



MetroTM

**City of San Fernando
Annual Financial Report of its**

**Proposition A Local Return Fund
Proposition C Local Return Fund
Measure R Local Return Fund
Measure M Local Return Fund
Transportation Development Act Article 3 Fund**

**As of and for the Years Ended June 30, 2019 and 2018
with Report of Independent Auditors**

	<u>PAGE</u>
FINANCIAL SECTION	
Report of Independent Auditors	1
Proposition A Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	4
Statements of Revenues, Expenditures and Changes in Fund Balance	5
Supplementary Information:	
Schedule of Expenditures – Actual and LACMTA Approved Project Budget	6
Schedule of Capital Assets	7
Proposition C Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	8
Statements of Revenues, Expenditures and Changes in Fund Balance	9
Supplementary Information:	
Schedule of Expenditures – Actual and LACMTA Approved Project Budget	10
Schedule of Capital Assets	11
Measure R Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	12
Statements of Revenues, Expenditures and Changes in Fund Balance	13
Supplementary Information:	
Schedule of Expenditures – Actual and LACMTA Approved Project Budget	14
Schedule of Capital Assets	15
Measure M Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	16
Statements of Revenues, Expenditures and Changes in Fund Balance	17
Supplementary Information:	
Schedule of Expenditures – Actual and LACMTA Approved Project Budget	18
Schedule of Capital Assets	19
Transportation Development Act Article 3 Fund:	
Basic Financial Statements:	
Balance Sheets	20
Statements of Revenues, Expenditures and Changes in Fund Balance	21
Supplementary Information:	
Schedule of Transportation Development Act Allocation for Specific Projects	22
Notes to Funds Financial Statements	23
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>	29

COMPLIANCE SECTION

Report of Independent Auditors on Compliance	31
Compliance Matrix	33

SCHEDULE OF FINDINGS AND QUESTIONED COSTS	37
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EXIT CONFERENCE	38
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FINANCIAL SECTION

Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of San Fernando, California (the City) which comprise the Funds' balance sheets as of June 30, 2019 and 2018, and the related statements of revenues, expenditures and changes in fund balances 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 City'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 City'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 Measure M Local Return Fund and the Transportation Development Act Article 3 Fund of the City of San Fernando, California, as of June 30, 2019 and 2018, 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, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund of the City of San Fernando, California, and do not purport to, and do not present fairly the financial position of the City as of June 30, 2019 and 2018, 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 November 21, 2019 on our consideration of the City's internal control over the Funds' financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over the Funds' financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over the Funds' financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over the Funds' financial reporting and compliance.

Vasquez & Company LLP

**Glendale, California
November 21, 2019**

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

		June 30	
		2019	2018
ASSETS			
Cash and investments	\$	153,566	\$ 81,794
Accounts receivable		907	2,143
Total assets	\$	154,473	\$ 83,937
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	80,708	\$ 28,600
Accrued payroll and employee benefits		163	418
Total liabilities		80,871	29,018
Fund balance			
Restricted		73,602	54,919
Total fund balance		73,602	54,919
Total liabilities and fund balance	\$	154,473	\$ 83,937

See notes to Funds financial statements.

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

	Years ended June 30	
	2019	2018
Revenues		
Proposition A	\$ 491,583	\$ 457,621
Interest income	3,363	995
Investment gain (loss)	768	(189)
Project generated revenues	17,572	27,829
Total revenues	513,286	486,256
Expenditures		
Various projects	494,603	496,384
Total expenditures	494,603	496,384
Excess (deficiency) of revenues over expenditures	18,683	(10,128)
Fund balance at beginning of year	54,919	65,047
Fund balance at end of year	\$ 73,602	\$ 54,919

See notes to Funds financial statements.

City of San Fernando
Proposition A Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2019
(With Comparative Actuals for 2018)

Project Code	Project Name	2019			2018 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
110-01	Trolley Fixed Route Transit	\$ 134,000	\$ 134,000	\$ -	\$ 132,457
110-02	Trolley / Utility Truck Fuel	10,000	4,141	5,859	7,542
120-01	Dial-A-Ride	269,280	269,280	-	286,200
140-01	Recreational Trips Programs	17,500	15,619	1,881	14,554
250-08	MTA Bus Pass Subsidy	17,500	14,085	3,415	16,298
480-09	Prop A Administration	57,478	57,478	-	39,333
	Total expenditures	\$ 505,758	\$ 494,603	\$ 11,155	\$ 496,384

See report of independent auditors.

City of San Fernando
Proposition A Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2019

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
2009	Monitors and Navigation System DVD Playback and Anti-Thief System	\$ 12,118	\$ -	\$ -	\$ 12,118
2013	Bus Shelters	46,288	-	-	46,288
Total \$		58,406	\$ -	\$ -	58,406

See report of independent auditors.

City of San Fernando
Proposition C Local Return Fund
Balance Sheets

		June 30	
		2019	2018
ASSETS			
Cash and investments	\$	576,542	\$ 370,098
Total assets	\$	576,542	\$ 370,098
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	687	\$ 38,274
Accrued payroll and employee benefits		1,319	761
Retention payable		-	1,416
Total liabilities		2,006	40,451
Fund balance			
Restricted		574,536	329,647
Total fund balance		574,536	329,647
Total liabilities and fund balance	\$	576,542	\$ 370,098

See notes to Funds financial statements.

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

	Years ended June 30	
	2019	2018
Revenues		
Proposition C	\$ 407,755	\$ 379,268
Interest income	7,174	3,904
Investment income (loss)	5,886	(4,071)
Total revenues	420,815	379,101
Expenditures		
Various projects	175,926	215,285
Total expenditures	175,926	215,285
Excess of revenues over expenditures	244,889	163,816
Fund balance at beginning of year	329,647	165,831
Fund balance at end of year	\$ 574,536	329,647

See notes to Funds financial statements.

City of San Fernando
Proposition C Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2019
(With Comparative Actuals for 2018)

Project Code	Project Name	2019			2018 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
110-01	Trolley Fixed Route Transit	\$ 144,720	\$ 144,720	\$ -	\$ 115,000
440-05	Street and Bikeway Improvements	325,000	-	325,000	36,450
450-01	Truman Street Enhancements	37,768	1,885	35,883	33,296
480-01	Prop C Administration	88,904	29,321	59,583	30,539
Total expenditures		\$ 596,392	\$ 175,926	\$ 420,466	\$ 215,285

See report of independent auditors.

City of San Fernando
Proposition C Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2019

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
1998	Multi-Use Recreation Building	\$ 566,845	\$ -	-	\$ 566,845
1998	Shelter Bus	80,575	-	-	80,575
1998	Hewlett Packard Netserver	12,251	-	-	12,251
1998	Poligon Structure	7,782	-	-	7,782
2001	Solar Arrow Trailer Board	6,089	-	-	6,089
2002	Inductive Loop Detector	9,800	-	-	9,800
2003	Traffic Signals	34,259	-	-	34,259
2003	Maclay St Rehabilitation	17,642	-	-	17,642
2004	Traffic Signals	189,002	-	-	189,002
2004	Van	14,000	-	-	14,000
2004	S Maclay Ave Rehabilitation	80,681	-	-	80,681
2004	Street Striping	4,000	-	-	4,000
2008	Maclay Streetscape	1,232,487	-	-	1,232,487
2009	Backhoe Attachment for Skid Steer	8,900	-	-	8,900
2013	Park Ave Street Sidewalk Improvements	128,017	-	-	128,017
2017	Street Resurfacing Project	303,907	-	-	303,907
2018	Street Resurfacing Project	36,450	-	-	36,450
2018	SF Downtown Revitalization	31,928	-	-	31,928
	Total	<u>\$ 2,764,615</u>	<u>\$ -</u>	<u>-</u>	<u>\$ 2,764,615</u>

See report of independent auditors.

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

		June 30	
		2019	2018
ASSETS			
Cash and investments	\$	2,616,480	\$ 2,734,380
Total assets	\$	2,616,480	\$ 2,734,380
LIABILITIES AND FUND BALANCE (DEFICIT)			
Liabilities			
Accounts payable	\$	2,633	\$ 138,318
Accrued payroll and employee benefits		203	204
Total liabilities		2,836	138,522
Fund balance			
Restricted - Total Road Improvement Program		1,801,323	2,721,699
Restricted - Other		812,321	(125,841)
Total fund balance		2,613,644	2,595,858
Total liabilities and fund balance	\$	2,616,480	\$ 2,734,380

See notes to Funds financial statements.

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

	Years ended June 30	
	2019	2018
Revenues		
Measure R	\$ 305,904	\$ 284,304
Interest income	50,777	31,891
Investment income	3,101	1,399
Total revenues	359,782	317,594
Expenditures		
Various projects	341,996	1,038,128
Total expenditures	341,996	1,038,128
Excess (deficiency) of revenues over expenditures	17,786	(720,534)
Fund balance at beginning of year	2,595,858	3,316,392
Fund balance at end of year	\$ 2,613,644	\$ 2,595,858

See notes to Funds financial statements.

City of San Fernando
Measure R Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2019
(With Comparative Actuals for 2018)

Project Code	Project Name	LACMTA Budget	Actual	Positive (Negative)	2018 Actual
1.05	Street Resurfacing Program (Construction and Contingency)	\$ 225,000	\$ -	\$ 225,000	\$ 445,580
1.05	Glenoaks Resurfacing Project (Construction and Contingency)	1,159,664	-	1,159,664	-
1.05	Safe Routes to School Project Cycle 1 (Construction and Contingency)	161,973	-	161,973	-
1.05	Safe Routes to School Project Cycle 2 (Construction and Contingency)	252,677	-	252,677	-
1.05	TRIP COP - Principal & Interest	177,000	179,588	(2,588)	-
1.05	TRIP COP - Principal	-	-	-	80,000
1.05	TRIP COP - Bond Interest	-	-	-	96,988
3.90	Pacoima Wash Bikeway Project (Construction)	400,000	-	400,000	-
7.90	Safe routes Cycle 1 (Design)	53,920	33,071	20,849	-
7.90	Safe Routes Cycles 2 (Design)	62,026	43,640	18,386	190,786
7.90	Street Resurfacing Program (Design)	-	-	-	29,328
7.90	Glenoaks Resurfacing Project (Design)	111,322	66,825	44,497	191,569
7.90	HSIP 8 Traffic Signal Improvements (Design)	60,000	-	60,000	-
8.10	TRIP COP - Administrative Expense	3,000	3,872	(872)	3,877
9.10	Local Share for Bridge Preventive Maintenance	15,000	15,000	-	-
Total expenditures		\$ 2,681,582	\$ 341,996	\$ 2,339,586	\$ 1,038,128

See report of independent auditors.

City of San Fernando
Measure R Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2019

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
2011	Park Avenue Streetscape Improvements	\$ 171,904	\$ -	\$ -	\$ 171,904
2013	Park Avenue Streetscape Improvements	45,740	-	-	45,740
2017	Safe Routes to School Cycle 7 Around Various Schools	179,104	-	-	179,104
2017	Street Resurfacing Project	313,885	-	-	313,885
2018	Street Resurfacing Project	474,908	-	-	474,908
Total		\$ 1,185,541	\$ -	\$ -	\$ 1,185,541

See report of independent auditors.

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

		June 30	
		2019	2018
ASSETS			
Cash and investments		\$ <u>566,543</u>	\$ 256,689
Total assets		\$ <u>566,543</u>	\$ <u>256,689</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable		\$ <u>11,035</u>	\$ -
Total liabilities		<u>11,035</u>	<u>-</u>
Fund balance			
Restricted		<u>555,508</u>	256,689
Total fund balance		<u>555,508</u>	<u>256,689</u>
Total liabilities and fund balance		\$ <u>566,543</u>	\$ <u>256,689</u>

See notes to Funds financial statements.

City of San Fernando
Measure M Local Return Fund

Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2019	2018
Revenues		
Measure M	\$ 344,563	\$ 257,645
Interest income	7,894	1,797
Investment income (loss)	4,382	(2,753)
Total revenues	356,839	256,689
Expenditures		
Various projects	58,020	-
Total expenditures	58,020	-
Excess of revenues over expenditures	298,819	256,689
Fund balance at beginning of year	256,689	-
Fund balance at end of year	\$ 555,508	\$ 256,689

See notes to Funds financial statements.

City of San Fernando
Measure M Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2019
(With Comparative Actuals for 2018)

Project Code	Project Name	2019			2018 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
1.05	Annual Street Resurfacing Program	\$ 250,000	\$ -	\$ 250,000	-
1.05	Capital Project (TBD)	100,000	58,020	41,980	-
2.95	Traffic Signal Improvement Project	111,571	-	111,571	-
2.16	20% Match for Citywide Signal Synchronization Project	193,844	-	193,844	-
3.90	Pacoima Wash Bikeway Project (Construction)	228,000	-	228,000	-
	Total expenditures	\$ 883,415	\$ 58,020	\$ 825,395	-

See report of independent auditors.

City of San Fernando
Measure M Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2019

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See report of independent auditors.
 19

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

		June 30	
		2019	2018
ASSETS			
Cash	\$	12,500	\$ -
Due from LACMTA		-	5,313
Total assets	\$	12,500	\$ 5,313
LIABILITIES AND FUND BALANCE			
Liabilities			
Cash overdraft	\$	-	\$ 4,779
Accounts payable		12,500	534
Total liabilities		12,500	5,313
Fund balance			
Restricted		-	-
Total fund balance		-	-
Total liabilities and fund balance	\$	12,500	\$ 5,313

See notes to Funds financial statements.

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

	Years ended June 30	
	2019	2018
Revenues		
Intergovernmental Allocations:		
Article 3	\$ 16,611	\$ 5,313
Investment income	194	-
Total revenues	16,805	5,313
Expenditures		
Sidewalk Repair: City Wide	16,805	5,313
Total expenditures	16,805	5,313
Excess of revenues over expenditures	-	-
Fund balance at beginning of year	-	-
Fund balance at end of year	\$ -	\$ -

See notes to Funds financial statements.

City of San Fernando
Transportation Development Act Article 3 Fund
Pursuant to Public Utilities Code Section 99234
Supplementary Information
Schedule of Transportation Development Act Allocation for Specific Projects
Year ended June 30, 2019

Project Description	Program Year	Totals to Date		Unexpended Allocations	Project Status
		Allocations	Expenditures		
Local Allocations:					
Sidewalk Repair: City Wide	2019	\$ 16,611	\$ 16,805	\$ (194)	Completed
Totals		<u>\$ 16,611</u>	<u>\$ 16,805</u>	<u>(194)</u>	
Investment income				194	
Fund balance at beginning of year				-	
Fund balance at end of year				\$ -	

See report of independent auditors.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The operations of the Proposition A Local Return Fund (PALRF), the Proposition C Local Return Fund (PCLRF), the Measure R Local Return Fund (MRLRF), the Measure M Local Return Fund (MMLRF) and the 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 the county-wide ½ cent Measure R 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.

MMLRF is derived from 17% of the county-wide ½ cent Measure M sales tax which is distributed to the jurisdictions within Los Angeles County based on a per capita basis and must be used exclusively for transportation purposes.

TDAA3F is a Special Revenue Fund that accounts for the City's share of the Transportation Development Act Article 3 allocations which are legally restricted for specific purposes.

Basis of Accounting and Measurement Focus

The PALRF, PCLRF, MRLRF, MMLRF and TDAA3F are reported as Special Revenue Funds of the City and are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become "susceptible to accrual", that is, measurable and available to finance expenditures of the current period. Expenditures are recorded when the liability is incurred.

Special Revenue Funds are reported on a spending or "financial flow" measurement focus. This means that generally, only current assets, current liabilities and deferred inflows and outflows of resources are included on their balance sheets. Statements of revenues, expenditures and changes in fund balances for Special Revenue Funds generally present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Budgets and Budgetary Accounting

The budgeted amounts presented in this report for comparison to the actual amounts are based on budgets approved by LACMTA and are presented in accordance with accounting principles generally accepted in the United States of America.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, the City categorizes its fair value measurement within the fair value hierarchy that is based on the valuation inputs used to measure the fair value of the investment. Level 1 inputs are quoted prices in active markets for identical investments; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Accordingly, the City reports its investments at fair value and recognizes unrealized gain (loss) on investments.

Refer to the City's Comprehensive Annual Financial Report for detailed disclosures regarding the City's investments policy and fair value measurement disclosures.

Fund Balance Reporting

Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes the fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The PALRF, PCLRF, MRLRF, MMLRF and TDAA3F report the following fund balance classification as of June 30, 2019 and 2018:

- Restricted - Amounts that are constrained for specific purposes, which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation. The use of the Funds' remaining fund balances is restricted for projects approved by LACMTA.

Information regarding the fund balance reporting policy adopted by the City is described in the City's Comprehensive Annual Financial Report.

NOTE 2 ANNUAL FINANCIAL STATEMENTS

The financial statements reflect only the financial position and results of operations of the PALRF, PCLRF, MRLRF, MMLRF and TDAA3F, and do not purport to, and do not present fairly the City's financial position as of June 30, 2019 and 2018, 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.

Proposition A and Proposition C LR funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated.

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.

Measure R LR funds must be expended within five years of the first day of the fiscal year in which funds were originally allocated or received.

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 MEASURE M LOCAL RETURN COMPLIANCE REQUIREMENTS

Measure M was approved by the voters of Los Angeles County on November 8, 2016 to improve transportation and ease traffic congestion consistent with the Los Angeles County Traffic Improvement Plan Ordinance approved by the Metro Board of Directors on June 23, 2016. The Measure M Ordinance specifies that LR funds be used exclusively for transportation purposes.

NOTE 5 MEASURE M LOCAL RETURN COMPLIANCE REQUIREMENTS (CONTINUED)

Measure M LR funds must be expended within five years of the first day of the fiscal year in which funds were originally allocated or received.

In accordance with *Measure M Local Return Program Guidelines*, funds received pursuant to these guidelines may only be used for Measure M Local Return approved programs. See accompanying Compliance Matrix.

NOTE 6 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 7 CASH AND INVESTMENTS

The PALRF, PCLRF, MRLRF, MMLRF 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 8 PROJECT GENERATED REVENUES

Project generated revenues under PALRF for the years ended June 30, 2019 and 2018 consisted of the following:

		2019		2018
Dial-A-Ride fares	\$	2,826	\$	4,652
AQMD Natural Gas Trolleys		8,112		15,311
MTA bus pass sales		6,634		7,866
	\$	17,572	\$	27,829

NOTE 9 TOTAL ROAD IMPROVEMENT PROGRAM (TRIP) CERTIFICATES OF PARTICIPATION (COP), Series 2016

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

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

The following is the capital reserve balance for the TRIP project as of June 30, 2019 and 2018:

Balance, June 30, 2017	\$	2,693,840
Add: Investment income allocated during the year		27,914
Less: Underwriter fees		(55)
Balance, June 30, 2018		2,721,699
Add: Investment income allocated during the year		37,110
Add: Monthly allocation from Measure R for trustee fees		2,495
Less: Reimbursements to the City for roadway and street improvement projects in the City of San Fernando		(959,981)
Balance, June 30, 2019	\$	1,801,323

NOTE 10 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND REVENUE ALLOCATION

The revenue allocations for the years ended June 30, 2019 and 2018 consisted of the following:

		2019		2018
FY 2016/17 allocation	\$	15,514	\$	4,544
FY 2017/18 allocation		1,097		769
	\$	16,611	\$	5,313

NOTE 11 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, 2019, and 2018, the City has funds on reserve as follows:

		2019		2018
FY 2016/17 reserve	\$	-	\$	15,514
FY 2017/18 reserve		14,892		15,989
FY 2018/19 allocation		16,610		-
	\$	31,502	\$	31,503

For FY 2018/19, any TDA Article 3 funds left on reserve for FY 2014/15 or prior, are subject to lapse if not claimed by the City by June 30, 2019. There were no funds that lapsed in FY 2018/19.

NOTE 12 SUBSEQUENT EVENTS

The City has evaluated subsequent events through November 21, 2019, the date the financial statements were available to be issued, and concluded no events have occurred that require disclosure or adjustments to the financial statements.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of San Fernando, California (the City) as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated November 21, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the Funds' financial statements, we considered the City's internal control over the Funds' financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Funds' financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Funds' financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit 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, Measure M 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 audit, 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

**Glendale, California
November 21, 2019**

COMPLIANCE SECTION

Report of Independent Auditors on Compliance

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

Report on Compliance

We have audited the compliance of the City of San Fernando, California (the City) with the Proposition A and Proposition C Local Return Guidelines, Measure R Local Return Guidelines, Measure M Local Return Fund 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, 2019.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion

In our opinion, the City of San Fernando, California complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2019.



Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the requirements, such that there is a reasonable possibility that material noncompliance will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the requirements that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses 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 "Vagney & Company LLP".

**Glendale, California
November 21, 2019**

**City of San Fernando
Compliance Matrix
Year ended June 30, 2019**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
A. Proposition A and Proposition C Local Return Funds					
1. Uses the State Controller's Uniform System of Accounts and Records.	X				
2. Timely use of funds.	X				
3. Funds expended were approved and have not been substituted for property tax.	X				
4. Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A)	X				
5. Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	X				
6. All on-going and carryover projects were reported in Form B.	X				
7. Annual Project Summary Report (Form B) was submitted timely.	X				
8. Annual Expenditure Report (Form C) was submitted timely.	X				
9. Cash or cash equivalents are maintained.	X				
10. Accounting procedures, record keeping and documentation are adequate.	X				
11. Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	X				
12. Local Return Account is credited for reimbursable expenditures.			X		
13. Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.			X		
14. Assurances and Understandings form was on file.	X				
15. Recreational Transit Form was submitted timely.	X				

See report of independent auditors on compliance.

**City of San Fernando
Compliance Matrix
Year ended June 30, 2019**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
B. Measure R Local Return Fund					
1. Funds were expended for transportation purposes.	X				
2. Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	X				
3. Signed Assurances and Understandings on file.	X				
4. Separate Measure R Local Return Account was established.	X				
5. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X				
6. Funds were expended with LACMTA's approval.	X				
7. Expenditure Plan (Form One) was submitted timely.	X				
8. Expenditure Report (Form Two) was submitted timely.	X				
9. Timely use of funds.	X				
10. Administrative expenses are within the 20% cap.	X				
11. Fund exchanges were approved by LACMTA.			X		
12. A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.			X		
13. Recreational transit form was submitted timely.			X		

See report of independent auditors on compliance.

**City of San Fernando
Compliance Matrix
Year ended June 30, 2019**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
C. Measure M Local Return Fund					
1. Funds were expended for transportation purposes.	X				
2. Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a fund shortfall.	X				
3. Signed Assurances and Understandings on file.	X				
4. Separate Measure M Local Return Account was established.	X				
5. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	X				
6. Funds were expended with LACMTA's approval.	X				
7. Expenditure Plan (Form M-One) was submitted timely.	X				
8. Expenditure Report (Form M-Two) was submitted timely.	X				
9. Timely use of funds.	X				
10. Administrative expenses are within the 20% cap.	X				
11. Fund exchanges were approved by LACMTA.			X		
12. A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.			X		
13. Recreational transit form was submitted timely.			X		

See report of independent auditors on compliance.

**City of San Fernando
Compliance Matrix
Year ended June 30, 2019**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
D. Transportation Development Act Article 3 Fund					
1. Timely use of funds.	X				
2. Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.	X				

See report of independent auditors on compliance.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**City of San Fernando
Schedule of Findings and Questioned Costs
Year ended June 30, 2019**

There were no findings noted.

EXIT CONFERENCE

An exit conference was held on November 21, 2019 with the City of San Fernando representatives. Those in attendance were:

Vasquez and Company LLP representatives:
 Marialyn Salvador – Audit Senior Manager
 Shweta Mehrotra – Audit Supervisor

City of San Fernando representatives:
 Nick Kimball – City Manager
 Diego Ibanez – Finance Director
 Sonia Garcia – 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 San Fernando representatives for comments prior to the issuance of the final report:

 Nick Kimball – City Manager
 Sonia Garcia – Senior Accountant
 Kenneth Jones – Management Analyst



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