

***CITY OF BURBANK  
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<sup>®</sup>**



Simpson & Simpson, LLP  
Certified Public Accountants

***CITY OF BURBANK***  
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*FINANCIAL SECTION*

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SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS  
BRAINARD C. SIMPSON, CPA  
MELBA W. SIMPSON, CPA

## Independent Auditor's Report

To the Honorable Members of the City Council of the  
City of Burbank, 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 Burbank, 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 an opinion 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 Burbank, 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 Burbank, 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 Burbank, 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 Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Los Angeles, California  
November 17, 2017

**CITY OF BURBANK**

**PROPOSITION A LOCAL RETURN FUND  
BALANCE SHEETS  
JUNE 30**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and investments	\$ 2,178,922	\$ 2,192,416
Interest receivable	8,025	6,073
Accounts receivable	<u>494</u>	<u>3,688</u>
Total assets	<u>\$ 2,187,441</u>	<u>\$ 2,202,177</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 39,160	\$ 27,710
Due to PCLRF	<u>-</u>	<u>92,025</u>
Total liabilities	<u>39,160</u>	<u>119,735</u>
<b>Fund Balance</b>		
Restricted	<u>2,148,281</u>	<u>2,082,442</u>
Total fund balance	<u>2,148,281</u>	<u>2,082,442</u>
Total liabilities and fund balance	<u>\$ 2,187,441</u>	<u>\$ 2,202,177</u>

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

**CITY OF BURBANK**

**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>
<b>REVENUES</b>		
Proposition A	\$ 1,935,753	\$ 1,905,078
Proposition A Discretionary Incentive Grant	90,981	92,645
Proposition A Growth Over Inflation Grant	89,794	92,025
Investment income	1,384	42,521
Project generated revenue	76,200	74,973
Miscellaneous revenue	8,775	43,211
Total revenues	<u>2,202,887</u>	<u>2,250,453</u>
<b>EXPENDITURES</b>		
Various projects	<u>1,956,273</u>	<u>1,942,578</u>
Total expenditures	<u>1,956,273</u>	<u>1,942,578</u>
Excess of revenues over expenditures	246,614	307,875
<b>Other financing sources (uses)</b>		
Operating transfer out to PCLRF	<u>(180,775)</u>	<u>(92,025)</u>
Excess of revenues over expenditures and other financing uses	65,839	215,850
Fund balance at beginning of year	<u>2,082,442</u>	<u>1,866,592</u>
Fund balance at end of year	<u>\$ 2,148,281</u>	<u>\$ 2,082,442</u>

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

**CITY OF BURBANK**

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			2016 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
120-03	Burbank Transportation Service	\$ 1,602,233	\$ 1,516,086	\$ 86,147	\$ 1,585,818
150-06	Bus Stop Improvements	5,000	-	5,000	3,050
180-03	Bus Replacement 2017	7,932	-	7,932	-
310-07	RITC Operations and Maintenance	301,600	273,161	28,439	217,041
380-01	Vehicle Equipment Replacement Fund	43,533	43,533	-	43,533
480-01	Planning and Administration	134,502	123,493	11,009	93,136
Total Expenditures		<u>\$ 2,094,800</u>	<u>\$ 1,956,273</u>	<u>\$ 138,527</u>	<u>\$ 1,942,578</u>

See accompanying independent auditor's report.



**CITY OF BURBANK**

**PROPOSITION A 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>
Jan-92	Land 101-201 N. Front St.	\$ 2,475,000	\$ -	\$ -	\$ 2,475,000
Feb-96	Land - Burbank Branch Row	428,000	-	-	428,000
Nov-96	Concrete Bus Benches	42,326	-	-	42,326
Jun-97	RITC Station	6,724,780	-	-	6,724,780
Jun-97	Land 217-233 Front Street	1,193,489	-	-	1,193,489
Jun-97	Land 123-211 Front Street	2,233,543	-	-	2,233,543
May-08	Paratransit Vans (7)	386,309	-	-	386,309
Apr-16	Senior & Disabled Buses (2)	140,228	-	-	140,228
	Total	<u>\$ 13,623,675</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,623,675</u>

See accompanying independent auditor's report.

**CITY OF BURBANK**

**PROPOSITION C LOCAL RETURN FUND**

**BALANCE SHEETS**

**JUNE 30**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and investments	\$ 2,925,397	\$ 2,404,810
Account receivable	24,686	60,501
Interest receivable	11,015	6,619
Due from PALRF	-	92,025
Total assets	<u>\$ 2,961,098</u>	<u>\$ 2,563,955</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 106,426	\$ 40,675
Total liabilities	<u>106,426</u>	<u>40,675</u>
<b>Fund Balance</b>		
Restricted	<u>2,854,672</u>	<u>2,523,280</u>
Total fund balance	<u>2,854,672</u>	<u>2,523,280</u>
Total liabilities and fund balance	<u>\$ 2,961,098</u>	<u>\$ 2,563,955</u>

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

**CITY OF BURBANK**

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>
<b>REVENUES</b>		
Proposition C	\$ 1,605,558	\$ 1,579,289
Investment income	4,686	45,535
Project generated revenue	140,474	240,227
Miscellaneous revenue	2,042	2,253
Total revenues	<u>1,752,760</u>	<u>1,867,304</u>
<b>EXPENDITURES</b>		
Various projects	<u>1,602,143</u>	<u>1,116,903</u>
Total expenditures	<u>1,602,143</u>	<u>1,116,903</u>
Excess of revenues over expenditures	150,617	750,401
<b>Other financing sources:</b>		
Operating transfer in from PALRF	<u>180,775</u>	<u>92,025</u>
Excess of revenues over expenditures and other financing	331,392	842,426
Fund balance at beginning of year	<u>2,523,280</u>	<u>1,680,854</u>
Fund balance at end of year	<u>\$ 2,854,672</u>	<u>\$ 2,523,280</u>

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

**CITY OF BURBANK**

**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)	
110-02	Metrolink Shuttles	\$ 1,624,382	\$ 1,084,955	\$ 539,427	\$ 569,271
120.-04	General Public Paratransit	2,000	-	2,000	-
270-02	SFV Transportation Zone Financial Analysis	50,700	46,919	3,781	46,342
280-01	Transit Marketing	5,000	341	4,659	-
310-08	Transit Centers Program	97,500	79,165	18,335	85,429
370-01	Downtown Metrolink Station Elevator	350,000	-	350,000	-
380-01	Vehicle Equipment Replacement Fund	91,031	91,031	-	167,849
480-02	Direct Administration	5,000	55	4,945	357
480-07	Transportation Administration - Prop C	309,560	299,677	9,883	247,655
Total Expenditures		<u>\$ 2,535,173</u>	<u>\$ 1,602,143</u>	<u>\$ 933,030</u>	<u>\$ 1,116,903</u>

See accompanying independent auditor's report.

**CITY OF BURBANK**

**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>
Jan-97	Electric Bus Storage Facility	\$ 22,480	\$ -	\$ -	\$ 22,480
Jan - Mar 04	CNG Fuel Buses (7)	871,829	-	-	871,829
Feb-07	CNG Fuel Buses (5)	1,675,243	-	-	1,675,243
Aug-09	CNG Fuel Buses (5)	147,137	-	-	147,137
Oct-12	Hydrogen Hybrid Fuel Cell Transit Bus	155,458	-	-	155,458
	Total	<u>\$ 2,872,147</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,872,147</u>

See accompanying independent auditor's report.

**CITY OF BURBANK**

MEASURE R LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and investments	\$ 3,537,969	\$ 3,351,017
Interest receivable	<u>12,550</u>	<u>9,133</u>
Total assets	<u>\$ 3,550,519</u>	<u>\$ 3,360,150</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 22,004	\$ 526,793
Retention payable	<u>-</u>	<u>18,527</u>
Total liabilities	<u>22,004</u>	<u>545,320</u>
<b>Fund Balance</b>		
Restricted	<u>3,528,515</u>	<u>2,814,830</u>
Total fund balance	<u>3,528,515</u>	<u>2,814,830</u>
Total liabilities and fund balance	<u>\$ 3,550,519</u>	<u>\$ 3,360,150</u>

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

**CITY OF BURBANK**

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>
<b>REVENUES</b>		
Measure R	\$ 1,204,533	\$ 1,185,875
Investment income	-	66,014
Service charges	113,372	191,442
Miscellaneous income	2,079	3,198
Total revenues	<u>1,319,984</u>	<u>1,446,529</u>
<b>EXPENDITURES</b>		
Various projects	<u>606,299</u>	<u>1,473,884</u>
Total expenditures	<u>606,299</u>	<u>1,473,884</u>
Excess (Deficiency) of revenues over expenditures	713,685	(27,355)
Fund balance at beginning of year	<u>2,814,830</u>	<u>2,842,185</u>
Fund balance at end of year	<u>\$ 3,528,515</u>	<u>\$ 2,814,830</u>

The accompanying notes are an integral part of the financial statements

**CITY OF BURBANK**

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	Street Repair and Maintenance Street Rehabilitation and Design and Pothole Repair	\$ 400,000	\$ 49,859	\$ 350,141	\$ 370,540
4.20	Operating Subsidy to Existing Bus Operator Measure R Funds Used to Offset Structural Budget Deficit in PALRF	340,000	556,440	(216,440)	1,103,344
Total Expenditures		<u>\$ 740,000</u>	<u>\$ 606,299</u>	<u>\$ 133,701</u>	<u>\$ 1,473,884</u>

See accompanying independent auditor's report.



**CITY OF BURBANK**

MEASURE R 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	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report.

**CITY OF BURBANK**

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

BALANCE SHEETS  
JUNE 30

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and investments	\$ <u>186,322</u>	\$ <u>195,112</u>
Total assets	\$ <u><u>186,322</u></u>	\$ <u><u>195,112</u></u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Account payable	\$ <u>-</u>	\$ <u>98,830</u>
Total liabilities	<u>-</u>	<u>98,830</u>
<b>Fund Balance</b>		
Reserved	<u>186,322</u>	<u>96,282</u>
Total fund balance	<u>186,322</u>	<u>96,282</u>
Total liabilities and fund balance	\$ <u><u>186,322</u></u>	\$ <u><u>195,112</u></u>

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

**CITY OF BURBANK**

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>
<b>REVENUES</b>		
Article 3	\$ 90,040	\$ 11,688
Total revenues	<u>90,040</u>	<u>11,688</u>
<b>EXPENDITURES</b>		
Construction / Maintenance	<u>-</u>	<u>98,830</u>
Total expenditures	<u>-</u>	<u>98,830</u>
Excess (deficiency) of revenues over expenditures	90,040	(87,142)
Fund balance at beginning of year	<u>96,282</u>	<u>183,424</u>
Fund balance at end of year	<u>\$ 186,322</u>	<u>\$ 96,282</u>

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

TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND  
SUPPLEMENTAL 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>
<b>Local allocations</b>					
BS 1378- Safe Route To School Cycle 8 Project	2017	\$ 90,040	-	\$ 90,040	On-going
Total		<u>\$ 90,040</u>	<u>\$ -</u>	<u>90,040</u>	
Fund balance at beginning of year				<u>96,282</u>	
Fund balance at end of year				<u>\$ 186,322</u>	a

a) The remaining fund balance for Project 19056- San Fernando Bikeway Final Design of \$77,419 was encumbered in October 2013. Additionally, \$18,863 of the remaining fund balance was encumbered for project 22377 Bike & Pedestrian Improvements as of June 30, 2016. Furthermore, as of June 30, 2017, \$90,040 of the fund balance is encumbered for project Verdugo Avenue Vehicle and Pedestrian Safety project.

See accompanying independent auditor's report.

**CITY OF BURBANK**

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 BURBANK**

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 BURBANK**

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 and investment balances were pooled with various other City funds for deposit and investment purposes. The share of each fund in the pooled cash account was separately maintained and interest income was apportioned to the participating funds based on the relationship of their average monthly balances to the total of the pooled cash and investments.

**NOTE 7- MISCELLANEOUS REVENUE**

During the year ended June 30, 2017 and 2016 the City's PALRF earned miscellaneous revenues of \$8,775 and \$43,211, respectively. Miscellaneous revenues consist of revenues earned from "supplemental transportation services provided within the City". The City also received revenue from Lehman Brothers' Investments.

During the year ended June 30, 2017 and 2016 the City's PCLRF earned miscellaneous revenues of \$2,042 and \$2,253, respectively. Miscellaneous revenues consist of revenues received from Lehman Brothers' Investments.

During the year ended June 30, 2017 and 2016 the City's MRLRF earned miscellaneous revenues of \$2,079 and \$3,198, respectively. Miscellaneous revenues consist of revenues received from Lehman Brothers' Investments.

**CITY OF BURBANK**

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

**NOTE 8- MEASURE R SERVICE CHARGES**

During the fiscal year 2017 the City obtained approval from LACMTA to use Measure R funds to offset structural budget deficit in the PALRF. The funds were used to support the existing bus operations. Because the City's existing bus service is impacted by LACMTA/Caltrans's Interstate 5/Empire Interchange Project, Metro is reimbursing the City for traffic mitigation measures with Measure R funds. The City earned \$113,372 and \$191,442 during the fiscal years ended June 30, 2017 and 2016 respectively.

**NOTE 9- PROJECT GENERATED REVENUE**

Project generated revenue for the years ended June 30, 2017 and 2016 consisted of the following:

PALRF	2017	2016
Transportation Fare	\$ 13,652	\$ 16,512
Senior Passes	6,148	8,810
Transport Service Fee	56,400	49,651
Total	\$ 76,200	\$ 74,973

  

PCLRF :	2017	2016
EZ Pass receipts	\$ 132,492	\$ 155,624
Advertising	-	77,469
Vending Revenue	7,982	7,134
Total	\$ 140,474	\$ 240,227

**NOTE 10- PROPOSITION A DISCRETIONARY INCENTIVE GRANTS AND PROPOSITION A GROWTH OVER INFLATION GRANT**

The **Proposition A Discretionary Incentive Grant** amounting to \$90,981 and \$92,645 for the years ended June 30, 2017 and 2016, respectively, represent additional funds received from LACMTA for participating in the Voluntary NTD Program. The Proposition A Discretionary Incentive Grant was recorded in the PALRF and a transfer out was made to the PCLRF where the corresponding expenditures were recorded.

The **Proposition A Growth Over Inflation Grant** amounting to \$89,794 and \$92,025 for the years ended June 30, 2017 and 2016, respectively, represent additional funds received from LACMTA to expand and improve fixed route transit services provided in the Burbank area. The revenue was recorded in the PALRF and a transfer out was made to the PCLRF where the corresponding expenditures were recorded.



**CITY OF BURBANK**

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

**NOTE 11- TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION**

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

	2017	2016
FY 2011/12 reserve	\$ -	\$ 11,688
FY 2012/13 reserve	77,179	-
FY 2013/14 reserve	12,861	-
FY 2014/15 reserve	-	-
FY 2015/16 reserve	-	-
Total	\$ <u>90,040</u>	\$ <u>11,688</u>

**NOTE 12- TRANSPORTATION DEVELOPMENT ACT ARTICLE 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, 2017 and 2016, the City has funds on reserve as follows:

	2017	2016
FY 2012/13 reserve	\$ -	\$ 77,179
FY 2013/14 reserve	72,207	85,068
FY 2014/15 reserve	69,279	69,279
FY 2015/16 reserve	67,247	67,247
FY 2016/17 allocation	70,285	-
Available reserve balance	\$ <u>279,018</u>	\$ <u>298,773</u>

**NOTE 13- SUBSEQUENT EVENTS**

The City has evaluated subsequent events or transactions that occurred subsequent to June 30, 2017 through November 17, 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 in the financial statements and determined no subsequent matters require disclosure or adjustment to the accompanying financial statements.



SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS  
BRAINARD C. SIMPSON, CPA  
MELBA W. SIMPSON, CPA

**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 Burbank, 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 Burbank, 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 November 17, 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 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 on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Simpson &amp; Simpson".

Los Angeles, California  
November 17, 2017

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*COMPLIANCE SECTION*

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SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS  
BRAINARD C. SIMPSON, CPA  
MELBA W. SIMPSON, CPA

## Independent Auditor's Report on Compliance

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

### Report on Compliance

We have audited the compliance of the City of Burbank, 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 and the transportation development act article 3 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 Burbank 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.



## Report on Internal Control over Compliance

Management of the City of Burbank 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 we consider to 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 cursive script that reads "Simpson &amp; Simpson".

Los Angeles, California  
November 17, 2017

**CITY OF BURBANK**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2017

Compliance Requirement	In Compliance		Questioned Costs	If no, provide details and management response.	
	Yes	No			
<b>A. Proposition A and Proposition C Local Return Funds</b>					
1.	Timely use of funds.	X		None	
2.	Expenditures were approved before being incurred.	X		None	
3.	Funds were used on approved projects only and expenditures were supported and allowable per Guidelines.	X		None	
4.	Expenditures did not exceed 25% of Metro's approved budget.	X		None	
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	
8.	Annual Expenditure Report (Form C) and listing of Recreational Transit Services, if applicable, were 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 were properly credited to the PALRF and PCLRF accounts.	X		None	

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

Compliance Requirement	In Compliance		Questioned Costs	If no, provide details and management response.	
	Yes	No			
<b>B. Measure R Local Return Fund</b>					
1.	Timely use of funds.	X		None	
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		None	
4.	Funds were not substituted for property tax.	X		None	
5.	Administrative expenses were within the 20% cap.	X		None	
6.	Expenditure Plan (Form One) was submitted on time.	X		None	
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 were properly credited to the Measure R Local Return Account.	X		None	
11.	Funds were not used to supplant existing local revenues being used for transportation purpose.	X		None	



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

Compliance Requirement	In Compliance		Questioned Costs	If no, provide details and management response.
	Yes	No		
<b>C. Transportation Development Act Article 3 Fund</b>				
1.	Timely use of funds.	X		None
2.	Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.	X		None

***CITY OF BURBANK***

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
June 30, 2017

No findings were noted.

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*EXIT CONFERENCE*

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**CITY OF BURBANK**

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 17, 2017 with the City of Burbank. Those in attendance were:

***Simpson & Simpson Representative:***

Joseph Simpson, Senior Auditor

Terry Bian, Staff Auditor

***City's Representative:***

Dino Balos, CPA, Accounting & Audit Manager

Beverly Wong – Administrative Analyst

Monina Marin – Accountant

***Matters Discussed:***

Results of the audit disclosed no significant financial and compliance issues.

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

Dino Balos, CPA, Accounting & Audit Manager

Beverly Wong – Administrative Analyst

Monina Marin – Accountant

Simpson & Simpson, LLP  
633 West 5<sup>th</sup> Street, Suite 3320  
Los Angeles, CA 90071

RE: CITY OF BURBANK ANNUAL FINANCIAL REPORT OF THE PROPOSITION A LOCAL RETURN FUND, PROPOSITION C LOCAL RETURN FUND, MEASURE R LOCAL RETURN FUND, AND TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

I have received the annual financial report of the Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, and Transportation Development Act Article 3 Fund for the years ended June 30, 2017 and 2016 for the City of Burbank and agree with the contents of the report except as indicated below:

(Attach additional pages if necessary)

Very truly yours,

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Name

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Title

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Date