



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

**City of Pasadena  
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

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**FINANCIAL SECTION**

## Report of Independent Auditors

**To the Honorable Members of the City Council of the  
City of Pasadena, 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 Pasadena, 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 Pasadena, 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 22, 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 "Vasquez &amp; Company LLP".

Los Angeles, California  
March 22, 2016

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

		June 30	
		2015	2014
<b>ASSETS</b>			
Cash and investments	\$	3,418,139	\$ 2,676,181
Accounts receivable		118,056	602,192
Due from LACMTA		324,180	171,785
Interest receivable		8,255	13,247
Prepaid rent		-	3,601
<b>Total assets</b>	<b>\$</b>	<b><u>3,868,630</u></b>	<b>\$ <u>3,467,006</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$	322,161	\$ 245,808
Accrued payroll and benefits		5,045	7,120
<b>Total liabilities</b>		<b><u>327,206</u></b>	<b><u>252,928</u></b>
<b>Deferred inflows of resources</b>			
Unavailable revenues		-	46,850
<b>Fund balance</b>			
Nonspendable		-	3,601
Restricted - Metro Gold Line Enhancements		48,452	48,001
Restricted - Light Rail Related Projects		170,425	218,425
Restricted - General Capital Projects		88,703	118,099
Restricted - Others		3,233,844	2,779,102
<b>Total fund balance</b>		<b><u>3,541,424</u></b>	<b><u>3,167,228</u></b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$</b>	<b><u>3,868,630</u></b>	<b>\$ <u>3,467,006</u></b>

*See notes to financial statements.*

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

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	Years ended June 30	
	2015	2014
<b>Revenues</b>		
Proposition A	\$ 2,476,294	\$ 2,376,390
Proposition A fund exchange	506,000	506,000
Investment income	28,266	38,590
Proposition A Discretionary Incentive Grant	324,179	423,314
Project generated revenues	311,106	246,695
<b>Total revenues</b>	<b>3,645,845</b>	<b>3,590,989</b>
<b>Expenditures</b>		
Various projects	3,271,649	3,337,264
<b>Total expenditures</b>	<b>3,271,649</b>	<b>3,337,264</b>
Excess of revenues over expenditures	374,196	253,725
Fund balance at beginning of year	3,167,228	2,913,503
Fund balance at end of year	\$ 3,541,424	\$ 3,167,228

*See notes to financial statements.*

**City of Pasadena**  
**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	2014 Actual
		LACMTA Budget	Actual	Positive (Negative)	
110-01	ARTS Community Circulator	\$ 759,000	\$ 759,000	\$ -	\$ -
130-03	Dial-A-Ride	1,241,312	1,600,140	(358,828) <sup>a</sup>	1,647,819
140-02	Recreation Transit	43,000	42,897	103	36,490
140-08	Senior Transit Project	3,500	-	3,500	1,191
160-01	Bus Shelters and Benches	50,000	19,616	30,384	3,056
180-01	Vehicles and Miscellaneous Equipment	100,000	-	100,000	-
200-01	Dial-A-Ride Vehicle Purchase	3,804,882	248,712	3,556,170	248,712
200-02	ARTS Bus Purchase	717,782	-	717,782	708,003
250-09	Homeless Transit Subsidy	7,950	-	7,950	-
250-17	Senior/Disabled Bus Pass Buydown	20,800	71,404	(50,604) <sup>b</sup>	62,736
250-18	Youth Summer Program Transit Subsidy	2,000	-	2,000	-
270-05	Transit Services - Prop A	197,918	173,972	23,946	102,247
270-13	San Gabriel Valley Council of Governments	30,000	27,457	2,543	1,750
310-14	Gold Line Light Rail Station Enhancements #75021	1,850,000	-	1,850,000	14,943
380-01	Metro Gold Line Enhancements	3,900,000	-	3,900,000	-
380-23	South Access Pedestrian Bridge to Sierra Madre Villa Light Rail Station	609,558	-	609,558	-
410-04	Transportation Demand Management	133,717	124,821	8,896	126,562
480-01	Prop A Administration	337,471	203,630	133,841	383,755
<b>Total expenditures</b>		<b>\$ 13,808,890</b>	<b>\$ 3,271,649</b>	<b>\$ 10,537,241</b>	<b>\$ 3,337,264</b>

The actual variance after considering other funding sources is calculated as follows:

<sup>a</sup> LACMTA Budget	\$ 1,241,312
Total expenditures	\$ 1,600,140
Less: Project generated revenues (Note 7)	(257,500)
Less: Proposition A Discretionary Incentive Grant (Note 8)	<u>(324,179)</u>
PCLRF Expenditures	<u>1,018,461</u>
Actual Variance Positive (Negative)	<u>\$ 222,851</u>

<sup>b</sup> LACMTA Budget	\$ 20,800
Total expenditures	\$ 71,404
Less: Project generated revenue (Note 7)	<u>(53,606)</u>
PCLRF Expenditures	<u>17,798</u>
Actual Variance Positive (Negative)	<u>\$ 3,002</u>

*See report of independent auditors.*



**City of Pasadena**  
**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
04/08/1991	1 - Bookcase	\$ 478	\$ -	\$ -	\$ 478
04/01/1993	1 - Communications Radio	500	-	-	500
03/17/1993	1 - Desk	728	-	-	728
06/16/1994	1 - Ricoh Fax	2,982	-	-	2,982
06/24/1995	1 - HP Laser IV Printer	1,815	-	-	1,815
06/02/1997	3 - Dell Optiplex GMXT 5166 Computers	9,474	-	-	9,474
08/01/1997	1 - Office Chair	457	-	-	457
05/25/1999	1 - HP DesignJet 36" Wide Plotter	3,367	-	-	3,367
07/28/2000	1 - Dell Dimension 4100 Computer	1,342	-	-	1,342
04/16/2001	1 - Sony VPL-CX10 Projector	1,046	-	-	1,046
06/29/2009	5 - 2009 Starcraft Allstar	345,420	-	-	345,420
10/24/2011	1 - 2012 Starcraft Allstar 25	118,939	-	-	118,939
05/16/2012	5 - 2012 Starcraft Allstar 25	594,345	-	-	594,345
09/01/2012	10 - 2012 El Dorado E-Z Rider II Max (partial funding)	1,987,866	248,712	-	2,236,578
02/12/2014	7 - 2014 El Dorado E-Z Rider II MAX	708,003	-	-	708,003
<b>Total</b>		<b>\$ 3,776,762</b>	<b>\$ 248,712</b>	<b>\$ -</b>	<b>\$ 4,025,474</b>

*See report of independent auditors.*

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

		June 30	
		2015	2014
<b>ASSETS</b>			
Cash and investments	\$	7,004,671	\$ 4,992,524
Accounts receivable		37,624	74,658
Due from LACMTA		581,676	623,969
Interest receivable		16,916	9,812
<b>Total assets</b>	<b>\$</b>	<b><u>7,640,887</u></b>	<b><u>\$ 5,700,963</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$	777,691	\$ 984,657
Accrued payroll		5,176	2,353
<b>Total liabilities</b>		<b><u>782,867</u></b>	<b><u>987,010</u></b>
<b>Deferred inflows of resources</b>			
Unavailable revenues		<u>179,809</u>	<u>4,309</u>
<b>Fund balance</b>			
Restricted - Light Rail Related Projects		551,000	551,000
Restricted - General Capital Projects		-	93,319
Restricted - Others		<u>6,127,211</u>	<u>4,065,325</u>
<b>Total fund balance</b>		<b><u>6,678,211</u></b>	<b><u>4,709,644</u></b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$</b>	<b><u>7,640,887</u></b>	<b><u>\$ 5,700,963</u></b>

*See notes to financial statements.*

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

	Years ended June 30	
	2015	2014
<b>Revenues</b>		
Proposition C	\$ 2,056,522	\$ 1,973,280
Investment income	75,967	63,730
Proposition A Discretionary Incentive Grant	230,657	219,256
Proposition A Growth Over Inflation Fund	389,529	393,962
Federal Transit Administration (FTA) Grant	345,324	-
LACMTA Call For Project Grant: Fold-N-Go Pasadena Program	174,827	-
Project generated revenues	1,236,674	1,116,227
Other revenues	16,202	34,919
<b>Total revenues</b>	<b>4,525,702</b>	<b>3,801,374</b>
<b>Expenditures</b>		
Various projects funded by PCLRF	4,356,737	3,345,204
Project funded by MRLRF	773,415	1,262,381
Project funded by LACMTA Call for Project Grant	27,255	143,110
Project funded by FTA Grant	11,643	24,425
<b>Total expenditures</b>	<b>5,169,050</b>	<b>4,775,120</b>
Deficiency of revenues over expenditures	<b>(643,348)</b>	<b>(973,746)</b>
<b>Other financing sources</b>		
Transfers in from Air Quality Improvement Fund	-	34,800
Transfers in from General Fund	379,500	-
Transfers in from Transport Sales Tax Fund	759,000	-
Transfers in from Traffic Reduction Fund	700,000	-
Transfers in from MRLRF	773,415	1,262,381
<b>Total other financing sources</b>	<b>2,611,915</b>	<b>1,297,181</b>
Excess of revenues over expenditures and other financing sources	1,968,567	323,435
Fund balance at beginning of year	4,709,644	4,386,209
Fund balance at end of year	\$ 6,678,211	\$ 4,709,644

*See notes to financial statements.*

**City of Pasadena**  
**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			2014 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
110-01	ARTS Community Circulator	\$ 1,057,583	\$ 3,940,068	\$ (2,882,485) <sup>a</sup>	\$ 3,023,757
140-02	Recreation Transit	15,000	7,598	7,402	7,079
180-01	Vehicles and Miscellaneous Equipment	321,655	72,660	248,995	-
200-01	Dial-A-Ride Vehicle Purchase	500,000	-	500,000	-
270-13	Transportation Planning Organizations	15,000	-	15,000	-
310-14	Gold Line Light Rail Station Enhancements #75021	166,500	-	166,500	-
380-01	Metro Gold Line Enhancements	666,347	-	666,347	-
380-20	Gold Line Pedestrian Enhancements	190,000	-	190,000	-
480-02	Prop C Administration	366,634	336,411	30,223	314,368
<b>Total expenditures</b>		<b>\$ 3,298,719</b>	<b>\$ 4,356,737</b>	<b>\$ (1,058,018)</b>	<b>\$ 3,345,204</b>

<sup>a</sup> The actual variance after considering other funding sources is calculated as follows:

LACMTA Budget	\$ 1,057,583
Total expenditures	\$ 3,940,068
Less: Project generated revenues (Note 7)	(1,236,674)
Less: Proposition A Discretionary Incentive Grant (Note 8)	(230,657)
Less: Proposition A Growth Over Inflation Fund	(389,529)
Less: Transfers in from Traffic Reduction Fund	(700,000)
Less: Transfers in from General Fund	(379,500)
PCLRF Expenditures	<u>1,003,708</u>
Variance Positive (Negative)	<u>\$ 53,875</u>

*See report of independent auditors.*

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

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<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>
06/02/2002	1 - Okidata C7400C Color LED Printer	\$ 2,702	\$ -	\$ -	\$ 2,702
09/13/2006	2 - 2007 El Dorado CNG Buses 2007	619,367	-	-	619,367
06/07/2011	1 - Computer software Adobe Illustrator	599	-	-	599
06/01/2011	1 - Computer/monitor	1,218	-	-	1,218
09/01/2012	10 - 2012 El Dorado E-Z Rider II Max (partial funding)	426,540	-	-	426,540
<b>Total</b>		<u>\$ 1,050,426</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,050,426</u>

*See report of independent auditors.*

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

		June 30	
		2015	2014
<b>ASSETS</b>			
Cash and investments	\$	737,936	\$ 58,655
Interest receivable		1,782	-
<b>Total assets</b>	<b>\$</b>	<b>739,718</b>	<b>\$ 58,655</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$	-	\$ -
<b>Total liabilities</b>		<b>-</b>	<b>-</b>
<b>Fund balance</b>			
Restricted		739,718	58,655
<b>Total fund balance</b>		<b>739,718</b>	<b>58,655</b>
<b>Total liabilities and fund balance</b>	<b>\$</b>	<b>739,718</b>	<b>\$ 58,655</b>

*See notes to financial statements.*

**City of Pasadena**  
**Measure R Local Return Fund**

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

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	Years ended June 30	
	2015	2014
<b>Revenues</b>		
Measure R	\$ 1,540,865	\$ 1,471,057
Investment income (loss)	7,309	(1,647)
<b>Total revenues</b>	<b>1,548,174</b>	<b>1,469,410</b>
<b>Expenditures</b>		
Various projects	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>
Excess of revenues over expenditures	<b>1,548,174</b>	<b>1,469,410</b>
<b>Other financing uses</b>		
Transfer out to Capital Projects Fund	(93,696)	-
Transfer out to PCLRF	(773,415)	(1,262,381)
	<b>(867,111)</b>	<b>(1,262,381)</b>
Excess of revenues over expenditures and other financing uses	<b>681,063</b>	<b>207,029</b>
(Unassigned) fund balance at beginning of year	<b>58,655</b>	<b>(148,374)</b>
Fund balance at end of year	<b>\$ 739,718</b>	<b>\$ 58,655</b>

*See notes to financial statements.*

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

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Project Code	Project Name	2015		Variance Positive (Negative)	2014 Actual
		LACMTA Budget	Actual		
2.03	Intelligent Transportation System (ITS) Improvements	\$ 194,000	\$ -	\$ 194,000	\$ -
2.05	Mobility Corridors - Rose Bowl	200,000	-	200,000	-
3.16	Bicycles Detection Systems	324,520	93,696	230,824	-
4.05	Area Rapid Transit System (ARTS)	773,415	773,415	-	1,262,381
	<b>Total expenditures</b>	<b>\$ 1,491,935</b>	<b>\$ 867,111</b>	<b>\$ 624,824</b>	<b>\$ 1,262,381</b>

*See report of independent auditors.*



**City of Pasadena**  
**Measure R Local Return Fund**  
**Supplementary Information**  
**Schedule of Capital Assets**  
**Year ended June 30, 2015**

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<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		\$ -	\$ -	\$ -	\$ -
	<b>Total</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*See report of independent auditors.*

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

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		June 30	
		2015	2014
<b>ASSETS</b>			
Cash		\$ -	\$ -
	<b>Total assets</b>	\$ -	\$ -
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Due to General Fund		\$ 3,580	\$ 87,213
	<b>Total liabilities</b>	3,580	87,213
<b>Fund balance</b>			
Unassigned		(3,580)	(87,213)
	<b>Total fund balance</b>	(3,580)	(87,213)
	<b>Total liabilities and fund balance</b>	\$ -	\$ -

*See notes to financial statements.*

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

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		Years ended June 30	
		2015	2014
<b>Revenues</b>			
Intergovernmental Allocations:			
Article 3	\$	125,080	\$ 102,046
<b>Total revenues</b>		<b>125,080</b>	102,046
<b>Expenditures</b>			
Construction/Maintenance		41,447	136,255
<b>Total expenditures</b>		<b>41,447</b>	136,255
Excess (deficiency) of revenues over expenditures		<b>83,633</b>	(34,209)
Unassigned fund balance at beginning of year		<b>(87,213)</b>	(53,004)
Unassigned fund balance at end of year	\$	<b>(3,580)</b>	\$ (87,213)

*See notes to financial statements.*

City of Pasadena  
 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

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Project Description	Program Year	Totals to Date		Unexpended	Project Status
		Allocations	Expenditures	Allocations	
<b>Local Allocations:</b>					
Pasadena Bicycle Program	2015	\$ 57,688	\$ 7,926	\$ 49,762	Ongoing
Detection of Bicycles at Intersections Controlled by Traffic Signals	2015	67,392	33,521	33,871	Ongoing
<b>Totals</b>		\$ 125,080	\$ 41,447	83,633	
Unassigned fund balance at beginning of year				(87,213)	
Unassigned fund balance at end of year				\$ (3,580)	

*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.

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred Outflows and Inflows of Resources**

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

**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 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 for the years ended June 30, 2015 and 2014 consisted of the following:

**PALRF:**

	2015	2014
Senior/disabled bus passes	\$ 53,606	\$ 47,072
Fare transit program	210,018	151,686
Farebox revenue	47,482	47,937
	\$ 311,106	\$ 246,695

**PCLRF:**

	2015	2014
Transit shelter program	\$ 363,600	\$ 362,700
Farebox revenue	773,074	653,527
Other private contribution	100,000	100,000
	\$ 1,236,674	\$ 1,116,227

**NOTE 8      PROPOSITION A DISCRETIONARY INCENTIVE GRANTS**

Proposition A Discretionary Incentive Grants for the years ended June 30, 2015 and 2014 consisted of the following:

	2015	2014
Sub-regional paratransit services	\$ 324,179	\$ 423,314
Voluntary NTD reporting	230,657	219,256
	\$ 554,836	642,570

**NOTE 8      PROPOSITION A DISCRETIONARY INCENTIVE GRANTS (CONTINUED)**

The Proposition A Discretionary Incentive Grant amounting to \$324,179 and \$423,314 for the years ended June 30, 2015 and 2014, respectively, represent incentive funds received from LACMTA for extended services provided by the Dial-A-ride program in the Pasadena area. The revenue was recorded under PALRF.

The Proposition A Discretionary Incentive Grant amounting to \$230,657 and \$219,256 for the years ended June 30, 2015 and 2014, respectively, represent additional funds received from LACMTA for participating in the Voluntary NTD Program for the fiscal years 2011/12 and 2010/11, respectively. The revenue was recorded under PCLRF where the corresponding project expenditures were recorded.

**NOTE 9      PROPOSITION A FUND EXCHANGE**

In May 2014, the City entered into an agreement with the City of Montebello to exchange \$379,500 of the City's General Fund monies for \$506,000 of Proposition A Local Return monies, or \$0.75 of general fund per \$1 PALRF monies in each of the fiscal years 2013/14 and 2014/15.

**NOTE 10     CAPITAL RESERVE**

In August 2004, LACMTA and the City entered into an agreement to establish a capital reserve account (Account) of \$4,566,347 for the Metro Gold Line Enhancements (Project). The Account will be funded with the Proposition Local Return Funds of \$3,900,000 and Proposition C Local Return funds of \$666,347. All interest and investment earnings shall be accrued and placed in the Account for exclusive use of the Project.

With the exception granted by LACMTA in writing to extend the terms, unexpended funds will be automatically lapsed in three (3) years. On July 1, 2007, LACMTA and the City amended the agreement to extend the term of the reserve agreement for an additional three (3) years to September 2, 2010. In June 2011, LACMTA and the City amended the agreement to further extend the term of the Account to June 30, 2016.

For the years ended June 30, 2015 and 2014, following is the capital reserve amount:

	PALRF	PCLRF
Capital reserve at 6/30/2013	\$ 48,001	\$ -
Allocations and earnings during the year	-	-
Capital reserve at 6/30/2014	48,001	-
Allocations and earnings during the year	451	-
Capital reserve at 6/30/2015	\$ 48,452	\$ -



**NOTE 11      TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND REVENUE ALLOCATION**

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

	<b>2015</b>		2014
FY 2010/11 reserve	\$ -		\$ 60,348
FY 2011/12 reserve	<b>31,303</b>		41,698
FY 2012/13 reserve	<b>93,777</b>		-
	<b>\$ 125,080</b>		\$ 102,046

**NOTE 12      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:

	<b>2015</b>		2014
FY 2011/12 reserve	\$ -		\$ 31,303
FY 2012/13 reserve	<b>14,069</b>		107,846
FY 2013/14 reserve	<b>113,456</b>		113,456
FY 2014/15 allocation	<b>92,396</b>		-
	<b>\$ 219,921</b>		\$ 252,605

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 13      SUBSEQUENT EVENTS**

The City has evaluated subsequent events through March 22, 2016, the date the financial statements were available to be issued, and concluded no events have occurred that require disclosure or adjustments to the financial statements.

**Report of Independent Auditors on Internal Control over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

**To the Honorable Members of the City Council of the  
City of Pasadena, 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 Pasadena, 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 22, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audits of the Funds' financial statements, we considered the City's internal control over 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.

**Los Angeles, California**  
**March 22, 2016**

## **COMPLIANCE SECTION**

## Report of Independent Auditors on Compliance

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

### **Report on Compliance**

We have audited the compliance of the City of Pasadena, 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 Pasadena, California complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2015.



## 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 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 "Vaqueria &amp; Company LLP".

Los Angeles, California  
March 22, 2016

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

Compliance Requirements	In Compliance		Questioned Costs	If no, provide details and management response.
	Yes	No		
<b>A. Proposition A and Proposition C Local Return Funds</b>				
1. Timely use of funds.	X		None	
2. Expenditures approved before being incurred.	X		None	
3. Expenditures did not exceed 25% of LACMTA's approved budget.	X		None	
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 Pasadena  
Compliance Matrix  
Year ended June 30, 2015**

Compliance Requirements	In Compliance		Questioned Costs	If no, provide details and management response.
	Yes	No		
<b>B. Measure R Local Return Fund</b>				
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 was 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.				Not applicable
<b>C. Transportation Development Act Article 3 Fund</b>				
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 22, 2016 with the City of Pasadena representatives. Those in attendance were:

Vasquez and Company LLP representatives:  
Roger A. Martinez – Partner  
Marialyn Salvador – Audit Manager

City of Pasadena representatives:  
Valerie Gibson – Transit Manager  
Vicky Ly – Senior Accountant

Matters discussed:

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

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

Valerie Gibson – Transit Manager  
Vicky Ly – Senior Accountant



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