



**Metro**<sup>TM</sup>

**City of Pico Rivera  
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**

	<u>PAGE</u>
<b>FINANCIAL SECTION</b>	
Report of Independent Auditors	1
Proposition A Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	4
Statements of Revenues, Expenditures and Changes in Fund Balance	5
Supplementary Information:	
Schedule of Expenditures – Actual and LACMTA Approved Project Budget	6
Schedule of Capital Assets	7
Proposition C Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	8
Statements of Revenues, Expenditures and Changes in Fund Balance	9
Supplementary Information:	
Schedule of Expenditures – Actual and LACMTA Approved Project Budget	10
Schedule of Capital Assets	11
Measure R Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	12
Statements of Revenues, Expenditures and Changes in Fund Balance	13
Supplementary Information:	
Schedule of Expenditures – Actual and LACMTA Approved Project Budget	14
Schedule of Capital Assets	15
Transportation Development Act Article 3 Fund:	
Basic Financial Statements:	
Balance Sheets	16
Statements of Revenues, Expenditures and Changes in Fund Balance	17
Supplementary Information:	
Schedule of Transportation Development Act Allocation for Specific Projects	18
Notes to Funds Financial Statements	19
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 <i>Government Auditing Standards</i>	24
<b>COMPLIANCE SECTION</b>	
Report of Independent Auditors on Compliance	26
Compliance Matrix	28
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>	<b>30</b>
<b>EXIT CONFERENCE</b>	<b>31</b>

**FINANCIAL SECTION**

## Report of Independent Auditors

### To the Honorable Members of the City Council of the City of Pico Rivera, 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 Pico Rivera, 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 Pico Rivera, 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 11, 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 11 were audited by other auditors, whose report, dated December 15, 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 Pico Rivera  
 Proposition A Local Return Fund  
 Balance Sheets

		June 30	
		2016	2015
<b>ASSETS</b>			
Cash and investments	\$	1,819,469	\$ 1,389,251
Accounts receivable		30,806	-
Interest receivable		3,305	1,889
<b>Total assets</b>	<b>\$</b>	<b><u>1,853,580</u></b>	<b><u>\$ 1,391,140</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$	10,189	\$ 111,027
Accrued payroll and employee benefits		1,040	5,666
<b>Total liabilities</b>		<b><u>11,229</u></b>	<b><u>116,693</u></b>
<b>Deferred inflows of resources</b>			
Unavailable revenues		30,806	-
<b>Total deferred inflows of resources</b>		<b><u>30,806</u></b>	<b><u>-</u></b>
<b>Fund balance</b>			
Restricted		1,811,545	1,274,447
<b>Total fund balance</b>		<b><u>1,811,545</u></b>	<b><u>1,274,447</u></b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$</b>	<b><u>1,853,580</u></b>	<b><u>\$ 1,391,140</u></b>

*See notes to Funds financial statements.*

**City of Pico Rivera**  
**Proposition A Local Return Fund**  
**Statements of Revenues, Expenditures and Changes in Fund Balance**

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	Years ended June 30	
	2016	2015
<b>Revenues</b>		
Proposition A	\$ 1,152,924	\$ 1,123,617
Proposition A Discretionary Incentive Grant	-	41,584
Investment income	13,231	6,084
Bus pass sales	7,309	8,290
<b>Total revenues</b>	<b>1,173,464</b>	<b>1,179,575</b>
 <b>Expenditures</b>		
Various projects	636,366	710,605
<b>Total expenditures</b>	<b>636,366</b>	<b>710,605</b>
 Excess of revenues over expenditures	 537,098	 468,970
Fund balance at beginning of year	1,274,447	805,477
Fund balance at end of year	\$ 1,811,545	\$ 1,274,447

*See notes to Funds financial statements.*



**City of Pico Rivera**  
**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)**

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Project Code	Project Name	2016			2015 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
130-02	Special Service of U & H	\$ 605,510	\$ 411,681	\$ 193,829	\$ 490,359
170-01	Bus Shelter Maintenance	113,390	118,924	(5,534)	118,534
250-06	MTA Bus Pass Buydown	24,100	18,505	5,595	17,426
270-03	Goldline Eastside Transit Corridor Phase 2	-	-	-	30,000
480-05	Administration	175,000	87,256	87,744	54,286
<b>Total expenditures</b>		<b>\$ 918,000</b>	<b>\$ 636,366</b>	<b>\$ 281,634</b>	<b>\$ 710,605</b>

*See report of independent auditors.*

**City of Pico Rivera**  
**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>
2010	Bus for Dial-A-Ride Program	\$ 56,727	\$ -	\$ -	\$ 56,727
2010	Bus for Dial-A-Ride Program	56,727	-	-	56,727
2012	Pico Park Transit Hub-Pkg lot Expansion	700,000	-	-	700,000
2014	Bus Shelter Replacement	203,655	-	-	203,655
2015	Gold Line Extension Project	60,000	-	-	60,000
<b>Total</b>		<b>\$ 1,077,109</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,077,109</b>

*See report of independent auditors.*

City of Pico Rivera  
Proposition C Local Return Fund  
Balance Sheets

		June 30	
		2016	2015
<b>ASSETS</b>			
Cash and investments	\$	602,076	\$ 1,137,213
Interest receivable		1,095	1,620
<b>Total assets</b>	<b>\$</b>	<b>603,171</b>	<b>\$ 1,138,833</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$	600	\$ 2,265
Accrued payroll and employee benefits		801	4,515
<b>Total liabilities</b>		<b>1,401</b>	<b>6,780</b>
<b>Fund balance</b>			
Restricted		601,770	1,132,053
<b>Total fund balance</b>		<b>601,770</b>	<b>1,132,053</b>
<b>Total liabilities and fund balance</b>	<b>\$</b>	<b>603,171</b>	<b>\$ 1,138,833</b>

*See notes to Funds financial statements.*

City of Pico Rivera  
**Proposition C Local Return Fund**  
**Statements of Revenues, Expenditures and Changes in Fund Balance**

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		Years ended June 30	
		2016	2015
<b>Revenues</b>			
Proposition C	\$	958,515	\$ 934,494
Investment income		8,278	7,597
<b>Total revenues</b>		<b>966,793</b>	942,091
 <b>Expenditures</b>			
Various projects		1,497,076	1,294,353
<b>Total expenditures</b>		<b>1,497,076</b>	1,294,353
Deficiency of revenues over expenditures		(530,283)	(352,262)
Fund balance at beginning of year		1,132,053	1,484,315
Fund balance at end of year		\$ 601,770	\$ 1,132,053

*See notes to Funds financial statements.*

**City of Pico Rivera**  
**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)	
150-35	Sidewalk and Bus Stop Improvements	\$ -	\$ -	\$ -	3,162
210-33	Citywide Traffic Safety Improvements	-	-	-	682,906
210-45	HSIP Cycle 6, Traffic Safety and Sidewalk Improvements	60,000	9,929	50,071	4,774
210-46	Quality Assurance Plan (QAP) for the City of Pico Rivera	-	-	-	7,950
220-03	Graffiti Removal Transfer	75,000	46,172	28,828	75,000
270-22	Gateway Cities COG SR-91 / I 605 Needs Assessment Study	20,000	20,000	-	20,000
270-41	Telegraph Road over Rio Hondo River Bridge Rehabilitation Project	42,000	6,957	35,043	32,928
270-42	Washington Blvd over Rio Hondo River Bridge Rehabilitation Project	100,000	6,554	93,446	42,849
410-34	Safe Routes to School - Infrastructure/Traffic Signals and other Safety Improvements	366,000	297,937	68,063	23,295
450-15	Whittier Blvd Corridor Street Improvements - Rosemead Blvd to the Eastern City Limit	400,000	-	400,000	803
450-29	Telegraph Road Raised Medians	8,000	219	7,781	8,311
450-32	Durfee Avenue Underpass Project	125,000	31,733	93,267	96,478
450-33	Whittier Blvd Rehabilitation Project	700,000	724,571	(24,571)	127,801
450-36	Rosemead Blvd/Telegraph Road Intersection Improvements	300,000	19,027	280,973	12,519
450-37	Paramount Blvd Raised Median Project	280,000	21,881	258,119	99,227
450-38	Rosemead Blvd/Beverly Blvd Intersection Improvement	4,000	-	4,000	-
450-39	Rosemead Blvd/ Slauson Blvd Intersection Improvement	4,000	-	4,000	-
450-40	Rosemead Blvd/Washington and Whittier Blvd Intersection Improvements	4,000	-	4,000	-
450-47	Bridge Preventative Maintenance Program	220,000	192,154	27,846	-
450-48	Telegraph Road Traffic Throughout and Safety Enhancement Project-Phase II	10,000	207	9,793	-
470-44	Pavement Management System Update	57,000	32,474	24,526	2,014
480-01	Administration	175,000	87,261	87,739	54,336
<b>Total expenditures</b>		<b>\$ 2,950,000</b>	<b>\$ 1,497,076</b>	<b>\$ 1,452,924</b>	<b>\$ 1,294,353</b>

*See report of independent auditors.*

**City of Pico Rivera**  
**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>
2004	Bus Shelter Replacement	\$ 178,422	\$ -	\$ -	\$ 178,422
2005	W. Whittier Blvd Street	179,844	-	-	179,844
2006	SG River Pkway/Beverly	144,853	-	-	144,853
2012	Pico Rivera Transit Hub - Parking Lot Expansion	211,224	-	-	211,224
2012	Beverly Blvd Rehabilitation	268,211	-	-	268,211
2014	Pavement Management System Update	45,068	-	-	45,068
2014	Beverly Blvd Median Island Improvement Rosemead Blvd. Rehabilitation	994,685	-	-	994,685
2014	Washington	420,370	-	-	420,370
2014	Rosemead/Whittier Improvements	221,795	-	-	221,795
2014	Construction In Progress - Various Projects Sidewalk Improvements and Bus Stop	2,415,796	-	-	2,415,796
2015	Improvements Rosemead Blvd/Mines Ave Intersection	50,000	-	-	50,000
2015	Improvements	785,383	-	-	785,383
<b>Total</b>		<b>\$ 5,915,651</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,915,651</b>

*See report of independent auditors.*

**City of Pico Rivera  
Measure R Local Return Fund  
Balance Sheets**

		<b>June 30</b>	
		<b>2016</b>	(as restated) <b>2015</b>
<b>ASSETS</b>			
Cash and investments	\$	293,871	\$ 1,016,145
Interest receivable		800	1,584
Due from other government agencies		215,517	291,902
<b>Total assets</b>	<b>\$</b>	<b>510,188</b>	<b>\$ 1,309,631</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$	-	\$ -
<b>Total liabilities</b>		-	-
<b>Deferred inflows of resources</b>			
Unavailable revenues		215,517	291,902
<b>Total deferred inflows of resources</b>		215,517	291,902
<b>Fund balance</b>			
Restricted		294,671	1,017,729
<b>Total fund balance</b>		294,671	1,017,729
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$</b>	<b>510,188</b>	<b>\$ 1,309,631</b>

*See notes to Funds financial statements.*

**City of Pico Rivera**  
**Measure R Local Return Fund**

**Statements of Revenues, Expenditures and Changes in Fund Balance**

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	Years ended June 30	
	2016	(as restated) 2015
<b>Revenues</b>		
Measure R	\$ 717,674	\$ 699,167
Investment income	7,672	5,577
Measure R Fund Highway Grants	326,101	91,002
<b>Total revenues</b>	<b>1,051,447</b>	795,746
 <b>Expenditures</b>		
Expenditures funded by MRLRF	1,524,789	250,001
Expenditures funded by Measure R Fund Highway Grants	249,716	382,904
<b>Total expenditures</b>	<b>1,774,505</b>	632,905
 Excess (deficiency) of revenues over expenditures	<b>(723,058)</b>	162,841
 Fund balance at beginning of year, as restated	<b>1,017,729</b>	854,888
 Fund balance at end of year	<b>\$ 294,671</b>	\$ 1,017,729

*See notes to Funds financial statements.*



**City of Pico Rivera**  
**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	Residential Road Resurfacing Project - Phase D	\$ 150,000	\$ -	\$ 150,000	\$ -
1.05	Residential Road Resurfacing Project - Phase E	845,000	90	844,910	2,162
1.05	Slauson Avenue Improvements	55,000	-	55,000	-
1.05	Residential Road Resurfacing Project - Phase F	600,000	597,815	2,185	9,289
1.05	Whittier Boulevard Rehabilitation Project	300,000	111,387	188,613	-
1.05	Asphalt Overlay Along San Gabriel Parkway, Construction of Curb	140,000	-	140,000	-
1.20	Beverly Blvd Rehabilitation and Landscape Median Improvements	344,369	-	344,369	-
1.20	Entrance Monument Replacement Project	260,000	-	260,000	877
1.20	Roadway Safety Improvements - Signage and Striping	150,000	12,608	137,392	142,560
1.20	Safe Routes to School - Safety Improvements along Passons/ Beverly	80,000	78,349	1,651	1,651
1.20	Signing and Striping	75,000	75,000	-	-
1.25	Annual Sidewalk Improvement Project	200,000	185,828	14,172	14,203
1.25	Annual Sidewalk Improvement Project	100,000	-	100,000	-
2.02	Left-turn Phasing Installation to Update Antiquated Traffic Signal	120,000	-	120,000	-
2.02	Left-turn Phasing/Other Signal Improvements Throughout the City	202,000	142,000	60,000	60,000
2.03	Battery Backup System Project	50,000	129	49,871	-
2.03	Rewiring of Traffic Signals	35,000	4,476	30,524	-
3.05	Transportation Enhancements to Pedestrian Bridge	250,000	114,837	135,163	19,259
3.10	Traffic Calming/Pedestrian and Bike Safety Signage	45,000	44,028	972	-
5.20	Installation of Transit Hub at Rio Vista Park	125,000	-	125,000	-
5.20	Installation of Transit Hub at Smith Park	100,000	100,000	-	-
7.10	Corridor Study for the Development of Lakewood/Rosemead Blvd	65,000	58,242	6,758	-
<b>Total expenditures</b>		<b>\$ 4,291,369</b>	<b>\$ 1,524,789</b>	<b>\$ 2,766,580</b>	<b>\$ 250,001</b>

*See report of independent auditors.*

**City of Pico Rivera**  
**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	Residential Resurfacing Project - Phase D	\$ 148,125	\$ -	\$ -	\$ 148,125
2015	Construction in Progress - Various Projects	701,696	-	-	701,696
2015	Rio Vista Park	125,000	-	-	125,000
2015	Residential Resurfacing Project	843,349	-	-	843,349
2015	Entrance Monument Replacement	221,914	-	-	221,914
2015	Slauson Ave. Street Improvement	53,709	-	-	53,709
2015	Annual Sidewalk Improvement	100,000	-	-	100,000
<b>Total</b>		<b>\$ 2,193,793</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,193,793</b>

*See report of independent auditors.*

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

		June 30	
		2016	2015
<b>ASSETS</b>			
Due from LACMTA		\$ 126,020	\$ 26,061
	<b>Total assets</b>	<b>\$ 126,020</b>	<b>\$ 26,061</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Due to other funds		\$ 126,020	\$ 26,061
	<b>Total liabilities</b>	<b>126,020</b>	<b>26,061</b>
<b>Deferred inflows of resources</b>			
Unavailable revenues		46,307	26,061
	<b>Total deferred inflows of resources</b>	<b>46,307</b>	<b>26,061</b>
<b>Fund balance</b>			
Restricted		(46,307)	(26,061)
	<b>Total fund balance(deficit)</b>	<b>(46,307)</b>	<b>(26,061)</b>
	<b>Total liabilities, deferred inflows of resources and fund balance (deficit)</b>	<b>\$ 126,020</b>	<b>\$ 26,061</b>

*See notes to Funds financial statements.*

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

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		Years ended June 30	
		2016	2015
<b>Revenues</b>			
Intergovernmental Allocations:			
Article 3	\$	79,714	\$ 19,752
<b>Total revenues</b>		<b>79,714</b>	19,752
 <b>Expenditures</b>			
Various projects			
		99,960	45,813
<b>Total expenditures</b>		<b>99,960</b>	45,813
Deficiency of revenues over expenditures		(20,246)	(26,061)
Fund balance (deficit) at beginning of year		(26,061)	-
Fund balance (deficit) at end of year		\$ (46,307)	\$ (26,061)

*See notes to Funds financial statements.*

**City of Pico Rivera**  
**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**

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<b>Project Description</b>	Program Year	Totals to Date			Project Status
		Allocations	Expenditures	Unexpended Allocations	
<b>Local Allocations:</b>					
SR2S Passons Blvd and Beverly Road Improvement	<b>2013</b>	\$ -	\$ 52,121	\$ (52,121)	Complete
Pico Rivera Regional Bikeway Project	<b>2014</b>	53,652	29,516	24,136	Ongoing
Roadway Improvement Citywide Project	<b>2016</b>	26,062	18,323	7,739	Ongoing
<b>Totals</b>		\$ 79,714	\$ 99,960	(20,246)	
Fund balance(deficit) at beginning of year				(26,061)	
Fund balance(deficit) at end of year				\$ (46,307)	

*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.

**Deferred Outflows and Inflows of Resources**

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the County recognizes deferred outflows and deferred inflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period.

Deferred inflows of resources reported by the City represent unavailable resources that are not available for spending as of June 30, 2016 and 2015.

**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 years 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 \$41,584 for the year ended June 30, 2015 for participating in the program.

**NOTE 8 MEASURE R HIGHWAY GRANTS**

In March 2014, LACMTA Board approved to fund "Project Approval and Environmental Documentation (PAED), Plans, Specifications, and Estimates (PSE), Right of Way (ROW), and Construction phases of the Rosemead Boulevard and Beverly Boulevard Intersection Improvements Project, Rosemead/Whittier Intersection Improvements Projects, Rosemead Boulevard and Washington Boulevard Intersection Improvements Projects and Rosemead Boulevard and Slauson Avenue Intersection Improvements Projects, referred to as Agreement Nos. 14-1490, 14-1491, 14-1492 and 14-1493, respectively. Under the agreement, to the extent the Measure R funds are available, LACMTA shall make to the City a grant of the Measure R funds for these Projects. The funds will be released to the City on a reimbursement basis in accordance with invoices submitted in support of the monthly progress report and the quarterly expenditure report submitted to LACMTA a few days after the close of each quarter. The City recognized \$326,101 and \$91,002 of revenue from these projects during the years ended June 30, 2016 and 2015, respectively.

**NOTE 9 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND REVENUE ALLOCATION**

The revenue allocations for the years ended June 30, 2016 and 2015 is as follows:

		<b>2016</b>		<b>2015</b>
FY 2012/13 allocation	\$	18,748	\$	25,981
FY 2013/14 allocation		51,487		-
FY 2014/15 allocation		9,479		-
Deferral from FY 2014		-		(6,229)
	<b>\$</b>	<b>79,714</b>	<b>\$</b>	<b>19,752</b>

**NOTE 10      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	\$ -	\$ 18,748
FY 2013/14 reserve	-	51,487
FY 2014/15 reserve	<b>32,455</b>	41,934
FY 2015/16 allocation	<b>40,704</b>	-
	<b>\$ 73,159</b>	<b>\$ 112,169</b>

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 11      RESTATEMENT OF MEASURE R LOCAL RETURN FUND FINANCIAL STATEMENTS**

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

Account	Balance, as previously reported	Adjustment	Balance, as restated
Cash and investments	\$ 1,308,047	\$ (291,902)	\$ 1,016,145
Unavailable revenues	-	291,902	291,902
Fund balance	1,309,631	(291,902)	1,017,729
Measure R Highway Grants	-	91,002	91,002
Expenditures funded by Measure R Fund Highway Grants	-	382,904	382,904

**NOTE 12      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 Pico Rivera, 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 Pico Rivera, 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 Pico Rivera, California and the  
Los Angeles County Metropolitan Transportation Authority**

### **Report on Compliance**

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

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

A handwritten signature in black ink that reads "Vagueney &amp; Company LLP".

Los Angeles, California  
December 22, 2016

**City of Pico Rivera  
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>A. Proposition A and Proposition C Local Return Funds</b>					
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				
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 Pico Rivera  
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>B. Measure R Local Return Fund</b>					
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		
<b>C. Transportation Development Act Article 3 Fund</b>					
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 Pico Rivera  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2016**

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There were no findings noted.

**EXIT CONFERENCE**

An exit conference was held on December 22, 2016 with the City of Pico Rivera representative. Those in attendance were:

Vasquez and Company LLP representative:  
Marialyn Salvador – Audit Manager

City of Pico Rivera representative:  
Hazel Vitancol-De Guzman – Accountant III

Matters discussed:

Results of the audit disclosed no significant compliance or financial statement issues.

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

Hazel Vitancol-De Guzman – Accountant III  
Yolanda Karaa – Consultant



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