



MetroTM

**City of Calabasas
Annual Financial Report of its**

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

**As of and for the Years Ended June 30, 2017 and 2016
with Report of Independent Auditors**

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FINANCIAL SECTION

Report of Independent Auditors

To the Honorable Members of the City Council of the City of Calabasas, 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 and the Transportation Development Act Article 3 Fund (collectively, the Funds), of the City of Calabasas, California (the City) which comprise the Funds' balance sheets as of June 30, 2017 and 2016, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund and the Transportation Development Act Article 3 Fund of the City of Calabasas, California, as of June 30, 2017 and 2016, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund and the Transportation Development Act Article 3 Fund of the City and do not purport to, and do not present fairly the financial position of the City as of June 30, 2017 and 2016, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on each of the Funds' financial statements as a whole. The supplementary information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information identified in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the Funds' basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the Funds' basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the Funds' basic financial statements or to the Funds' basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to each of the Funds' basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2017 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.

Los Angeles, California
December 14, 2017

City of Calabasas
Proposition A Local Return Fund
Balance Sheets

		June 30	
		2017	2016
ASSETS			
Cash and investments	\$	426,425	\$ 421,884
Interest receivable		861	163
Total assets	\$	<u>427,286</u>	<u>\$ 422,047</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	-	\$ -
Total liabilities		<u>-</u>	<u>-</u>
Fund balance			
Restricted		<u>427,286</u>	<u>422,047</u>
Total fund balance		<u>427,286</u>	<u>422,047</u>
Total liabilities and fund balance	\$	<u>427,286</u>	<u>\$ 422,047</u>

See notes to Funds financial statements.

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

	Years ended June 30	
	2017	2016
Revenues		
Proposition A	\$ 441,805	\$ 432,177
Interest income	3,134	10,991
Total revenues	444,939	443,168
 Expenditures		
Various projects	439,700	349,068
Total expenditures	439,700	349,068
 Excess of revenues over expenditures	5,239	94,100
 Fund balance at beginning of year	422,047	327,947
 Fund balance at end of year	\$ 427,286	\$ 422,047

See notes to Funds financial statements.

City of Calabasas
Proposition A Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2017
(With Comparative Actuals for 2016)

Project Code	Project Name	2017			2016 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
110-01	Flexible Route Shuttle	\$ 110,075	\$ 106,072	\$ 4,003	\$ 106,454
110-02	Old Town Calabasas/Commons Trolley	16,377	15,953	424	15,800
110-04	Public Transit Fueling	50,000	44,315	5,685	32,738
110-05	JARC Grant Local Match Funding	63,088	62,685	403	60,974
130-01	Dial-A-Ride	38,648	44,743	(6,095)	37,837
140-01	Summer Beach Bus	10,700	8,139	2,561	9,275
140-03	Youth Excursion	4,500	5,231	(731)	4,727
140-07	Calabasas Pumpkin Festival	1,773	1,938	(165)	1,690
140-24	Senior Trips	6,312	4,992	1,320	4,654
140-25	Camp Calabasas Program	13,680	15,428	(1,748)	17,859
150-01	Bus Stop Maintenance	-	974	(974) *	-
180-01	Vehicle and Miscellaneous Equipment	12,500	9,836	2,664	27,134
200-04	Public Transit Capital Equipment	72,675	79,603	(6,928)	-
270-01	Implementation of Title VI Program	5,400	5,070	330	-
280-01	Transit Marketing for Calabasas Trolley	470	578	(108)	202
480-02	Direct Administration	37,900	34,143	3,757	29,724
	Total expenditures	\$ 444,098	\$ 439,700	\$ 4,398	\$ 349,068

* See Compliance Matrix and Schedule of Findings and Questioned Costs.

See report of independent auditors.

City of Calabasas
Proposition A Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2017

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
3/30/2017	Bus Acquisition	\$ -	\$ 79,603	\$ -	\$ 79,603
	Total	\$ -	\$ 79,603	\$ -	\$ 79,603

See report of independent auditors.

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

		June 30	
		2017	2016
ASSETS			
Cash and investments	\$	178,652	\$ 95,819
Interest receivable		341	26
Total assets	\$	<u>178,993</u>	<u>\$ 95,845</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	-	\$ -
Total liabilities		<u>-</u>	<u>-</u>
Fund balance			
Restricted		<u>178,993</u>	<u>95,845</u>
Total fund balance		<u>178,993</u>	<u>95,845</u>
Total liabilities and fund balance	\$	<u>178,993</u>	<u>\$ 95,845</u>

See notes to Funds financial statements.

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

	Years ended June 30	
	2017	2016
Revenues		
Proposition C	\$ 363,597	\$ 355,571
Interest income	1,044	2,071
Total revenues	364,641	357,642
 Expenditures		
Various projects	281,493	285,343
Total expenditures	281,493	285,343
 Excess of revenues over expenditures	83,148	72,299
 Fund balance at beginning of year	95,845	23,546
 Fund balance at end of year	\$ 178,993	\$ 95,845

See notes to Funds financial statements.

City of Calabasas
Proposition C Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2017
(With Comparative Actuals for 2016)

Project Code	Project Name	2017			2016 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
110-01	Flexible Route Shuttle	\$ 86,440	\$ 80,190	\$ 6,250	\$ 86,988
110-02	Old Town Calabasas/Commons Trolley	12,860	13,114	(254)	12,922
110-04	Public Transit Fueling	40,000	33,502	6,498	26,747
110-05	JARC Grant Local Match Funding	49,542	51,380	(1,838)	49,977
130-01	Dial-A-Ride	30,709	35,794	(5,085)	30,865
140-01	Summer Beach Bus	8,100	6,153	1,947	7,595
140-03	Youth Excursion	3,710	4,299	(589)	3,884
140-07	Calabasas Pumpkin Festival	1,392	1,596	(204)	1,392
140-24	Senior Trips	5,000	3,774	1,226	3,808
140-25	Camp Calabasas Program	11,680	12,623	(943)	14,612
150-01	Bus Stop Maintenance	-	793	(793) *	-
180-01	Vehicle and Miscellaneous Equipment	9,400	7,436	1,964	22,103
270-01	Implementation of Title VI Program	2,900	2,730	170	-
280-01	Transit Marketing for Calabasas Trolley	240	289	(49)	202
480-02	Direct Administration	32,900	27,820	5,080	24,248
Total expenditures		\$ 294,873	\$ 281,493	\$ 13,380	\$ 285,343

* See Compliance Matrix and Schedule of Findings and Questioned Costs.

See report of independent auditors.

City of Calabasas
Proposition C Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2017

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
Jun-03	2 Transit Buses	\$ 21,381	\$ -	\$ -	\$ 21,381
Jun-04	3 Transit Buses	32,753	-	-	32,753
Aug-04	Gas Powered Trolley	16,258	-	-	16,258
Jun-05	30 Passenger Bus (2)	43,460	-	-	43,460
Mar-06	El Dorado Van	10,139	-	-	10,139
Jun-17	(2) 2016 Glaval Entourage Transit 30-Pass	-	79,603	-	79,603
	Total	\$ 123,991	\$ 79,603	\$ -	\$ 203,594

See report of independent auditors.

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

		June 30	
		2017	2016
ASSETS			
Cash and investments	\$	698,112	\$ 515,516
Interest receivable		1,162	185
Total assets	\$	699,274	\$ 515,701
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	-	\$ -
Total liabilities		-	-
Fund balance			
Restricted		699,274	515,701
Total fund balance		699,274	515,701
Total liabilities and fund balance	\$	699,274	\$ 515,701

See notes to Funds financial statements.

City of Calabasas
Measure R Local Return Fund

Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2017	2016
Revenues		
Measure R	\$ 274,916	\$ 269,022
Interest income	3,842	11,263
Total revenues	278,758	280,285
 Expenditures		
Various projects	95,185	99,496
Total expenditures	95,185	99,496
 Excess of revenues over expenditures	183,573	180,789
 Fund balance at beginning of year	515,701	334,912
 Fund balance at end of year	\$ 699,274	\$ 515,701

See notes to Funds financial statements.

City of Calabasas
Measure R Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2017
(With Comparative Actuals for 2016)

Project Code	Project Name	2017			2016 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
4.9	Other Public Transit Services	\$ 86,199	\$ 95,185	\$ (8,986)	\$ 99,496
	Total expenditures	<u>\$ 86,199</u>	<u>\$ 95,185</u>	<u>\$ (8,986)</u>	<u>\$ 99,496</u>

See report of independent auditors.

City of Calabasas
Measure R Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2017

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See report of independent auditors.

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

		June 30	
		2017	2016
ASSETS			
Cash and investments	\$	3,056	\$ -
Interest receivable		6	-
Due from LACMTA		33,000	11,478
Total assets	\$	<u>36,062</u>	<u>\$ 11,478</u>
 LIABILITIES AND FUND BALANCE			
Liabilities			
Cash overdraft	\$	-	\$ 7,733
Total liabilities		<u>-</u>	<u>7,733</u>
 Fund balance			
Restricted		36,062	3,745
Total fund balance		<u>36,062</u>	<u>3,745</u>
Total liabilities and fund balance	\$	<u>36,062</u>	<u>\$ 11,478</u>

See notes to Funds financial statements.

City of Calabasas
 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	
	2017	2016
Revenues		
Intergovernmental Allocations:		
Article 3	\$ 33,000	\$ 11,478
Interest income	19	84
Total revenues	33,019	11,562
Expenditures		
Mulholland Gap Closure - Bikelane and Pedestrian	702	14,062
Total expenditures	702	14,062
Excess (deficiency) of revenues over expenditures	32,317	(2,500)
Fund balance at beginning of year	3,745	6,245
Fund balance at end of year	\$ 36,062	\$ 3,745

See notes to Funds financial statements.

City of Calabasas
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, 2017

Project Description	Program <u>Year</u>	Totals to Date		Unexpended	<u>Project Status</u>
		<u>Allocations</u>	<u>Expenditures</u>	<u>Allocations</u>	
Local Allocations:					
Mulholland Gap Closure - Bikelane and Pedestrian	2017	\$ 33,000	\$ 702	\$ 32,298	In progress
	Totals	\$ 33,000	\$ 702	32,298	
Interest income				19	
Fund balance at beginning of year				3,745	
Fund balance at end of year				\$ 36,062	*

* See Compliance Matrix and Schedule of Findings and Questioned Costs.

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) 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 a county-wide ½ cent sales tax which is distributed to the jurisdictions within Los Angeles County based on a per capita basis and must be used exclusively for transportation purposes.

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

Basis of Accounting and Measurement Focus

The PALRF, PCLRF, MRLRF, 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 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, and TDAA3F report the following fund balance classification as of June 30, 2017 and 2016:

- 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 are 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 and TDAA3F, and do not purport to, and do not present fairly the City's financial position as of June 30, 2017 and 2016, 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 TRANSPORTATION DEVELOPMENT ACT COMPLIANCE REQUIREMENTS

In accordance with *Public Utilities Code Section 99234*, funds received pursuant to this Code's section may only be used for activities relating to pedestrians and bicycle facilities. See accompanying Compliance Matrix.

NOTE 6 CASH AND INVESTMENTS

The PALRF, PCLRF, MRLRF and TDAA3F cash balances were pooled with various other City funds for deposit and investment purposes. The share of each fund in the pooled cash account was separately maintained and interest income was apportioned to the participating funds based on the relationship of their average quarterly balances to the total of the pooled cash and investments.

Please refer to the City's Comprehensive Annual Financial Report (CAFR) for a full description of risks relating to cash and investments.

NOTE 7 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND REVENUE ALLOCATION

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

		2017		2016
FY 2011/12 reserves	\$	-	\$	11,478
FY 2012/13 reserves		16,937		-
FY 2013/14 reserves		16,063		-
	\$	33,000	\$	11,478

NOTE 8 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, 2017 and 2016, the City has funds on reserve as follows:

		2017		2016
FY 2012/13 allocation	\$	-	\$	16,937
FY 2013/14 allocation		3,233		19,296
FY 2014/15 allocation		15,720		15,720
FY 2015/16 allocation		15,269		15,269
FY 2016/17 allocation		16,054		-
	\$	50,276	\$	67,222

For FY 2016/17, any TDA Article 3 funds left on reserve for FY 2012/13 or prior, are subject to lapse if not claimed by the City by June 30, 2017. There were no funds that lapsed in FY 2016/17.

NOTE 9 SUBSEQUENT EVENTS

The City has evaluated subsequent events through December 14, 2017, 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 Calabasas, California and the
Los Angeles County Metropolitan Transportation Authority**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Calabasas, California (the City) as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated December 14, 2017.

Internal Control over Financial Reporting

In planning and performing our audits 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 audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 "Vazquez & Company LLP". The signature is fluid and cursive.

Los Angeles, California
December 14, 2017

COMPLIANCE SECTION

Report of Independent Auditors on Compliance

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

Report on Compliance

We have audited the compliance of the City of Calabasas, California (the City) with the Proposition A and Proposition C Local Return Guidelines, Measure R Local Return Guidelines, Transportation Development Act Article 3, and the Los Angeles County Metropolitan Transportation Authority's Funding and Allocation Guidelines for Transportation Development Act Article 3 Bicycle and Pedestrian Funds (collectively, the Guidelines) for the year ended June 30, 2017.

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, 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 Calabasas, California complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2017.



Other Matters

The results of our auditing procedures disclosed instances of noncompliance with the requirements, which are described in the accompanying Schedule of Findings and Questioned Costs as Findings #2017-001 and #2017-002. 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 Questioned Costs. 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 responses.

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 or significant deficiencies may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guidelines. Accordingly, this report is not suitable for any other purpose.

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

**Los Angeles, California
December 14, 2017**

**City of Calabasas
Compliance Matrix
Year ended June 30, 2017**

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			See Finding #2017-001
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 on time.	X				
8. Annual Expenditure Report (Form C) was submitted on time.	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 on time.	X				

See report of independent auditors on compliance.

**City of Calabasas
Compliance Matrix
Year ended June 30, 2017**

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 on time.	X				
8. Expenditure Report (Form Two) was submitted on time.	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 on time.	X				
C. 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 Finding #2017-002

See report of independent auditors on compliance.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Calabasas
Schedule of Findings and Questioned Costs
Year ended June 30, 2017

PALRF and PCLRF: Finding #2017-001

Compliance Reference	Section 1(C) states that, "Jurisdiction shall submit for approval a Project Description Form prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR Funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent greater change in an approved LR project budget on all operating or capital LR projects."
Condition	<p>The City claimed expenditures under the following projects with no prior approval from LACMTA.</p> <p>a. PALRF: Project code 150-01, Bus Stop Maintenance, totaling \$974; and</p> <p>b. PCLRF: Project code 150-01, Bus Stop Maintenance, totaling \$793</p> <p>Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from LACMTA.</p>
Cause	There was an emergency need to repair and maintain bus stops in a constraint time frame.
Effect	Proposition A and Proposition C LR funds were expended towards project expenditures without prior approval by the LACMTA.
Recommendation	We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on any local return-funded projects.
Management's Response	Management will establish controls to ensure that approval is obtained from LACMTA prior to spending on any local return-funded projects.
Finding Corrected During the Audit	LACMTA Program Manager granted a retroactive approval of the said projects on September 13, 2017.

City of Calabasas
Schedule of Findings and Questioned Costs
Year ended June 30, 2017

TDAA3F: Finding #2017-002

Compliance Reference	TDA Article 3 Guidelines states that, "Agencies may only draw down the funds that they can spend during the fiscal year in which they were 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 LACMTA to be placed on reserve for the City under the fiscal year in which they were originally allocated. Agencies must also fully spend any interest accumulated by these funds by the end of the fiscal year in which the funds were allocated".
Condition	The City has unexpended fund balance of \$36,062 as of June 30, 2017.
Cause	An unexpected delay in the Mulholland Gap Closure Project prolonged expenditure of the TDA Article 3 funds.
Effect	The City was not in compliance with the TDA Article 3 Guidelines and will be required to return the unexpended fund balance as of June 30, 2017.
Recommendation	We recommend that the City return the unexpended funds to LACMTA consistent with the TDA Article 3 Guidelines.
Management's Response	The City will expend the funds prior to December 31, 2017 deadline. Also, the City will establish controls to review funds in a timely manner and expend per TDA Article 3 Guidelines.
Finding Corrected During the Audit	LACMTA granted the City an extension through December 31, 2017 to use the funds on eligible projects.

EXIT CONFERENCE

An exit conference was held on December 14, 2017 with the City of Calabasas representatives. Those in attendance were:

Vasquez and Company LLP representatives:
Cristy Canieda – Audit Partner
Marialyn Salvador – Audit Senior Manager

City of Calabasas representatives:
Lesley Pelka – Accounting Supervisor
Hali Aziz-Goktapeh – Assistant Transportation Planner

Matters discussed:

Results of the audit disclosed instances of noncompliance with the Guidelines.

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

Lesley Pelka – Accounting Supervisor
Hali Aziz-Goktapeh – Assistant Transportation Planner



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