



MetroTM

**City of San Fernando
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 San Fernando, 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 San Fernando, 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 San Fernando, 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 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 November 14, 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.

Vacques & Company LLP

**Los Angeles, California
November 14, 2016**

**City of San Fernando
Proposition A Local Return Fund
Balance Sheets**

| | | June 30 | |
|---------------------------------------|---|-------------------|-------------------|
| | | 2016 | 2015 |
| ASSETS | | | |
| Cash and investments | | \$ 164,694 | \$ 137,008 |
| | Total assets | \$ 164,694 | \$ 137,008 |
| LIABILITIES AND FUND BALANCE | | | |
| Liabilities | | | |
| Accounts payable | | \$ 50,341 | \$ 49,034 |
| Accrued payroll and employee benefits | | 391 | 1,146 |
| | Total liabilities | 50,732 | 50,180 |
| Fund balance | | | |
| Restricted | | 113,962 | 86,828 |
| | Total fund balance | 113,962 | 86,828 |
| | Total liabilities and fund balance | \$ 164,694 | \$ 137,008 |

See notes to Funds financial statements.

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

| | Years ended June 30 | |
|--------------------------------------|---------------------|------------|
| | 2016 | 2015 |
| Revenues | | |
| Proposition A | \$ 437,213 | \$ 425,844 |
| Investment income | 841 | 142 |
| Project generated revenues | 29,002 | 29,113 |
| Total revenues | 467,056 | 455,099 |
| Expenditures | | |
| Various projects | 439,922 | 386,665 |
| Total expenditures | 439,922 | 386,665 |
| Excess of revenues over expenditures | 27,134 | 68,434 |
| Fund balance at beginning of year | 86,828 | 18,394 |
| Fund balance at end of year | \$ 113,962 | \$ 86,828 |

See notes to Funds financial statements.

City of San Fernando
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) | |
| 110-01 | Trolley Fixed Route Transit | \$ 47,500 | \$ 47,500 | \$ - | \$ 2,012 |
| 110-02 | Trolley / Utility Truck Fuel | 20,000 | 14,229 | 5,771 | 21,366 |
| 120-01 | Dial-A-Ride | 280,000 | 279,204 | 796 | 265,070 |
| 200-01 | Recreational Trips Programs | 18,000 | 17,655 | 345 | 12,556 |
| 250-08 | MTA Bus Pass Subsidy | 17,500 | 17,448 | 52 | 18,018 |
| 480-09 | Prop A Administration | 76,600 | 63,886 | 12,714 | 67,643 |
| | Total expenditures | \$ 459,600 | \$ 439,922 | \$ 19,678 | \$ 386,665 |

See report of independent auditors.

City of San Fernando
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> |
|--------------------------|---|-------------------------------------|------------------|------------------|--------------------------------------|
| 2009 | Monitors and Navigation System DVD Playback and Anti-Thief System | \$ 12,118 | \$ - | \$ - | \$ 12,118 |
| 2013 | Bus Shelters | 46,288 | - | - | 46,288 |
| Total | | \$ 58,406 | \$ - | \$ - | \$ 58,406 |

See report of independent auditors.

City of San Fernando
Proposition C Local Return Fund
Balance Sheets

| | | June 30 | |
|---------------------------------------|---|-------------------|-------------------|
| | | 2016 | 2015 |
| ASSETS | | | |
| Cash and investments | | \$ 208,229 | \$ 188,934 |
| | Total assets | \$ 208,229 | \$ 188,934 |
| LIABILITIES AND FUND BALANCE | | | |
| Liabilities | | | |
| Accounts payable | | \$ 42,971 | \$ 37,087 |
| Accrued payroll and employee benefits | | 987 | 3,573 |
| | Total liabilities | 43,958 | 40,660 |
| Fund balance | | | |
| Restricted | | 164,271 | 148,274 |
| | Total fund balance | 164,271 | 148,274 |
| | Total liabilities and fund balance | \$ 208,229 | \$ 188,934 |

See notes to Funds financial statements.

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

| | Years ended June 30 | |
|---|---------------------|------------|
| | 2016 | 2015 |
| Revenues | | |
| Proposition C | \$ 362,981 | \$ 353,702 |
| Investment income | 1,495 | 286 |
| Total revenues | 364,476 | 353,988 |
| Expenditures | | |
| Various projects | 348,479 | 534,920 |
| Total expenditures | 348,479 | 534,920 |
| Excess (deficiency) of revenues over expenditures | 15,997 | (180,932) |
| Fund balance at beginning of year | 148,274 | 329,206 |
| Fund balance at end of year | \$ 164,271 | \$ 148,274 |

See notes to Funds financial statements.

City of San Fernando
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) | |
| 110-01 | Trolley Fixed Route Transit | \$ 230,000 | \$ 199,498 | \$ 30,502 | \$ 232,166 |
| 170-01 | Bus Bench Maintenance | 60,615 | - | 60,615 | 79,059 |
| 430-01 | Bikeway Maintenance | - | - | - | 100,908 |
| 440-05 | Street and Bikeway Improvements | 143,544 | 91,140 | 52,404 | 111,546 |
| 480-01 | Prop C Administration | 86,830 | 57,841 | 28,989 | 11,241 |
| | Total expenditures | \$ 520,989 | \$ 348,479 | \$ 172,510 | \$ 534,920 |

See report of independent auditors.

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

| Date Acquired | Description | Balance July 1, 2015 | Additions | Deletions | Balance June 30, 2016 |
|--------------------------|---------------------------------------|-------------------------------------|------------------|------------------|--------------------------------------|
| 1998 | Multi-Use Recreation Building | \$ 566,845 | \$ - | \$ - | \$ 566,845 |
| 1998 | Shelter Bus | 80,575 | - | - | 80,575 |
| 1998 | Hewlett Packard Netserver | 12,251 | - | - | 12,251 |
| 1998 | Poligon Structure | 7,782 | - | - | 7,782 |
| 2001 | Solar Arrow Trailer Board | 6,089 | - | - | 6,089 |
| 2002 | Inductive Loop Detector | 9,800 | - | - | 9,800 |
| 2003 | Traffic Signals | 34,259 | - | - | 34,259 |
| 2003 | Maclay St Rehabilitation | 17,642 | - | - | 17,642 |
| 2004 | Traffic Signals | 189,002 | - | - | 189,002 |
| 2004 | Van | 14,000 | - | - | 14,000 |
| 2004 | S Maclay Ave Rehabilitation | 80,681 | - | - | 80,681 |
| 2004 | Street Striping | 4,000 | - | - | 4,000 |
| 2008 | Maclay Streetscape | 1,232,487 | - | - | 1,232,487 |
| 2009 | Backhoe Attachment for Skid Steer | 8,900 | - | - | 8,900 |
| 2013 | Park Ave Street Sidewalk Improvements | 126,772 | 1,245 * | - | 128,017 |
| | Total | \$ 2,391,085 | \$ 1,245 | \$ - | \$ 2,392,330 |

* This is not actual additions but rather adjustments to cost to agree with the City's schedule of capital assets.

See report of independent auditors.

**City of San Fernando
Measure R Local Return Fund
Balance Sheets**

| | | June 30 | |
|---|-----------|------------------|-------------------|
| | | 2016 | 2015 |
| ASSETS | | | |
| Cash and investments | \$ | 3,702,602 | \$ 804,265 |
| Total assets | \$ | 3,702,602 | \$ 804,265 |
| LIABILITIES AND FUND BALANCE | | | |
| Liabilities | | | |
| Accounts payable | \$ | 57,698 | \$ 5,000 |
| Accrued payroll and employee benefits | | 3,070 | 342 |
| Total liabilities | | 60,768 | 5,342 |
| Fund balance | | | |
| Restricted - Total Road Improvement Program | | 2,695,218 | 798,923 |
| Restricted - Other | | 946,616 | - |
| Total fund balance | | 3,641,834 | 798,923 |
| Total liabilities and fund balance | \$ | 3,702,602 | \$ 804,265 |

See notes to Funds financial statements.

City of San Fernando
Measure R Local Return Fund

Statements of Revenues, Expenditures and Changes in Fund Balance

| | Years ended June 30 | |
|--|---------------------|----------------|
| | 2016 | 2015 |
| Revenues | | |
| Measure R | \$ 272,157 | \$ 264,980 |
| Investment income | 6,156 | 877 |
| Other income | - | 7,634 |
| Total revenues | 278,313 | 273,491 |
| Expenditures | | |
| Various projects | 360,852 | 23,254 |
| Total expenditures | 360,852 | 23,254 |
| Excess (deficiency) of revenues over expenditures | (82,539) | 250,237 |
| Other financing sources | | |
| Transfer from General Fund | 9,095 | - |
| Proceeds from issuance of COP | 2,916,355 | - |
| Total other financing sources | 2,925,450 | - |
| Excess of revenues over expenditures and other financing sources | 2,842,911 | 250,237 |
| Fund balance at beginning of year | 798,923 | 548,686 |
| Fund balance at end of year | \$ 3,641,834 | \$ 798,923 |

See notes to Funds financial statements.

City of San Fernando
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 |
|--------------|---|---------------------|-------------------|------------------------------|------------------|
| | | LACMTA Budget | Actual | | |
| 1.05 | Street Maintenance | | | | |
| | Cost of Issuance (TRIP) Program | \$ 221,802 | \$ 221,802 | \$ - | - |
| | Street Resurfacing Program | 382,000 | 845 | 381,155 | - |
| | TRIP Street Rehabilitation Project: | | | | |
| | Multiple Streets | 3,850,000 | - | 3,850,000 | - |
| | City Wide Street Repair Projects (Safe Routes) | 190,000 | 123,051 | 66,949 | - |
| 1.90 | Other Street and Roads | - | - | - | 14,159 |
| 3.90 | Consulting Services Related to Pacoima Walsh Bikeway Project | 20,000 | 5,804 | 14,196 | - |
| 7.90 | Planning, Engineering: Engineering Services Project/Construction Management, Inspections Services Street Rehabilitation Project | 270,000 | 9,350 | 260,650 | 9,095 |
| | Design/Prepare Plans, Specifications and Estimates for Street Rehabilitation Project | 200,000 | - | 200,000 | - |
| | Total expenditures | \$ 5,133,802 | \$ 360,852 | \$ 4,772,950 | \$ 23,254 |

See report of independent auditors.

City of San Fernando
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> |
|--------------------------|--------------------------------------|-------------------------------------|------------------|------------------|--------------------------------------|
| 2011 | Park Avenue Streetscape Improvements | \$ 172,000 | \$ - | \$ 96 * | \$ 171,904 |
| 2013 | Park Avenue Streetscape Improvements | 45,740 | - | - | 45,740 |
| Total | | <u>\$ 217,740</u> | <u>\$ -</u> | <u>\$ 96</u> | <u>\$ 217,644</u> |

* This is not actual deletions but rather adjustments to cost to agree with the City's schedule of capital assets.

See report of independent auditors.

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

| | | June 30 | |
|-------------------------------------|---|---------|------|
| | | 2016 | 2015 |
| ASSETS | | | |
| Cash | | \$ - | \$ - |
| | Total assets | \$ - | \$ - |
| LIABILITIES AND FUND BALANCE | | | |
| Liabilities | | | |
| Accounts Payable | | \$ - | \$ - |
| | Total liabilities | - | - |
| Fund balance | | | |
| Restricted | | - | - |
| | Total fund balance | - | - |
| | Total liabilities and fund balance | \$ - | \$ - |

See notes to Funds financial statements.

City of San Fernando
 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 | \$ 7,500 | \$ 19,600 |
| Interest income | - | 6 |
| Total revenues | 7,500 | 19,606 |
| Expenditures | | |
| Sidewalk Repair | 7,500 | 19,606 |
| Total expenditures | 7,500 | 19,606 |
| Excess of revenues over expenditures | - | - |
| Fund balance at beginning of year | - | - |
| Fund balance at end of year | \$ - | \$ - |

See notes to Funds financial statements.

City of San Fernando
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: | | | | | |
| Sidewalk Repair: City Wide | 2016 | \$ 7,500 | \$ 7,500 | \$ - | Completed |
| Totals | | <u>\$ 7,500</u> | <u>\$ 7,500</u> | - | |
| Fund balance at beginning of year | | | | - | |
| Fund balance at end of year | | | | <u>\$ -</u> | |

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 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 | \$ 5,068 | \$ 3,662 |
| AQMD Natural Gas Trolleys | 16,004 | 15,485 |
| MTA bus pass sales | 7,930 | 9,966 |
| | \$ 29,002 | \$ 29,113 |

NOTE 8 TOTAL ROAD IMPROVEMENT PROGRAM (TRIP) CERTIFICATES OF PARTICIPATION (COP), Series 2016

In March 2016, the City issued \$2,785,000 of Series 2016 Certificates of Participation (“COPs”) through the California Communities’ Total Road Improvement Program (TRIP) for the purpose of financing the design, acquisition, and construction of certain roadway and street improvement projects in the City of San Fernando. The COPs are secured and payable solely from the City’s annual Local Measure R Sales Tax receipts. The interest rate on the COPs ranges from 2.0% to 5.0% with annual principal and interest payments ranging from \$179,000 to \$182,000. Principal and interest is payable each June 1 and December 1, commencing December 1, 2016; maturing on June 1, 2036. Proceeds from the issuance of COP was recorded under MRLRF.

On March 24, 2016, LACMTA approved the City’s Five-Year Capital Improvement Program that includes the projects for the use of the MRLRF in connection with the TRIP Financing Program as described above.

The following is the capital reserve balance for the TRIP project:

| | | |
|--|----|-----------|
| Proceeds from issuance of COP | \$ | 2,916,355 |
| Add: Investment income allocated during the year | | 665 |
| Less: Cost of issuance and underwriter’s discount of COP | | (221,802) |
| | \$ | 2,695,218 |

NOTE 9 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 | \$ 3,304 | \$ 8,626 |
| FY 2014/15 allocation | 4,196 | 10,974 |
| | \$ 7,500 | \$ 19,600 |

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 2013/14 reserve | \$ | - | \$ | 3,304 |
| FY 2014/15 reserve | | 733 | | 4,929 |
| FY 2015/16 allocation | | 15,446 | | - |
| | \$ | 16,179 | \$ | 8,233 |

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 SUBSEQUENT EVENTS

The City has evaluated subsequent events through November 14, 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 San Fernando, 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 San Fernando, 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 November 14, 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.

A handwritten signature in black ink that reads "Vaqueria & Company LLP". The signature is written in a cursive, flowing style.

Los Angeles, California
November 14, 2016

COMPLIANCE SECTION

Report of Independent Auditors on Compliance

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

Report on Compliance

We have audited the compliance of the City of San Fernando, 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 San Fernando, California complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2016.



Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with the requirements, which is described in the accompanying Schedule of Findings and Questioned Costs as Finding #2016-001. Our opinion is not modified with respect to this matter.

The City's response to the noncompliance 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 compliance, and accordingly, we express no opinion on the response.

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 "Vaquez & Company LLP".

**Los Angeles, California
November 14, 2016**

**City of San Fernando
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 | | | | |
| 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 | | None | See Finding #2016-001 |

**City of San Fernando
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 San Fernando
Schedule of Findings and Questioned Costs
Year ended June 30, 2016

PALRF: Finding #2016-001

| | |
|------------------------------|--|
| Compliance Reference | Under Section III (A) of the Proposition A and Proposition C Local Return Guidelines, for Jurisdictions with Recreational Transit projects, Jurisdictions are required to annually submit an accounting of Recreational Transit trips, destinations and costs. This information should be submitted along with the Form C, no later than October 15 after the fiscal year. |
| Condition | The Recreational Transit Report was submitted on November 8, 2016, which is beyond the due date of October 15, 2016. In addition, the Recreational Trips Program was coded under Project code 200 instead of Project code 140. |
| Cause | The City was not aware that the incorrect project code for "Recreational Transit" was being used. The City has been using project code 200 rather than project code 140 for a number of years without being corrected. Project Code 200 does not require annual submission of a Recreational Transit Services form; consequently one was not submitted by the City. |
| Effect | The City was not in compliance with the reporting requirements of the Local Return Guidelines. |
| Recommendation | We recommend for the City to establish procedures and controls to ensure that the Annual Recreational Transit Report is submitted by October 15 as required by the Guidelines. In addition, the City should revise the Project code used for the Recreational Trips Program to align with the Local Return Guidelines. |
| Management's Response | Now that the City is aware that Recreation Transit activities were being incorrectly categorized, staff will correctly categorize the budget/expenditures as project code 140 on the appropriate forms (Form I and Form B). To ensure the Recreational Transit Services form is completed and submitted timely going forward, the City will add it to the reference checklist maintained by Public Works staff identifying all forms/documents that are required by LACMTA along with the associated due dates. This sheet will be provided to all relevant staff. Staff submitted the Fiscal Year 2015-2016 Recreational Transit Services form to LACMTA on November 8, 2016. |

EXIT CONFERENCE

An exit conference was held on November 14, 2016 with the City of San Fernando representatives. Those in attendance were:

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

City of San Fernando representatives:
Nick Kimball – Finance Director
Sonia Garcia – Accountant
Kenneth Jones – Management Analyst

Matters discussed:

Results of the audit disclosed an instance of noncompliance with the Local Return Guidelines.

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

Nick Kimball – Finance Director
Sonia Garcia – Accountant
Kenneth Jones – Management Analyst



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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](http://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.

801 South Grand Avenue, Suite 400 • Los Angeles, California 90017-4646 • Ph. (213) 873-1700 • Fax (213) 873-1777