



MetroTM

**City of Downey
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 Years Ended June 30, 2015 and 2014
with Report of Independent Auditors**

An Independently Owned Member
McGLADREY ALLIANCE



 **Vasquez**
& Company LLP
Certified Public Accountants and Business Consultants

	<u>PAGE</u>
FINANCIAL SECTION	
Report of Independent Auditors	1
Proposition A Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	3
Statements of Revenues, Expenditures and Changes in Fund Balance	4
Supplementary Information:	
Schedule of Expenditures – Actual and LACMTA Approved Project Budget	5
Schedule of Capital Assets	6
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>	23
COMPLIANCE SECTION	
Report of Independent Auditors on Compliance	25
Compliance Matrix	27
EXIT CONFERENCE	31

FINANCIAL SECTION

Report of Independent Auditors

**To the Honorable Members of the City Council of the
City of Downey, 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 Downey, California (the City) which comprise the Funds' balance sheets as of June 30, 2015 and 2014, and the related statements of revenues, expenditures and changes in fund balance for the years 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 Downey, California, as of June 30, 2015 and 2014, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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, 2015 and 2014, 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. 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 March 2, 2016 on our consideration of the City's internal control over 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 financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over 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 financial reporting and compliance.

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

Los Angeles, California
March 2, 2016

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

		June 30	
		2015	(as restated) 2014
ASSETS			
Cash and investments	\$	384,409	\$ 120,272
Prepaid cost		1,163	-
Total assets	\$	<u>385,572</u>	<u>\$ 120,272</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	270,089	\$ 285,186
Accrued liabilities		35,264	32,372
Due from other funds		16,078	16,078
Total liabilities		<u>321,431</u>	<u>333,636</u>
Fund balance			
Restricted (Unassigned)		64,141	(213,364)
Total fund balance		<u>64,141</u>	<u>(213,364)</u>
Total liabilities and fund balance	\$	<u>385,572</u>	<u>\$ 120,272</u>

See notes to financial statements.

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

	Years ended June 30	
	2015	(as restated) 2014
Revenues		
Proposition A	\$ 1,994,210	\$ 1,913,756
Investment income	2,234	2,466
Unrealized gain on investments	323	745
Project generated revenue	36,024	61,332
Gain on sale of capital assets	6,755	-
Proposition A Discretionary Incentive Grant	97,043	103,260
Total revenues	2,136,589	2,081,559
Expenditures		
Various projects	2,979,988	3,005,817
Total expenditures	2,979,988	3,005,817
Deficiency of revenues over expenditures	(843,399)	(924,258)
Other financing source		
Transfers in - PCLRF	1,120,904	-
Excess (deficiency) of revenues over expenditures and other financing source	277,505	(924,258)
Fund balance at beginning of year	(213,364)	710,894
Fund balance at end of year	\$ 64,141	\$ (213,364)

See notes to financial statements.

City of Downey
Proposition A Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2015
Actual for 2014

Project Code	Project Name	2015		Variance Positive (Negative)	2014 Actual
		LACMTA Budget	Actual		
110-13	Fixed Route Program	\$ 1,382,435	\$ 1,436,623	\$ (54,188)	\$ 1,453,880
130-02	Revised Senior/Handicapped Transit Program	1,212,147	992,160	219,987	1,112,487
140-08	Recreation/Special Event Transit	131,846	141,254	(9,408)	125,847
150-02	Bus Stop Maintenance	203,582	193,439	10,143	119,432
160-01	Downey Depot Maintenance	62,469	49,663	12,806	20,941
230-03	Transit Depot Security	8,000	10,356 *	(2,356)	1,824
230-04	Transit Fleet Parking Area Security	5,000	-	5,000	2,784
270-01	Professional and Technical Assistance	10,000	10,991	(991)	5,766
270-02	Transportation Planning	33,000	-	33,000	-
270-03	DAR Transit Planning	15,000	8,502	6,498	4,460
480-03	Senior/Handicapped Transit Program Administration	137,000	137,000	-	137,000
480-27	MTA Bus Pass Sales	-	-	-	21,396
Total expenditures		\$ 3,200,479	\$ 2,979,988	\$ 220,491	\$ 3,005,817

* See Compliance Matrix.

See report of independent auditors.

City of Downey
Proposition A Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2015

Date Acquired	Description	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
10/1989	Metrek Mobil Radio (12686)	\$ 1,640	\$ -	\$ -	\$ 1,640
10/1989	Metrek Mobil Radio (12687)	1,640	-	-	1,640
10/1989	Metrek Mobil Radio (12688)	1,640	-	-	1,640
4/1998	Motorola Mobil Radio (20306)	800	-	-	800
4/1998	Motorola Mobil Radio (20307)	800	-	-	800
4/1998	Motorola Mobil Radio (20308)	800	-	-	800
1/2004	Ikon Printer (23466)	4,664	-	4,664	-
7/2002	HP Laserjet (22696)	1,150	-	-	1,150
8/2002	Motorola Radio (23169)	944	-	-	944
8/2002	Motorola Radio (23170)	944	-	-	944
6/2005	Ford Bus (6232)	63,475	-	63,475	-
6/2005	Ford Bus (6233)	63,475	-	-	63,475
11/2004	Cisco 1721 Router (23925)	995	-	-	995
12/2005	Dell Optplex (24061)	1,069	-	-	1,069
12/2005	Money Count machine	875	-	875	-
7/2007	9 Motorola Radio/Display (04713-04721)	19,725	-	-	19,725
2/2008	2007 Ford Bus	69,795	-	-	69,795
3/2008	Whirlpool Refrigerator	1,213	-	-	1,213
2/2008	2007 Ford Bus	72,263	-	-	72,263
6/2008	Storage Server	13,341	-	-	13,341
6/2008	2008 Starcraft Allstar Type III	69,795	-	-	69,795
6/2008	2008 Starcraft Allstar Type III	69,795	-	-	69,795
6/2008	2008 Starcraft Allstar Type III	69,796	-	-	69,796
6/2008	32" LCD TV	1,629	-	-	1,629
6/2008	2 Optiplex 755	3,048	-	-	3,048
6/2008	Dell Rack Server	6,398	-	-	6,398
10/2008	Surveillance	45,828	-	-	45,828
10/2008	2-way DAR Radio	1,946	-	-	1,946
12/2008	2008 Chevrolet Uplander - White	46,620	-	-	46,620
12/2008	10 Digital Recorders	19,269	-	-	19,269
4/2009	2009 Starcraft Allstar Bus	74,257	-	-	74,257
4/2009	2009 Starcraft Allstar Bus	74,257	-	-	74,257
4/2009	2009 Starcraft Allstar Bus	74,258	-	-	74,258
6/2010	6 Navigational Router - Novus DCC-PRO II	63,337	-	-	63,337

See report of independent auditors.

City of Downey
Proposition A Local Return Fund
Supplementary Information
Schedule of Capital Assets (Continued)
Year ended June 30, 2015

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
8/2010	Property at 9300 Stewart & Gray Road for the Consolidated City Corporate Yard project (partly funded by Proposition A Local Return)	\$ 877,999	\$ -	\$ -	\$ 877,999
9/2010	Laptop-Dell Latitude E6500-Black	1,833	-	-	1,833
9/2010	Projector - Dell 1410X	662	-	-	662
6/2011	GPS - TREQ (MDC)	4,149	-	-	4,149
6/2011	GPS - TREQ (MDC)	4,149	-	-	4,149
6/2011	GPS - TREQ (MDC)	4,150	-	-	4,150
9/2011	Desktop - Dell Optiplex - GX 790	1,598	-	-	1,598
9/2011	Desktop - Dell Optiplex - GX 790	1,598	-	-	1,598
9/2011	Desktop - Dell Optiplex - GX 790	1,597	-	-	1,597
3/2012	Presentation Board - Mayline	723	-	723	-
6/2014	Coin Counter/Sorter - Semacon	396	-	-	396
Total		\$ 1,840,335	\$ -	\$ 69,737	\$ 1,770,598

See report of independent auditors.

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

		June 30	
		2015	2014
ASSETS			
Cash and investments	\$	7,598	\$ 1,643,108
Accounts receivable		3,152	5,600
Due from other funds		101,304	-
Total assets	\$	112,054	\$ 1,648,708
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	176,792	\$ 375,809
Accrued salaries and benefits payable		1,755	3,643
Total liabilities		178,547	379,452
Fund balance			
Restricted (Unassigned)		(66,493)	1,269,256
Total fund balance		(66,493)	1,269,256
Total liabilities and fund balance	\$	112,054	\$ 1,648,708

See notes to financial statements.

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

	Years ended June 30	
	2015	2014
Revenues		
Proposition C	\$ 1,653,401	\$ 1,586,363
Investment income	3,781	11,906
Unrealized gain on investments	17	9,569
Revenues from rents and concessions	-	67,200
Reimbursement from City of Pico Rivera for Paramount Blvd Fiberoptic Communications System	-	302,014
Federal Grant for Paramount Blvd Pavement Rehabilitation	326,930	-
Miscellaneous	3,152	-
Total revenues	1,987,281	1,977,052
Expenditures		
Various projects	2,196,526	3,149,396
Total expenditures	2,196,526	3,149,396
Deficiency of revenues over expenditures	(209,245)	(1,172,344)
Other financing uses		
Transfers out - PALRF	(1,120,904)	-
Reimbursement to lessee	(5,600)	-
	(1,126,504)	-
Deficiency of revenues over expenditures and other financing uses	(1,335,749)	(1,172,344)
Fund balance at beginning of year	1,269,256	2,441,600
(Unassigned) fund balance at end of year	\$ (66,493)	\$ 1,269,256

See notes to financial statements.

City of Downey
Proposition C Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2015
Actual for 2014

Project Code	Project Name	2015		Variance Positive (Negative)	2014 Actual
		LACMTA Budget	Actual		
260-04	Revise Ride Sharing Program	\$ -	\$ -	\$ -	\$ 46,100
400-05	Paramount Blvd Fiberoptic Communications System	368,000	114,978	253,022	264,883
400-06	Imperial Hwy Fiberoptic Communications System	75,000	11,270	63,730	1,614
440-02	Firestone Blvd at Lakewood Blvd Intersection Improvement Project	36,000	-	36,000	-
440-03	Woodruff Ave Pavement Rehabilitation (Imperial - Stewart and Gray)	80,000	-	80,000	-
440-07	Brookshire Ave Pavement Rehabilitation (Imperial - Gardendale)	-	-	-	4,098
440-20	Bellflower Blvd at Imperial Hwy Intersection Improvement Project	-	-	-	862
440-23	Paramount Blvd Pavement Rehabilitation (Florence Ave - Lubeck St)	-	-	-	72,448
440-24	Pavement Rehabilitation at Various Locations (Third, Civic, Bluff and Suva)	50,000	-	50,000	-
440-28	Firestone Blvd Pavement Rehabilitation (Old River School Rd - Nash Ave)	-	-	-	737,245
440-28	Firestone Blvd Pavement Rehabilitation (Old River School Rd - Brookshire Ave)	-	1,018,755 *	(1,018,755)	-
440-29	Firestone Blvd. Pavement Rehabilitation (Nash Ave - East City Limit)	500,000	2,340	497,660	1,000
440-31	Brookshire Avenue Pavement Rehabilitation	-	-	-	1,304,009
440-32	Bellflower Blvd Pavement Rehabilitation (Foster Rd - Stewart and Gray Rd)	60,000	-	60,000	-
450-24	Telegraph Road Traffic Throughput and Safety Enhancements - Phase 1	-	-	-	695,521
450-25	Bellflower Blvd at Imperial Hwy Intersection Improvement Project	718,700	47,757	670,943	-
450-26	Lakewood Blvd Improvement Phase 3B (Florence Ave - Gallatin Rd)	990,000	921,757	68,243	-
480-02	Ride Sharing Program Administration	88,560	55,120	33,440	13,560
480-28	Local Return Fund Administration (Public Works)	23,948	24,549	(601)	8,056
Total expenditures		\$ 2,990,208	\$ 2,196,526	\$ 793,682	\$ 3,149,396

* See Compliance Matrix.

See report of independent auditors.

City of Downey
Proposition C Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2015

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
08/2009	Desktop - Dell GX760	\$ 1,218	\$ -	\$ -	\$ 1,218
08/2009	Server - Dell R410	4,199	-	-	4,199
5/2011	Desktop - Dell Optiplex 380	1,095	-	-	1,095
Total		\$ 6,512	\$ -	\$ -	\$ 6,512

See report of independent auditors.

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

		June 30	
		2015	2014
ASSETS			
Cash and investments	\$	2,306,113	\$ 1,936,756
Due from other funds		16,078	16,078
Total assets	\$	<u>2,322,191</u>	<u>\$ 1,952,834</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	45,041	\$ 106,614
Accrued liabilities		9,571	4,857
Total liabilities		<u>54,612</u>	<u>111,471</u>
Fund balance			
Restricted		<u>2,267,579</u>	<u>1,841,363</u>
Total fund balance		<u>2,267,579</u>	<u>1,841,363</u>
Total liabilities and fund balance	\$	<u>2,322,191</u>	<u>\$ 1,952,834</u>

See notes to financial statements.

City of Downey
Measure R Local Return Fund
Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2015	2014
Revenues		
Measure R	\$ 1,240,890	\$ 1,184,673
Investment income	15,112	14,668
Unrealized gain on investments	1,817	11,518
Total revenues	1,257,819	1,210,859
Expenditures		
Various projects	831,603	1,540,477
Total expenditures	831,603	1,540,477
Excess (deficiency) of revenues over expenditures	426,216	(329,618)
Fund balance at beginning of year	1,841,363	2,170,981
Fund balance at end of year	\$ 2,267,579	\$ 1,841,363

See notes to financial statements.

City of Downey
Measure R Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2015
Actual for 2014

Project Code	Project Name	2015		Variance Positive (Negative)	2014 Actual
		LACMTA Budget	Actual		
1-001	Brookshire Ave Pavement Rehabilitation (Imperial Hwy - Gardendale St)	\$ 50,000	\$ -	\$ 50,000	-
1-002	FY 14-15 Residential Street Pavement Rehabilitation Project	1,250,000	347,239	902,761	-
1-003	Gardendale St Pavement Rehabilitation (Lakewood Blvd - Garfield Ave)	296,000	47,336	248,664	-
1-004	Firestone Blvd Street Improvements (ORSR - Brookshire Ave)	200,000	200,000	-	-
1-005	Firestone Blvd Street Improvements (Lakewood Blvd - ECL)	826,000	3,244	822,756	-
1-006	Woodruff Ave Pavement Rehabilitation (Imperial Hwy - Stewart & Gray Rd)	41,000	-	41,000	-
1-007	Paramount Blvd Median (Firestone Blvd - Imperial Highway)	150,000	1,841	148,159	-
1-008	Paramount Blvd Median (Firestone Blvd - Florence Ave)	150,000	308	149,692	-
1-009	Street Name Sign Replacement	50,000	104,007	(54,007)	-
1-010	Old River School Rd Pavement Rehabilitation (Imperial - Arnett)	80,000	4,287	75,713	2,439
1-011	FY 13-14 Residential Street Pavement Rehabilitation Project	70,000	-	70,000	19,037
2-001	Recreational Transit	17,000	5,014	11,986	-
2-001	Paramount Blvd Traffic Signal Communications and Upgrades Project	240,000	98,688	141,312	76,713
8-001	Public Works Executive Management Salary	19,157	19,639	(482)	6,445
1.05	Stewart and Gray Road Rehabilitation (ORSR - Bellflower and Woodruff - Firestone)	-	-	-	2,500
SS635	FY 12-13 Residential Street Pavement Rehabilitation Project	-	-	-	160,013
SS681	Brookshire Ave Pavement Rehabilitation (Imperial Hwy - Davis St)	-	-	-	222,942
SS683	Columbia Way Pavement Rehabilitation (I-105 Fwy - Lakewood Blvd)	-	-	-	543,549
SS688	Gardendale St. Pavement Rehabilitation (Lakewood Blvd - W.C.L)	-	-	-	38,340
SS605	Bellflower Blvd at Imperial Hwy Intesection Improvement Project	-	-	-	499
SS639	Telegraph Rd Raised Median Islands (Lakewood Blvd - Parsons Bl)	-	-	-	468,000
Total expenditures		\$ 3,439,157	\$ 831,603	\$ 2,607,554	\$ 1,540,477

See report of independent auditors.

City of Downey
Measure R Local Return Fund
Schedule of Capital Assets

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See report of independent auditors.

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

		June 30	
		2015	2014
ASSETS			
Cash		\$ -	\$ 4,707
	Total assets	\$ -	\$ 4,707
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable		\$ 7,287	\$ 3,752
Due to General Fund		5,491	-
	Total liabilities	12,778	3,752
Fund balance			
Restricted (Unassigned)		(12,778)	955
	Total fund balance	(12,778)	955
	Total liabilities and fund balance	\$ -	\$ 4,707

See notes to financial statements.

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

		Years ended June 30	
		2015	2014
Revenues			
Intergovernmental Allocations:			
Article 3	\$	16,301	\$ 108,277
Total revenues		16,301	108,277
Expenditures			
Construction/Maintenance			
		30,034	107,322
Total expenditures		30,034	107,322
Excess (deficiency) of revenues over expenditures		(13,733)	955
Fund balance at beginning of year		955	-
(Unassigned) fund balance at end of year	\$	(12,778)	\$ 955

See report of independent auditors.

City of Downey
 Transportation Development Act Article 3 Fund
 Supplementary Information
 Schedule of Transportation Development Act Allocation for Specific Projects
 Pursuant to Public Utilities Code Section 99234
 Year ended June 30, 2015

Project Description	Program Year	Totals to Date			Project Status
		Allocations	Expenditures	Unexpended Allocations	
Local Allocations:					
Sidewalk Construction and Repairs	2015	\$ 16,301	\$ 30,034	\$ (13,733)	Ongoing
Totals		\$ <u>16,301</u>	\$ <u>30,034</u>	(13,733)	
Fund balance at beginning of year				<u>955</u>	
(Unassigned) fund balance at end of year				\$ <u>(12,778)</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

PALRF, PCLRF, MRLRF and TDAA3F are accounted for using the modified accrual basis of accounting whereby revenues are recognized when they become both measurable and available to finance expenditures of the current period and expenditures are generally recognized when the related fund liabilities are incurred.

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.

Unrealized Gain (Loss) on Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, local governments are required to use fair value (instead of amortized costs) for financial reporting purposes. As a result of such implementation, the City recognizes the unrealized gain (loss) on investments.

Reclassifications

Certain amounts in the 2014 financial statements have been reclassified to conform to the 2015 presentation.

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, 2015 and 2014, 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 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 and investment 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 monthly 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 REVENUE

PALRF project generated revenue for the years ended June 30, 2015 and 2014 consisted of the following:

		<u>2015</u>		<u>2014</u>
Senior citizen passenger passes	\$	6,975	\$	7,648
LACMTA bus pass sales		5,256		23,654
Rent		23,793		30,030
	\$	<u>36,024</u>	\$	<u>61,332</u>

NOTE 8 PROPOSITION A DISCRETIONARY INCENTIVE GRANTS

Proposition A Discretionary Incentive Grant amounting to \$97,043 and \$103,260 for the years ended June 30, 2015 and 2014, respectively, were additional funds received from LACMTA for participating in the Voluntary NTD Program. The Proposition A Discretionary Incentive Grant amounts were recorded under PALRF.

NOTE 9 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND REVENUE ALLOCATION

The TDAA3F revenue allocations for the years ended June 30, 2015 and 2014 consisted of the following:

		<u>2015</u>		<u>2014</u>
FY 2012/13reserve	\$	-	\$	36,836
FY 2013/14 allocation		16,301		71,441
	\$	<u>16,301</u>	\$	<u>108,277</u>

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, 2015 and 2014, the City has funds on reserve as follows:

	2015	2014
FY 2013/14 reserve	\$ <u>3,628</u>	\$ 19,929
FY 2014/15 allocation	74,411	-
Available reserve balance	\$ <u>78,039</u>	\$ <u>19,929</u>

For FY 2014/15, any TDA Article 3 funds left on reserve for FY 2010/11 or prior, are subject to lapse if not claimed by the City by June 30, 2015. There were no funds that lapsed in FY 2014/15.

NOTE 11 RESTATEMENT OF BEGINNING FUND BALANCE – PALRF

The Proposition A Local Return Fund together with Proposition C Local Return Fund and Measure R Local Return Fund were previously reported under the Transit Fund, which is an enterprise fund, in the City's CAFR. In FY 2014/15, the City separated the fund operations and appropriately reported them as governmental funds to record intergovernmental funds. PALRF has been restated to remove the accrual of compensated absences previously recognized under the fund. There were no accrual of compensated absences in both PCLRF and MRLRF.

	Accrued liabilities	Fund balance, beginning
June 30, 2014 balance, prior to restatement	\$ 113,057	\$ 630,209
Prior period adjustment	<u>(80,685)</u>	<u>80,685</u>
June 30, 2014 balance, as restated	\$ <u>32,372</u>	\$ <u>710,894</u>

NOTE 12 SUBSEQUENT EVENTS

The City has evaluated subsequent events through March 2, 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 Downey, 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 Downey, California (the City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated March 2, 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 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 entity's 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 "Vazquez & Company LLP". The signature is written in a cursive, flowing style.

Los Angeles, California
March 2, 2016

COMPLIANCE SECTION

Report of Independent Auditors on Compliance

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

Report on Compliance

We have audited the compliance of the City of Downey, 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, 2015.

Management's Responsibility

Management is responsible for the City's compliance with the Guidelines.

Auditors' Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit. We conducted our audit of compliance in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guidelines. Those standards and the Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the Proposition A Local Return Program, Proposition C Local Return Program, Measure R Local Return Program, and Transportation Development Act Article 3 Program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the Guidelines. However, our audit does not provide a legal determination of the City's compliance with the Guidelines.

Opinion

In our opinion, the City of Downey, California complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2015.



Other Matters

The results of our auditing procedures disclosed instances of noncompliance with the requirements, which are described in the accompanying Compliance Matrix. Our opinion is not modified with respect to these matters.

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

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, 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material deficiencies or significant deficiencies may exist that were not identified. We identified a deficiency in internal control over compliance, as described in the accompanying Compliance Matrix as Finding #2015-001, that we consider to be a material weakness.

The City's responses to the internal control over compliance findings identified in our audit are described in the accompanying Compliance Matrix. The City's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on these responses.

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

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

**Los Angeles, California
March 2, 2016**

**City of Downey
Compliance Matrix
Year ended June 30, 2015**

Compliance Requirements	In Compliance		Questioned Costs	If no, provide details and management response.
	Yes	No		
A. Proposition A and Proposition C Local Return Funds				
1. Timely use of funds.	X		None	
2. Expenditures approved before being incurred.		X	\$1,018,755	<p><i>Finding #2015-001</i></p> <p><u>PCLRF</u></p> <p>The City claimed expenditures under the PCLRF Project code 440-28, Firestone Blvd Pavement Rehabilitation (Old River School Rd - Brookshire Ave), with no prior approval from LACMTA.</p> <p>Although we found the expenditures to be eligible for Local Return funding, this project had no prior approval from LACMTA.</p> <p>LACMTA Program Manager granted a retroactive approval of the said on October 15, 2015.</p> <p>We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to implementing any projects under the Local Return funds.</p> <p><i>Management Response</i></p> <p>The City has noted the auditor's recommendation and has informed Public Works Deputy Director about the need to establish a procedure in the submission of request for approval to MTA, prior to the implementation of the project.</p>

**City of Downey
Compliance Matrix
Year ended June 30, 2015**

Compliance Requirements	In Compliance		Questioned Costs	If no, provide details and management response.
	Yes	No		
A. Proposition A and Proposition C Local Return Funds (Continued)				
3. Expenditures did not exceed 25% of LACMTA's approved budget.		X	\$356	<p><i>Finding #2015-002</i></p> <p><u>PARLF</u></p> <p>The City exceeded LACMTA's approved budget more than 25% without obtaining approval through a revised Form A for Project code 230-03, Transit Deport Security.</p> <p>Projects with greater than 25% change from the approved project budget should be amended by submitting an amended Project Description Form (Form A).</p> <p>LACMTA Program Manager granted a retroactive approval on the amended budget for the said projects on February 25, 2016.</p> <p>We recommend the City submit a Form A to obtain LACMTA's approval for the change in project budget and for the City to implement controls to ensure compliance to this requirement at all times.</p> <p><i>Management Response</i></p> <p>The City concurs with the auditor's recommendation and has informed the Director of Parks and Recreation about the need for a periodic review of expenditures.</p>

**City of Downey
Compliance Matrix
Year ended June 30, 2015**

Compliance Requirements	In Compliance		Questioned Costs	If no, provide details and management response.
	Yes	No		
A. Proposition A and Proposition C Local Return Funds (Continued)				
4. Administrative expenses are within the 20% cap.	X		None	
5. All on-going and carryover projects were reported in Form B.	X		None	
6. Annual Project Summary Report (Form B) was submitted on time.	X		None	
7. Annual Expenditure Report (Form C) was submitted on time.	X		None	
8. Cash or cash equivalents are maintained.	X		None	
9. Accounting procedures, record keeping and documentation are adequate.	X		None	

**City of Downey
Compliance Matrix
Year ended June 30, 2015**

Compliance Requirements	In Compliance		Questioned Costs	If no, provide details and management response.
	Yes	No		
B. Measure R Local Return Fund				
1. Funds were expended for transportation purposes.	X		None	
2. Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	X		None	
3. Signed Assurances and Understandings on file.	X		None	
4. Separate Measure R Local Return Account was established.	X		None	
5. Revenues received including allocations, project generated revenues and interest income were properly credited to the Measure R Local Return Account.	X		None	
6. Funds were expended with LACMTA's approval.	X		None	
7. Expenditure Plan (Form One) was submitted on time.	X		None	
8. Expenditure Report (Form Two) was submitted on time.	X		None	
9. Timely use of funds.	X		None	
10. Administrative expenses are within the 20% cap.	X		None	
11. Fund exchanges were approved by LACMTA.				Not applicable.
12. A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.				Not applicable.
13. Recreational transit form was submitted on time.	X		None	
C. Transportation Development Act Article 3 Fund				
1. Timely use of funds.	X		None	
2. Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.	X		None	

EXIT CONFERENCE

An exit conference was held on March 2, 2016 with City of Downey representatives. Those in attendance were:

Vasquez & Company LLP representatives:
 Marialyn Salvador – Audit Manager

City of Downey representatives:
 Anil H. Gandhi – Director of Finance
 Elisa Gratil – Senior Accountant
 Edwin Norris – Deputy Director of Public Works

Matters discussed:

Results of the audit disclosed issues of noncompliance with the Guidelines.

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

Anil H. Gandhi – Director of Finance
Elisa Gratil – Senior Accountant



www.vasquezcpa.com

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

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