

***CITY OF BRADBURY
ANNUAL FINANCIAL REPORT OF THE
PROPOSITION A LOCAL RETURN FUND
PROPOSITION C LOCAL RETURN FUND
MEASURE R LOCAL RETURN FUND
TRANSPORTATION DEVELOPMENT ACT
ARTICLE 3 FUND***

***FOR THE FISCAL YEARS ENDED
JUNE 30, 2017 AND 2016***



Metro[®]



Simpson & Simpson, LLP
Certified Public Accountants

CITY OF BRADBURY
TABLE OF CONTENTS

FINANCIAL SECTION	PAGE
Independent Auditor's Report	1
Proposition A Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	3
Statements of Revenues, Expenditures and Changes in Fund Balance	4
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	5
Schedule of Capital Assets	6
Proposition C Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	7
Statements of Revenues, Expenditures and Changes in Fund Balance	8
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	9
Schedule of Capital Assets	10
Measure R Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	11
Statements of Revenues, Expenditures and Changes in Fund Balance	12
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	13
Schedule of Capital Assets	14
Transportation Development Act Article 3 Fund:	
Basic Financial Statements:	
Balance Sheets	15
Statements of Revenues, Expenditures and Changes in Fund Balance	16
Supplementary Information:	
Schedule of Transportation Development Act Allocation for Specific Projects	17
Notes to Financial Statements	18
Independent Auditor's Report 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>	22
COMPLIANCE SECTION	
Independent Auditor's Report On Compliance	24
Compliance Matrix	27
Schedule of Findings and Recommendations	30
EXIT CONFERENCE	36

FINANCIAL SECTION



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Independent Auditor's Report

To the Honorable Members of the City Council of the
City of Bradbury, 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 (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), and Transportation Development Act Article 3 (TDAA3F) Fund of the City of Bradbury, California (City) as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, as listed in the table of contents.

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.

Auditor's 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about 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 PALRF, PCLRF, MRLRF and TDAA3F of the City of Bradbury, California, as of June 30, 2017 and 2016, and the respective changes in their 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 PALRF, PCLRF, MRLRF, and TDAA3F and do not purport to, and do not, present fairly the financial position of the City of Bradbury, California, as of June 30, 2017 and 2016, and the changes in financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bradbury, California's PALRF, PCLRF, MRLRF, and TDAA3F Fund financial statements as a whole. The accompanying supplementary information as listed in the table of contents is presented for the purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 the financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated October 4, 2017, on our consideration of the City of Bradbury'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, 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 "Simpson & Simpson". The signature is written in a cursive, flowing style.

Los Angeles, California
October 4, 2017

CITY OF BRADBURY

PROPOSITION A LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and investments	\$ 62,228	\$ 42,135
Interest receivable	<u>52</u>	<u>17</u>
Total assets	<u>\$ 62,280</u>	<u>\$ 42,152</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ <u>-</u>	\$ <u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
Fund Balance		
Restricted	<u>62,280</u>	<u>42,152</u>
Total fund balance	<u>62,280</u>	<u>42,152</u>
Total liabilities and fund balance	<u>\$ 62,280</u>	<u>\$ 42,152</u>

The accompanying notes are an integral part of the financial statements.

CITY OF BRADBURY

PROPOSITION A LOCAL RETURN FUND

**STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**

For the Fiscal Years Ended June 30

	<u>2017</u>	<u>2016</u>
REVENUES		
Proposition A	\$ 19,835	\$ 19,530
Interest income	<u>293</u>	<u>133</u>
Total revenues	<u>20,128</u>	<u>19,663</u>
EXPENDITURES		
Various projects	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	20,128	19,663
Fund balance at beginning of year	<u>42,152</u>	<u>22,489</u>
Fund balance at end of year	<u>\$ 62,280</u>	<u>\$ 42,152</u>

The accompanying notes are an integral part of the financial statements.

CITY OF BRADBURY

PROPOSITION A LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES

ACTUAL AND METRO APPROVED PROJECT BUDGET

For the Fiscal Year Ended June 30, 2017

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2016)

Project Code	Project Name	2017		Variance	2016 Actual
		Metro Budget	Actual	Favorable (Unfavorable)	
	No project approved for FY 16/17	\$ -	\$ -	\$ -	\$ -
	Total expenditures	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

CITY OF BRADBURY

PROPOSITION A LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

June 30, 2017

<u>Date</u> <u>Acquired</u>	<u>Description</u>	<u>Balance</u> <u>7/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2017</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

CITY OF BRADBURY

PROPOSITION C LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and investments	\$ 50,027	\$ 42,465
Interest receivable	43	19
Total assets	<u>\$ 50,070</u>	<u>\$ 42,484</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 2,816	\$ 2,816
Total liabilities	<u>2,816</u>	<u>2,816</u>
Fund Balance		
Restricted	<u>47,254</u>	<u>39,668</u>
Total fund balance	<u>47,254</u>	<u>39,668</u>
Total liabilities and fund balance	<u>\$ 50,070</u>	<u>\$ 42,484</u>

The accompanying notes are an integral part of the financial statements.

CITY OF BRADBURY

PROPOSITION C LOCAL RETURN FUND

**STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**

For the Fiscal Years Ended June 30

	<u>2017</u>	<u>2016</u>
REVENUES		
Proposition C	\$ 16,295	\$ 16,034
Interest income	<u>252</u>	<u>165</u>
Total revenues	<u>16,547</u>	<u>16,199</u>
EXPENDITURES		
Various projects	<u>8,961</u>	<u>8,795</u>
Total expenditures	<u>8,961</u>	<u>8,795</u>
Excess of revenues over expenditures	7,586	7,404
Fund balance at beginning of year	<u>39,668</u>	<u>32,264</u>
Fund balance at end of year	<u><u>\$ 47,254</u></u>	<u><u>\$ 39,668</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF BRADBURY

PROPOSITION C LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES

ACTUAL AND METRO APPROVED PROJECT BUDGET

For the Fiscal Year Ended June 30, 2017

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2016)

Project Code	Project Name	2017			2016 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
440-01	Woodlyn Lane Pavement Rehabilitation	\$ 46,119	\$ -	\$ 46,119	\$ -
120-01	Dial-A-Ride Start Up	9,000	8,447	553	8,449
480-03	San Gabriel Valley COG Dues (Prev 03-270)	350	514	(164)	346
	Total expenditures	<u>\$ 55,469</u>	<u>\$ 8,961</u>	<u>\$ 46,508</u>	<u>\$ 8,795</u>

See accompanying independent auditor's report.

CITY OF BRADBURY

PROPOSITION C LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

June 30, 2017

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 7/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2017</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

CITY OF BRADBURY

MEASURE R LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and investments	\$ 62,655	\$ 49,037
Interest receivable	<u>52</u>	<u>20</u>
Total assets	<u>\$ 62,707</u>	<u>\$ 49,057</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ <u>-</u>	\$ <u>(997)</u>
Total liabilities	<u>-</u>	<u>(997)</u>
Fund Balance		
Restricted	<u>62,707</u>	<u>50,054</u>
Total fund balance	<u>62,707</u>	<u>50,054</u>
Total liabilities and fund balance	<u>\$ 62,707</u>	<u>\$ 49,057</u>

The accompanying notes are an integral part of the financial statements.

CITY OF BRADBURY

MEASURE R LOCAL RETURN FUND

**STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**

For the Fiscal Years Ended June 30

	<u>2017</u>	<u>2016</u>
REVENUES		
Measure R	\$ 12,342	\$ 12,157
Interest income	311	252
Other income	-	998
Total revenues	<u>12,653</u>	<u>13,407</u>
EXPENDITURES		
Various projects	-	20,380
Total expenditures	<u>-</u>	<u>20,380</u>
Excess (deficiency) of revenues over expenditures	12,653	(6,973)
Fund balance at beginning of year	<u>50,054</u>	<u>57,027</u>
Fund balance at end of year	<u><u>\$ 62,707</u></u>	<u><u>\$ 50,054</u></u>

The accompanying notes are an integral part of the financial statements

CITY OF BRADBURY

MEASURE R LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES

ACTUAL AND METRO APPROVED PROJECT BUDGET

For the Fiscal Year Ended June 30, 2017

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2016)

Project Code	Project Name	2017			2016 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	Woodlyn Lane Pavement Rehabilitation	\$ 52,548	\$ -	\$ 52,548	\$ -
2.01	Solar Speed Feedback Signs	-	-	-	20,380
	Total expenditures	<u>\$ 52,548</u>	<u>\$ -</u>	<u>\$ 52,548</u>	<u>\$ 20,380</u>

See accompanying independent auditor's report.

CITY OF BRADBURY

MEASURE R LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

June 30, 2017

<u>Date</u> <u>Acquired</u>	<u>Description</u>	<u>Balance</u> <u>7/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2017</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

CITY OF BRADBURY

**TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
(PURSUANT TO PUBLIC UTILITIES CODE SECTION 99234)**

**BALANCE SHEETS
JUNE 30**

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and investment	\$ -	-
Total assets	\$ -	\$ -
LIABILITIES AND FUND BALANCE		
Liabilities		
Due to general fund	\$ 1	\$ 1
Total liabilities	1	1
Fund Balance		
Unassigned	(1)	(1)
Total fund balance	(1)	(1)
Total liabilities and fund balance	\$ -	\$ -

The accompanying notes are an integral part of the financial statements.

CITY OF BRADBURY

TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND

**STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**

For the Fiscal Years Ended June 30

	<u>2017</u>	<u>2016</u>
REVENUES		
Intergovernmental Allocations: Article 3	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>
EXPENDITURES		
Construction/Maintenance	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	-	-
Fund balance at beginning of year	(1)	-
MTA - TDA Article 3 Reserve Account	<u>-</u>	<u>(1)</u>
Fund balance at end of year	<u><u>\$ (1)</u></u>	<u><u>\$ (1)</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF BRADBURY

TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
SUPPLEMENTARY INFORMATION

SCHEDULE OF TRANSPORTATION DEVELOPMENT ACT
ALLOCATION FOR SPECIFIC PROJECTS

For the Fiscal Year Ended June 30, 2017

<u>Project Description</u>	<u>Program Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended Allocations</u>	<u>Project Status</u>
Local allocations					
None	2016-17	\$ -	\$ -	\$ -	
	Total	<u>\$ -</u>	<u>\$ -</u>	-	
Unexpended interest accumulated to date				-	
Fund balance at beginning of year				(1)	
MTA - TDA Article 3 Reserve Account				-	
Fund balance at end of year				<u>\$ (1)</u>	

See accompanying independent auditor's report.

CITY OF BRADBURY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2017 and 2016

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.

Transportation Development Act Article 3 Fund (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

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.

Special Revenue funds are reported on 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. Statement of revenue, expenditures and changes in fund balance for Special Revenue Funds generally present increase (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Budgets and Budgetary Accounting

The budgeted amounts presented in this report for comparison to the actual amounts are presented in accordance with accounting principles generally accepted in the United States of America.

CITY OF BRADBURY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2017 and 2016
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurement

In accordance with GASB Statement No. 72, Fair Value measurement and Application, which became effective for the fiscal year ended June 30, 2016, the City categorizes its fair value measurement within the fair value hierarchy that is based on the valuation inputs used to measure the fair value of the investment. Level 1 inputs are quoted prices in active markets for identical investments; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Accordingly, the City reports its investment at fair value and recognizes unrealized gain (loss) on investments.

Refer to City’s 2017 Comprehensive Annual Financial Report for detailed disclosures regarding the City’s investments policy and fair value measurement.

Fund Balance Reporting

Governmental Accounting Standard 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 extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds.

The PALRF, PCLRF, MRLRF, and TDAA3F report the following fund balance classification as of June 30, 2017:

- Restricted– Amounts that are constrained for specific purpose, 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 balance are restricted for projects approved by LACMTA

Information regarding the fund balance reporting policy adopted by the City is described in note 1 to the City’s Comprehensive Annual Financial Report.

NOTE 2 – ANNUAL FINANCIAL STATEMENTS

The financial statements reflect only the financial position and results of operations of the PALRF, PCLRF, MRLRF, and TDAA3F and their compliance with the Proposition A and Proposition C Local Return Program Guidelines, Measure R Local Return Program Guidelines, and Transportation Development Act Article 3 and the Los Angeles County Metropolitan Transportation Authority Funding and Allocation Guidelines for Transportation Development Act Article 3 Bicycle and Pedestrian Funds.

CITY OF BRADBURY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2017 and 2016
(Continued)

NOTE 3 – PROPOSITION A AND PROPOSITION C LOCAL RETURN COMPLIANCE REQUIREMENTS

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.

NOTE 4 – MEASURE R LOCAL RETURN COMPLIANCE REQUIREMENTS

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.

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.

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.

NOTE 7 – TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND REVENUE ALLOCATION

The revenue allocation for the years ended June 30, 2017 and 2016 consisted of the following:

	2017	2016
FY 2013-14 allocation	\$ -	\$ -
FY 2014-15 allocation	-	-
FY 2015-16 allocation	-	-
FY 2016-17 allocation	-	-
Total payment requested	\$ -	\$ -

There were no TDA Article 3 funds draw down during FY 2016-17.

CITY OF BRADBURY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2017 and 2016
(Continued)

NOTE 8 – TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUNDS RESERVED

In accordance with TDA Article 3 (SB821) Guidelines, funds not 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, 2017, and 2016, the City has funds on reserve as follows:

	2017	2016
FY 2013/14 allocation	5,000	5,000
FY 2014/15 allocation	5,000	5,000
FY 2015/16 allocation	5,000	5,000
FY 2016/17 allocation	5,000	-
Available reserve balance	\$ <u>20,000</u>	\$ <u>15,000</u>

For FY 2016/17, TDA Article 3 funds left on reserve for FY 2012/2013 of \$220 lapsed.

NOTE 9- SUBSEQUENT EVENTS

The City has evaluated events or transactions that occurred subsequent to June 30, 2017 through October 4, 2017, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined no subsequent matters require disclosure or adjustment to the accompanying financial statements.



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Independent Auditor's Report 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 Bradbury, California and the
Los Angeles County Metropolitan Transit Authority

We have audited, 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, the financial statements 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 (TDAA3F) Fund of the City of BRADBURY, California (City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated October 4, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the 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 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 City's local return funds and TDAA3F 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 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Los Angeles, California
October 4, 2017

COMPLIANCE SECTION



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Independent Auditor's Report on Compliance

To the Honorable Members of the City Council of the
City of Bradbury, California and the
Los Angeles County Metropolitan Transit Authority

Report on Compliance

We have audited the compliance of the City of Bradbury, California (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 the Transportation Development Act Article 3 Bicycle and Pedestrian Funds (Guidelines) for the year ended June 30, 2017.

Management's Responsibility

Management is responsible for the City's compliance with those guidelines.

Auditor's 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 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 referred to in the preceding paragraph. Those standards and the Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a local return program occurred. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination of City's compliance with those requirements.

Opinion on Each Local Return Program and Transportation Development Act Article 3

In our opinion, the City of Bradbury complied, in all material respects, with the compliance requirements referred to above that apply to Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, and Transportation Development Act Article 3 (TDAA3F) Fund for the year ended June 30, 2017.





Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and which are described in the accompanying Schedule of Findings and Recommendations as items Finding No. 2017-001 through Finding No. 2017-006. Our opinion is not modified with respect to these matters.

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

Report on Internal Control over Compliance

Management of the City of Bradbury (City) is responsible for establishing and maintaining effective internal control over compliance with the Requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the Requirements that could have a direct and material effect on the Local Return programs and the TDAA3F to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Requirements, but not for the purpose of expressing 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 under the Requirements on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance under the Requirements 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.



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.

Simpson & Simpson

Los Angeles, California
October 4, 2017

CITY OF BRADBURY
COMPLIANCE MATRIX
Year Ended June 30, 2017

Compliance Requirement	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	\$3,448	See Finding No. 2017-001 on the Summary of Findings and Recommendations.
2.	Expenditures were approved before being incurred.	X		None	
3.	Funds were used on approved projects only and expenditures were supported and allowable per Guidelines.	X			
4.	Expenditures did not exceed 25% of Metro's approved budget.		X	\$164	See Finding No. 2017-002 on the Summary of Findings and Recommendations.
5.	Administrative expenses were within the 20% cap.	X		None	
6.	All on-going and carryover projects were reported in Form B.	X		None	
7.	Annual Project Summary Report (Form B) was submitted on time.		X	None	See Finding No. 2017-003 on the Summary of Findings and Recommendations.
8.	Annual Expenditure Report (Form C) was submitted on time.	X		None	
9.	Cash or cash equivalents were maintained.	X		None	
10.	Accounting procedures, record keeping and documentation were adequate.	X		None	
11.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X		None	

CITY OF BRADBURY
COMPLIANCE MATRIX
Year Ended June 30, 2017
(Continued)

Compliance Requirement	In Compliance		Questioned Costs	If no, provide details and management response.	
	Yes	No			
B. Measure R Local Return Fund					
1.	Timely use of funds.		X	\$3,990	See Finding No. 2017-004 on the Summary of Findings and Recommendations.
2.	Expenditures were approved before being incurred.	N/A		None	
3.	Funds were used on approved projects only and expenditures were supported and allowable per Guidelines.	N/A		None	
4.	Funds were not substituted for property tax	X		None	
5.	Administrative expenses are within the 20% cap.	X		None	
6.	Form One (Expenditure Plan) was submitted on time.		X	None	See Finding No. 2017-005 on the Summary of Findings and Recommendations.
7.	Expenditure Report (Form Two) was submitted on time.	X		None	
8.	Cash or cash equivalents were maintained.	X		None	
9.	Accounting procedures, record keeping and documentation were adequate.	X		None	
10.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X		None	
11.	Funds were not used to supplant existing local revenue being used for transportation purpose	X		None	

CITY OF BRADBURY
COMPLIANCE MATRIX
Year Ended June 30, 2017
(Continued)

Compliance Requirement	In Compliance		Questioned Costs	If no, provide details and management response.	
	Yes	No			
C. Transportation Development Act Article 3 Fund					
1.	Timely use of funds.		X	\$220	See Finding No. 2017-006 on the Summary of Findings and Recommendations.
2.	Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.	NA			

CITY OF BRADBURY

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
June 30, 2017

PALRF: Finding No. 2017-001

Compliance Requirement	According to Prop A and Prop C Local Return Guidelines, Section E (Timey Use of Funds), Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/ or Proposition C funds.
Condition	A portion of the City’s fiscal year 2014 ending fund balance in the amount of \$3,448 was not fully expended within 3 years as of June 30, 2017 and it was not reserved for capital projects as required by Local Return guidelines. However, on November 16, 2017, LACMTA granted the City an extension on the usage of lapsed funds until June 30, 2018.
Cause	There was a lack of timely review of the available funding to be spent for Prop A. In addition, the City noted that it did not have many eligible uses for the Prop A funding during the year.
Effect	Untimely review of the funding status from the prior year allocation could result in losing the funding.
Recommendation	In order to avoid future lapsed funds, we recommend the City establish a policy and process where the City Manager and Finance Director discuss the availability of the Local Return funds in conjunction with any eligible PALRF projects and submit Form B (Annual Project Update Form) to LACMTA, if needed.
Managements Response	The City does not have eligible uses for Prop A funds so ends up selling its funds to other cities. The finance director will calendar the sale of Prop A funds so no funds lapse.
Finding Corrected During the Audit	On November 16, 2017, LACMTA subsequently approved an extension on the usage of lapsed funds until June 30, 2018.

CITY OF BRADBURY

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

June 30, 2017

(Continued)

PCLRF: Finding No. 2017-002

Compliance Requirement	According to Prop A and Prop C Local Return Guidelines, Section I (C), Project Description Form (Form A), Item 5: “Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: a 25 percent or greater change in an approved Local Return project budget or scope on all operating or capital Local Return projects”.
Condition	The City exceeded more than 25 percent of Metro’s approved budget on PCLRF Project Code 480-03, San Gabriel Valley COG Dues. The amount that exceeded the approved budget by more than 25% is \$77. However, at the time of the audit, the City submitted an amended Form A (Project Description Form) to Metro to revise the budget to include the increase for this project.
Cause	This was an oversight on the part of the City’s management.
Effect	The City’s PCLRF project expenditures exceeded 25 percent of LACMTA’s approved budget without LACMTA’s approval. The City did not comply with the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that project expenditures are within the 25 percent cap of the LACMTA’s approved budget and an amended Form A (Project Description Form) is properly prepared and submitted prior to the expenditure of funds which would result in a 25 percent or greater change in an approved Local Return project budget or scope on all operating or capital Local Return projects.
Managements Response	The City saw an unexpected increase in COG funds for the subject year. Staff has increased the budget for this item on Form A for both the 2017 and 2018 fiscal years.

CITY OF BRADBURY

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

June 30, 2017

(Continued)

PALRF and PCLRF: Finding No. 2017-003

Compliance Requirement	According to Prop A and Prop C Local Return Guidelines, Section C, "Jurisdictions shall submit on or before August 1 of each fiscal year an Annual Project Update to provide current information on all approved on-going and carryover LR projects".
Condition	The City did not meet the August 1, 2016 deadline for submission of the Annual Project Update (Form B). However, the City submitted the Form B on August 10, 2016.
Cause	This was due to an oversight on the part of the City's management.
Effect	The City's Form B was not submitted timely.
Recommendation	We recommend the City establish procedures to ensure that the Form B (Annual Project Update) is properly prepared and submitted before the due date of August 1 st so that the City's expenditures of the Proposition A and C Local Return Funds will be in accordance with LACMTA's approval and the Guidelines. Furthermore, we recommend the City to retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner.
Managements Response	The finance director has calendared this item to ensure timely submission in the future.

CITY OF BRADBURY

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

June 30, 2017

(Continued)

MRLRF: Finding No. 2017-004

Compliance Requirement	According to Measure R Local Return Guidelines, Section III (Timely use of funds), funds must be expended within five years of the first day of the fiscal year in which funds were originally allocated or received.
Condition	A portion of the City's fiscal year 2012 ending fund balance in the amount of \$3,990 was not fully expended within 5 years as of June 30, 2017 and it was not reserved for capital projects as required by Local Return guidelines. However, on November 16, 2017, LACMTA granted the City an extension on the usage of lapsed funds until June 30, 2018.
Cause	There was a lack of timely review of the available funding to be spent for Measure R. In addition, the City noted that one project was scaled back during the year, which resulted in the lapsing of funds.
Effect	Untimely review of the funding status from the prior year allocation could result in losing the funding.
Recommendation	In order to avoid future lapsed funds, we recommend the City establish a policy and process where the City Manager and Finance Director discuss the availability of the Local Return funds in conjunction with any eligible MRLRF projects and submit Form One (Expenditure Plan) to LACMTA, if needed.
Managements Response	The City had budgeted \$52,548 for the Woodlyn Lane Rehab Project that ended up being scaled back causing a lapse of funds.
Finding Corrected During the Audit	On November 16, 2017, LACMTA subsequently approved an extension on the usage of lapsed funds until June 30, 2018.

CITY OF BRADBURY

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

June 30, 2017

(Continued)

MRLRF: Finding No. 2017-005

Compliance Requirement	According to Measure R Local Return Guidelines, Section B (II.1) (Expenditure Plan (Form One)), funds must be expended within five years of the first day of the fiscal year in which funds were originally allocated or received.
Condition	The City did not meet the August 1, 2016 deadline for submission of Form One. However, the City submitted the Form One to LACMTA on August 10, 2016.
Cause	The condition was due to oversight of the City's management.
Effect	The City's Form One was not submitted timely.
Recommendation	We recommend that the City establish procedures to ensure that the Form One (Expenditure Plan) is properly prepared and submitted before the due date of August 1 st so that the City's Measure R expenditures will be in accordance with LACMTA's approval and Measure R guidelines.
Managements Response	This item has been calendared by the finance director to prevent an untimely submission in the future.

CITY OF BRADBURY

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

June 30, 2017

(Continued)

TDA 3: Finding No. 2017-006

Compliance Requirement	According to LACMTA’s Funding and Allocation Guidelines for the TDA Article 3 Bicycle and Pedestrian Funds, “TDA Article 3 local funds may be placed on reserve for up to three years (i.e. no longer than the fourth June 30 after they were available by Metro Board action). Agencies may accumulate three years’ worth of reserved TDA Article 3 local funds before being required to obligate them or return them to the TDA Article 3 fund. Any funds left on reserve by the local agency longer than three years are subject to lapse and future reallocation” and “Agencies may only draw down funds if they will be fully spent or encumbered before the end of the fiscal year (June 30) in which they are allocated. Agencies are not allowed to have a fund balance at the end of the fiscal year. Any funds drawn down and that remain unspent after the end of the fiscal year must be returned to Metro to be placed on reserve for the City under the fiscal year in which they were originally allocated”.
Condition	At June 30, 2017, the City had lapsed funds of \$220 from the June 30, 2013 allocation.
Cause	There appears to be a lack of timely review of the available funding to be spent and/or returned for TDA3 Fund.
Effect	Untimely review of the funding status from the prior year allocation could result in losing the funding.
Recommendation	In accordance with the Guidelines, we recommend that the City return the unspent funds of \$220 to LACMTA to be placed on reserve for the City under the fiscal year in which they were originally allocated. We also recommend that the City establish controls to ensure that it only draw down funds that will be spent or encumbered on eligible projects before the end of the fiscal year and returns any unspent funds to Metro to be placed on reserve for the City as required by the Guidelines.
Managements Response	No eligible projects were planned until the 2016-17 fiscal year. Staff plans to spend all TDA funds this year.

EXIT CONFERENCE

CITY OF BRADBURY

**PROPOSITION A, PROPOSITION C, MEASURE R LOCAL RETURN FUNDS, AND
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
EXIT CONFERENCE**

June 30, 2017

An exit conference was held on November 20, 2017 with the City of Bradbury. Those in attendance were:

Simpson & Simpson Representative:

Wanda Molina – Audit Supervisor

City's Representative:

Lisa Bailey, Finance Manager

Matters Discussed:

Results of the audit disclosed six (6) compliance issues with LACMTA's Guidelines.

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

Lisa Bailey, Finance Manager