actual		
110-01	Maywood Area Transit	\$ 225,700	\$ 226,489 *	\$ (789)	\$ 208,159
120-01	Maywood Dial-A-Ride	160,000	191,555 *	(31,555)	161,424
250-01	Bus Pass Subsidy Program	49,600	60,435	(10,835)	49,350
	Total expenditures	\$ 435,300	\$ 478,479	\$ (43,179)	\$ 418,933

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

See report of independent auditors.

City of Maywood
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>
	None	\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See report of independent auditors.

**City of Maywood
Measure R Local Return Fund
Balance Sheets**

		June 30	
		2016	2015
ASSETS			
Cash and investments	\$	1,197,273	\$ 1,319,481
Total assets	\$	1,197,273	\$ 1,319,481
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	-	\$ 382,898
Accrued payroll		-	26,091
Total liabilities		-	408,989
Fund balance			
Restricted		1,197,273	910,492
Total fund balance		1,197,273	910,492
Total liabilities and fund balance	\$	1,197,273	\$ 1,319,481

See notes to Funds financial statements.

City of Maywood
Measure R Local Return Fund

Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2016	2015
Revenues		
Measure R	\$ 311,887	\$ 303,837
Interest income	346	420
Total revenues	312,233	304,257
 Expenditures		
Various projects	25,452	606,863
Total expenditures	25,452	606,863
 Excess (deficiency) of revenues over expenditures	 286,781	 (302,606)
 Fund balance at beginning of year	 910,492	 1,213,098
 Fund balance at end of year	 \$ 1,197,273	 \$ 910,492

See notes to Funds financial statements.

City of Maywood
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)	
1.05	Slurry Seal on Various Streets	\$ 500,000	\$ -	\$ 500,000	\$ -
1.05	Local Street Improvement Project	850,000	15,452	834,548	596,863
7.90	Pavement Management System	20,000	-	20,000	-
8.10	Gateway Cities Council of Governments	10,000	10,000	-	10,000
	Total expenditures	\$ 1,380,000	\$ 25,452	\$ 1,354,548	\$ 606,863

See report of independent auditors.

City of Maywood
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>
	None	\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See report of independent auditors.

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

		June 30	
		2016	2015
ASSETS			
Cash	\$	6,572	\$ -
Due from LACMTA		-	22,382
Total assets	\$	6,572	\$ 22,382
LIABILITIES AND FUND BALANCE			
Liabilities			
Due to LACMTA	\$	-	\$ 15,810
Unearned revenues		6,572	6,572
Total liabilities		6,572	22,382
Fund balance			
Restricted		-	-
Total fund balance		-	-
Total liabilities and fund balance	\$	6,572	\$ 22,382

See notes to Funds financial statements.

City of Maywood
Transportation Development Act Article 3 Fund
Pursuant to Public Utilities Code Section 99234
Supplementary Information
Statement of Revenues, Expenditures and Changes in Fund Balance
Year ended June 30, 2016

	Years ended June 30	
	2016	2015
Revenues		
Intergovernmental Allocations:		
Article 3	\$ -	\$ 15,810
Total revenues	-	15,810
 Expenditures		
Construction/Maintenance	-	63,302
Total expenditures	-	63,302
Deficiency of revenues over expenditures	-	(47,492)
 Other financing use		
Funds returned to LACMTA	-	(45,942)
Deficiency of revenues over expenditures and other financing use	-	(93,434)
Fund balance at beginning of year	-	93,434
Fund balance at end of year	\$ -	\$ -

See notes to Funds financial statements.

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 amounting to \$18,094 and \$17,558 for the years ended June 30, 2016 and 2015, respectively, represent additional funds received from LACMTA for participating in the Voluntary National Transit Database (NTD) Reporting Program.

The Proposition A Discretionary Incentive Grant 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 2013/14 allocation	\$ -	\$ 15,810
	\$ -	\$ 15,810

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 2014/15 reserve	\$ 18,232	\$ 18,232
FY 2015/16 allocation	17,699	-
	\$ 35,931	\$ 18,232

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 19, 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 Maywood, 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 Maywood, 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 19, 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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be a material weakness.

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. We consider the deficiency in internal control described in the Schedule of Findings and Questioned Costs as Finding #2016-001 to be a material weakness.



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* and which is described in the Schedule of Findings and Questioned Costs as Finding #2016-001.

The City's Response to the Finding

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

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 19, 2016

COMPLIANCE SECTION

Report of Independent Auditors on Compliance

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

Report on Compliance

We have audited the compliance of the City of Maywood, 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 Maywood, 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 preceding paragraph 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 identified 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 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 "Vaguez & Company LLP".

Los Angeles, California
December 19, 2016

**City of Maywood
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				
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		\$13,416	See Findings #2016-001 and #2016-002
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 Maywood
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		No expenditures in FY 2015/16.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

PCLRF: Finding #2016-001

Compliance Reference	Under Section II(C) of the Proposition A and Proposition C Local Return Guidelines, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation".
Condition	<p>The City claimed expenditures under the following PCLRF projects without proper authorization:</p> <ul style="list-style-type: none"> a. Project code 110-01, Maywood Area Transit - \$6,708 b. Project code 120-01, Dial-A-Ride - \$6,708 <p>Based on the available information provided during the audit, these are portions of the professional billings of Urban Associates for providing services as Interim City Manager.</p> <p>The City was unable to provide proper documentation supporting the procurement of the contracted service and there was also no signed contract. In addition, the City was not able to provide the basis for the allocation of the monthly fees to the projects.</p>
Cause	The City's management failed to effectively oversee its procurement process which allows numerous instances of noncompliance with competitive bidding requirements and with other provisions of the municipal code, state law, and the terms of the City's contracts with its service providers.
Effect	The expenditures charged to the PCLRF projects without proper supporting documentation and/or prior written authorization resulted in total questioned costs of \$13,416 and is required to be returned to the PCLRF account.
Recommendation	<p>In accordance with the Guidelines, we recommend that the City reimburse its PCLRF account in the amount of \$13,416.</p> <p>We also recommend that the City establish controls to ensure that the expenditures charged to the Local Return funds are adequately supported by contracts, invoices, canceled checks or similar documentation to ensure that charges are properly authorized and in compliance with the Guidelines.</p>
Management's Response	We agree with this recommendation. The City is in the process of reviewing Internal Controls to ensure all present and future expenditures charged to the Local Return funds are adequately supported to ensure that charges are properly authorized and in compliance with the Guidelines.
Finding Corrected During the Audit	The City has reimbursed the City's PCLRF account the amount of \$13,416 in FY 2016/17. No follow up is required.

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

PCLRF: Finding #2016-002

Compliance Reference	<p>Under Section II(A)(15) of the Proposition A and Proposition C Local Return Guidelines, "Jurisdictions are required to report all administrative charges to Direct Administration in order to verify compliance of 20% administration cap."</p> <p>Direct Administration is defined as those fully burdened costs which are directly associated with administering Local Return program or projects, and includes salaries and benefits, office supplies and equipment, and other overhead costs.</p>
Condition	<p>The City claimed expenditures under the following PCLRF projects are directly associated with administering the Local Return projects and therefore, should be reported under Project code 480, Direct Administration.</p> <p>c. Project code 110-01, Maywood Area Transit - \$29,280 d. Project code 120-01, Dial-A-Ride - \$26,574 e. Project code 250-01, Bus Pass Subsidy Program - \$8,360</p> <p>Although we found the expenditures to be eligible and allowable for LR funding and did not exceed the 20% cap, the expenditures were not reported under the proper project code.</p>
Cause	<p>There appears to be lack of oversight by management on the compliance with the requirements of the Guidelines.</p>
Effect	<p>The City did not comply with the Local Return Guidelines when the administration costs were not reported in the proper project code as defined in the Guidelines.</p>
Recommendation	<p>We recommend for the City to submit a Form A to LACMTA for Project code 480, Direct Administration, and establish controls to ensure that all administrative costs related to the local return projects are reported under this project code to verify compliance with the 20% administration cap.</p>
Management's Response	<p>We agree with this recommendation. Going forward the City will submit a Form A to LACMTA for Project code 480, Direct Administration. The City is currently in the process of reviewing all accounting process and internal controls and will ensure that all administrative costs related to the local return projects are reported under this code.</p>

EXIT CONFERENCE

An exit conference was held on December 19, 2016 with the City of Maywood representatives. Those in attendance were:

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

City of Maywood representatives:
Ofelia Mancera – Principal Accountant
May Ramos – 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 Maywood representatives for comments prior to the issuance of the final report:

Ofelia Mancera – Principal Accountant
Ruby Villanueva – Interim Accounting Manager



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