



MetroTM

**City of Santa Clarita
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
Transportation Development Act Article 8 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 Santa Clarita, 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, Transportation Development Act Article 3 Fund and the Transportation Development Act Article 8 Fund (collectively, the Funds) of the City of Santa Clarita, 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, the Transportation Development Act Article 3 Fund and the Transportation Development Act Article 8 Fund of the City of Santa Clarita, 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, Transportation Development Act Article 3 Fund and the Transportation Development Act Article 8 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 December 7, 2015 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 & Company LLP".

Los Angeles, California
December 7, 2015

**City of Santa Clarita
Proposition A Local Return Fund
Balance Sheets**

		June 30	
		2015	2014
ASSETS			
Cash and investments	\$	400	\$ 903
Interest receivable		-	2
Total assets	\$	400	\$ 905
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	400	\$ 910
Total liabilities		400	910
Fund balance			
Unassigned		-	(5)
Total fund balance		-	(5)
Total liabilities and fund balance	\$	400	\$ 905

See notes to financial statements.

City of Santa Clarita
Proposition A Local Return Fund

Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2015	2014
Revenues		
Proposition A	\$ 3,624,617	\$ 3,478,385
Interest income	4,098	1,971
Unrealized gain on investments	4	2,719
Total revenues	3,628,719	3,483,075
Expenditures		
Various projects	3,628,714	4,305,570
Total expenditures	3,628,714	4,305,570
Excess (deficiency) of revenues over expenditures	5	(822,495)
(Unassigned) fund balance at beginning of year	(5)	822,490
(Unassigned) fund balance at end of year	\$ -	\$ (5)

See notes to financial statements.

City of Santa Clarita
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			2014 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
110-15	Local and Commuter Bus Service	\$ 3,537,334	\$ 3,600,708	\$ (63,374)	\$ 4,167,678
160-04	Bus Stop Improvements (FTA Y276)	18,161	18,161	-	20,745
270-01	MAGLEV	1	-	1	34,034
270-03	Share of Assistant to the SFV/NCC Representative	9,845	9,845	-	9,845
290-01	McBean Regional Transit Center Park & Ride (T1012)	-	-	-	73,268
Total expenditures		\$ 3,565,341	\$ 3,628,714	\$ (63,373)	\$ 4,305,570

See report of independent auditors.

City of Santa Clarita
Proposition A 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>
10/02/2001	Land for Transit Maintenance	\$ 753,372	\$ -	\$ -	\$ 753,372
06/30/2002	Land for Rail Station	655,734	-	-	655,734
06/30/2002	Building - McBean Transit	438,496	-	-	438,496
06/30/2002	Building - McBean Transit	582,534	-	-	582,534
06/30/2003	McBean Transfer Station	1,360	-	-	1,360
12/31/2005	Rail Station Parking Expansion Improvement	76,117	-	-	76,117
12/31/2005	Rail Station Parking Expansion Improvement	15,623	-	-	15,623
12/31/2005	Rail Station Parking Expansion Improvement	82,471	-	-	82,471
06/30/2006	Transit Maintenance Facility	4,677,115	-	-	4,677,115
06/30/2009	Metrolink Restroom Improvement	34,566	-	-	34,566
06/30/2010	VP Metrolink Restroom	478,494	-	-	478,494
06/30/2010	VP Metrolink Restroom	517,225	-	-	517,225
06/30/2013	SC Bus Stop Expansion	4,664	-	-	4,664
06/30/2014	McBean Park and Ride	73,268	-	-	73,268
06/30/2014	Bus Stop Improvements	20,745	18,161	-	38,906
Total		\$ 8,411,784	\$ 18,161	\$ -	\$ 8,429,945

See report of independent auditors.

**City of Santa Clarita
Proposition C Local Return Fund
Balance Sheets**

		June 30	
		2015	2014
ASSETS			
Cash and investments	\$	1,139,230	\$ 2,170,070
Interest receivable		2,271	4,924
Total assets	\$	1,141,501	\$ 2,174,994
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	-	\$ -
Total liabilities		-	-
Fund balance			
Restricted		1,141,501	2,174,994
Total fund balance		1,141,501	2,174,994
Total liabilities and fund balance	\$	1,141,501	\$ 2,174,994

See notes to financial statements.

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

	Years ended June 30	
	2015	2014
Revenues		
Proposition C	\$ 2,965,880	\$ 2,844,013
Interest income	16,794	4,962
Unrealized gain (loss) on investments	8,732	(8,421)
Total revenues	2,991,406	2,840,554
Expenditures		
Expenditures funded by PCLRF	4,024,899	1,752,272
Other expenditures	-	42,164
Total expenditures	4,024,899	1,794,436
Excess (deficiency) of revenues over expenditures	(1,033,493)	1,046,118
Fund balance at beginning of year	2,174,994	1,128,876
Fund balance at end of year	\$ 1,141,501	\$ 2,174,994

See notes to financial statements.

City of Santa Clarita
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)	
110-15	Local and Commuter Bus Service	\$ 4,920,429	\$ 4,023,244	\$ 897,185	\$ 1,740,227
400-01	ITS PH IV and Signal Synchronization	156,104	825	155,279	-
450-25	Golden Valley Soledad Cyn Interchange (S3005)	-	-	-	10,395
480-01	Administration	830	830	-	1,650
Total expenditures		\$ 5,077,363	\$ 4,024,899	\$ 1,052,464	\$ 1,752,272

See report of independent auditors.

City of Santa Clarita
Proposition C 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
02/13/1992	Mint Canyon River Park Parcel	\$ 80,000	\$ -	\$ -	\$ 80,000
06/29/1998	Transit Maintenance Facility	22,271	-	-	22,271
06/29/1998	McBean Transfer Station	8,848	-	-	8,848
06/29/1999	JHML 2nd Platform - SC Passenger Amenities	52,498	-	-	52,498
06/29/1999	Transit Maintenance Facility Improvements	126,038	-	-	126,038
06/29/2000	Rail Station Parking Improvements	266,365	-	-	266,365
06/29/2000	JHML 2nd Platform - SC Passenger	102,341	-	-	102,341
06/29/2000	Transit Maintenance Station	419,662	-	-	419,662
06/29/2001	Rail Station Parking CI Program	1,331,313	-	-	1,331,313
06/29/2001	Transit Maintenance Facility - CI Program	829,138	-	-	829,138
06/29/2004	Incident Management Traveler Info	51,910	-	-	51,910
06/29/2005	07 - 08 Overlay Program	25,000	-	-	25,000
06/30/2008	Electronic Sign RR Crossing	48,079	-	-	48,079
06/29/2010	Golden Valley/Soledad Interchange	1,262	-	-	1,262
06/29/2010	San Fernando RD Pedestrian Facility	30,269	-	-	30,269
Total		\$ 3,394,994	\$ -	\$ -	\$ 3,394,994

See report of independent auditors.

**City of Santa Clarita
Measure R Local Return Fund
Balance Sheets**

		June 30	
		2015	2014
ASSETS			
Cash and investments	\$	4,575,912	\$ 2,309,392
Interest receivable		9,122	5,240
Total assets	\$	4,585,034	\$ 2,314,632
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	50,642	\$ -
Total liabilities		50,642	-
Fund balance			
Restricted		4,534,392	2,314,632
Total fund balance		4,534,392	2,314,632
Total liabilities and fund balance	\$	4,585,034	\$ 2,314,632

See notes to financial statements.

City of Santa Clarita
Measure R Local Return Fund

Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2015	2014
Revenues		
Measure R	\$ 2,255,405	\$ 2,153,225
Interest income	28,823	9,630
Unrealized gain (loss) on investments	1,680	(10,451)
Total revenues	2,285,908	2,152,404
Expenditures		
Various projects	66,148	-
Total expenditures	66,148	-
Excess of revenues over expenditures	2,219,760	2,152,404
Fund balance at beginning of year	2,314,632	162,228
Fund balance at end of year	\$ 4,534,392	\$ 2,314,632

See notes to financial statements.

City of Santa Clarita
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			2014 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
1.05	2014-15 Overlay & Slurry (M0102)	\$ 2,724,022	\$ 66,148	\$ 2,657,874	\$ -
4.20	Operating Subsidy to Existing Operator	1,825,024	-	1,825,024	-
	Total expenditures	\$ 4,549,046	\$ 66,148	\$ 4,482,898	\$ -

See report of independent auditors.

City of Santa Clarita
Measure R 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>
None		\$ -	\$ -	\$ -	\$ -
	Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See report of independent auditors.

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

		June 30	
		2015	2014
ASSETS			
Cash and investments	\$	186,266	\$ 116,527
Interest receivable		371	265
Total assets	\$	186,637	\$ 116,792
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	10,839	\$ 39,248
Total liabilities		10,839	39,248
Fund balance			
Restricted		175,798	77,544
Total fund balance		175,798	77,544
Total liabilities and fund balance	\$	186,637	\$ 116,792

See notes to financial statements.

City of Santa Clarita
 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	\$ 280,638	\$ 134,541
Interest income	752	1,088
Unrealized gain (loss) on investments	186	(607)
Total revenues	281,576	135,022
Expenditures		
Construction/Maintenance	178,158	123,964
Total expenditures	178,158	123,964
Excess of revenues over expenditures	103,418	11,058
Other financing uses		
Funds returned to LACMTA	(5,164)	(16,448)
Excess (deficiency) of revenues over expenditures and other financing uses	98,254	(5,390)
Fund balance at beginning of year	77,544	82,934
Fund balance at end of year	\$ 175,798	\$ 77,544

See notes to financial statements.

City of Santa Clarita
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:					
Lost Canyon Road Bridge Maintenance	2013	\$ -	\$ 343	\$ (343)	Completed
2013-2014 Access Ramp Program	2014	-	77,200	(77,200)	Completed
Newhall 8th and 9th Pedestrian Improvements	2014	10,041	10,041	-	Completed
Citywide Way Finding	2015	4,117	4,117	-	Completed
2014-2015 Trail Fence Replacement	2015	61,480	61,480	-	Completed
Railroad Ave Class 1 Bike Trail	2015	150,000	2,416	147,584	Ongoing
Sand Canyon Trail Phase III	2015	55,000	22,561	32,439	Ongoing
Total expenditures		<u>\$ 280,638</u>	<u>\$ 178,158</u>	102,480	
Unexpended interest accumulated and unrealized gain on investments to date				938	
Funds returned to LACMTA				(5,164)	
Fund balance at beginning of year				<u>77,544</u>	
Fund balance at end of year				<u>\$ 175,798</u>	*

* The City has encumbered the remaining fund balance of \$175,798 for the Railroad Ave Class 1 Bike Trail and the Sand Canyon Trail Phase III projects as of June 30, 2015.

See report of independent auditors.

City of Santa Clarita
Transportation Development Act Article 8 Fund
Balance Sheets
Pursuant to Public Utilities Code Section 99400(a)

		June 30	
		2015	2014
ASSETS			
Cash and investments	\$	7,698,071	\$ 7,366,813
Interest receivable		15,346	16,716
Due from LACMTA		-	543,225
Total assets	\$	7,713,417	\$ 7,926,754
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	240,523	\$ 739,813
Accrued salaries and wages payable		6,275	3,081
Total liabilities		246,798	742,894
Fund balance			
Restricted		7,466,619	7,183,860
Total fund balance		7,466,619	7,183,860
Total liabilities and fund balance	\$	7,713,417	\$ 7,926,754

See report of independent auditors.

**City of Santa Clarita
Transportation Development Act Article 8 Fund
Statements of Revenues, Expenditures and Changes in Fund Balance
Pursuant to Public Utilities Code Section 99400(a)**

	Years ended June 30	
	2015	2014
Revenues		
Intergovernmental Allocations:		
Article 8	\$ 7,968,453	\$ 10,619,117
Interest income	34,881	29,384
Unrealized gain (loss) on investments	20,973	(14,023)
Total revenues	8,024,307	10,634,478
Expenditures		
Various projects	7,741,548	4,772,222
Total expenditures	7,741,548	4,772,222
Excess of revenues over expenditures	282,759	5,862,256
Other financing uses		
Funds returned to LACMTA	-	(661,268)
	-	(661,268)
Excess of revenues over expenditures and other financing uses	282,759	5,200,988
Fund balance at beginning of year	7,183,860	1,982,872
Fund balance at end of year	\$ 7,466,619	\$ 7,183,860

See report of independent auditors.

City of Santa Clarita
Transportation Development Act Article 8 Fund
Supplementary Information
Schedule of Transportation Development Act Allocation for Specific Projects
Pursuant to Public Utilities Code Section 99400(a)
Year ended June 30, 2015

Project Description	Program Year	Totals to Date		Unexpended Allocations	Project Status	
		Allocations	Expenditures			
Local Allocations:						
C0043	2013-2014 Highway Safety Improvement Progra	2015	\$ 100,900	\$ -	\$ 100,900	Ongoing
C4011	CP/BQT Road Signal - Med Mod	2013	138,602	64,719	73,883	Ongoing
M0090	2012-13 Overlay and Slurry	2013	2,000	(1,004)	3,004	Completed
M0093	2012-13 Bridge Maintenance Program	2013	76,902	71,135	5,767	Ongoing
M0096	2012-13 Federal Overlay Program	2013	498,601	448,601	50,000	Ongoing
M0097	2013-14 Overlay and Slurry	2014	5,259,560	5,196,239	63,321	Ongoing
M0102	2014-2015 Overlay and Slurry	2015	6,938,476	236,634	6,701,842	Ongoing
M0103	2014-2015 Sidewalk Repair	2015	1,000,000	410,260	589,740	Ongoing
S1037	McBean Parkway Widening Over River	2013	1,430,263	980,313	449,950	Ongoing
S3029	Lost Canyon Bridge Widening	2013	131,991	23,626	108,365	Ongoing
S3030	Sierra Highway Bridge over Santa Clarita River	2015	200,000	10,679	189,321	Ongoing
S3034	Sand Canyon Road and VP Guardrails	2015	59,200	-	59,200	Ongoing
T0040	Bus Stop Improvements	2014	205,994	156,384	49,610	Ongoing
T0045	2014-2015 Access Ramp	2015	250,000	68,400	181,600	Ongoing
T0046	Sidewalk Gap Closures	2015	600,000	57,396	542,604	Ongoing
T2008	NWHL 8th and 9th St Pedestrian Improvements	2014	14,346	14,346	-	Ongoing
			<u>16,906,835</u>	<u>7,737,728</u>	<u>9,169,107</u>	
	Fund balance carried forward		(7,183,860)	-	(7,183,860)	
Transfers out:						
	Reimbursement to General Fund		3,820	3,820	-	
	Totals		<u>\$ 9,726,795</u>	<u>\$ 7,741,548</u>	<u>1,985,247</u>	
	Unexpended interest accumulated to date and net unrealized gain on investments				55,854	
	Funds not draw down (LACMTA reserve)				(1,758,342)	
	Fund balance at beginning of year				<u>7,183,860</u>	
	Fund balance at end of year				<u>\$ 7,466,619</u>	*

* This amount was encumbered as of June 30, 2015 for the above ongoing projects.

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), Transportation Development Act Article 3 Fund (TDAA3F) and Transportation Development Act Article 8 Fund (TDAA8F) (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.

Transportation Development Act Article 3 Fund (TDAA3F) and Transportation Development Act Article 8 Fund (TDAA8F) are Special Revenue Funds that account for the City's share of the Transportation Development Act Article 3 and 8 allocations which are legally restricted for specific purposes.

Basis of Accounting

PALRF, PCLRF, MRLRF, TDAA3F, and TDAA8F 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 2 ANNUAL FINANCIAL STATEMENTS

The financial statements reflect only the financial position and results of operations of the PALRF, PCLRF, MRLRF, TDAA3F and TDAA8F, 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 and 99400(a)*, funds received pursuant to this Code's section may only be used for activities relating to pedestrians and bicycle facilities, transit and paratransit programs to fulfill unmet transit needs in areas outside the service area of LACMTA operations. See accompanying Compliance Matrix.

NOTE 6 CASH AND INVESTMENTS

The PALRF, PCLRF, MRLRF, TDAA3F, and TDAA8F 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 PROPOSITION A DISCRETIONARY INCENTIVE GRANTS

The Proposition A Discretionary Incentive Grant amounting to \$535,977 and \$605,200 for the years ended June 30, 2015 and 2014, respectively, were additional funds received from LACMTA for the Santa Clarita Dial-A-Ride Program. The Proposition A Discretionary Incentive Grants were recorded under the City's Transit Enterprise Fund.

NOTE 8 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND REVENUE ALLOCATION

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

		2015		2014
FY 2012/13 reserve	\$	-	\$	75,344
Funds returned in FY 2012/13		-		28,498
FY 2013/14 reserve		135,363		30,699
Funds returned in FY 2013/14		16,448		-
FY 2014/15 allocation		128,827		-
	\$	280,638	\$	134,541

NOTE 9 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUNDS RESERVED

In accordance with TDA Article 3 (SB821) Guidelines, funds which will not be spent during the fiscal year have been placed on reserve in the Local Transportation Fund (LTF) account with the County Auditor-Controller to be drawn down whenever the funds become eligible for a specific project and an approved drawdown request is received by LACMTA. As of June 30, 2015 and 2014, the City has funds on reserve as follows:

		2015		2014
FY 2013/14 allocation	\$	-	\$	135,363
FY 2014/15 allocation		6,407		-
Available reserve balance	\$	6,407	\$	135,363

**NOTE 9 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUNDS RESERVED
(CONTINUED)**

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 10 SUBSEQUENT EVENTS

The City has evaluated subsequent events through December 7, 2015, the date the financial statements were available to be issued, and concluded that no events have occurred that require disclosure in 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 Santa Clarita, 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, the Transportation Development Act Article 3 Fund and the Transportation Development Act Article 8 Fund (collectively, the Funds) of the City of Santa Clarita, 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 December 7, 2015.

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, Transportation Development Act Article 3 Fund and Transportation Development Act Article 8 Fund financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Los Angeles, California
December 7, 2015

COMPLIANCE SECTION

Report of Independent Auditors on Compliance

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

Report on Compliance

We have audited the compliance of the City of Santa Clarita, California (the City) with the Proposition A and Proposition C Local Return Guidelines, Measure R Local Return Guidelines, Transportation Development Act (TDA) Articles 3 and 8, and the Los Angeles County Metropolitan Transportation Authority's Funding and Allocation Guidelines for Transportation Development Act Article 3 Bicycle and Pedestrian Funds and the LACMTA Guidelines for the Administration of TDA Article 8 (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 Articles 3 and 8 Programs 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 Santa Clarita, 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 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. 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 "Vasquez & Company LLP". The signature is written in a cursive, flowing style.

Los Angeles, California
December 7, 2015

**City of Santa Clarita
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		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 on 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	
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 was properly credited to the Measure R Local Return Account.	X		None	

**City of Santa Clarita
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 (Continued)				
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.
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	
D. Transportation Development Act Article 8 Fund				
1. Timely use of funds.	X		None	
2. Expenditures were incurred for transit, paratransit, and local streets and roads.	X		None	

EXIT CONFERENCE

An exit conference was held on December 7, 2015 with a City of Santa Clarita representative. Those in attendance were:

Vasquez and Company LLP representatives:
Marialyn O. Salvador – Audit Manager

City of Santa Clarita representative:
Lisett Bautista – Financial Analyst

Matters discussed:

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

A copy of this report was forwarded to the City of Santa Clarita representative for comments prior to the issuance of the final report:

Lisett Bautista – Financial Analyst



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