



MetroTM

**City of Commerce
Annual Financial Report of the**

Transit Fund

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

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Annual Financial Report of the**

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FINANCIAL SECTION

Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Transit Fund (the Fund) of the City of Commerce, California (the City) which comprise the Fund's statements of net position as of June 30, 2017 and 2016, and the related statements of revenues, expenses and changes in net position, and cash flows 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 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 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 opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Transit Fund of the City of Commerce, California, as of June 30, 2017 and 2016, and the changes in its net position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As more fully described in Note 1, the financial statements present only the Transit Fund of the City and do not purport to, and do not present fairly the financial position of the City of Commerce, California, as of June 30, 2017 and 2016, and the changes in its net position and its cash flows 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 an opinion on the Fund's 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 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 Fund's financial statements. Such information has been subjected to the auditing procedures applied in the audit of the Fund's financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the Fund's financial statements or to the Fund's 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 Fund's financial statements as a whole.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2017 on our consideration of the City's internal control over the Transit Fund's 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 Transit Fund's 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 Transit Fund's 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 Transit Fund's financial reporting and compliance.

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

Los Angeles, California
November 28, 2017

**City of Commerce
Transit Fund
Statements of Net Position**

		June 30	
		2017	2016
ASSETS			
Current assets			
Cash and investments	\$	209,992	\$ -
Due from LACMTA		402,001	410,514
Due from other governments		173,700	335,315
Total current assets		785,693	745,829
Noncurrent assets			
Property and equipment		20,366,491	20,259,365
Less: accumulated depreciation		(12,379,775)	(11,795,204)
Total noncurrent assets		7,986,716	8,464,161
Total assets		8,772,409	9,209,990
Deferred outflows of resources			
Deferred outflows of resources related to pensions		740,817	319,745
LIABILITIES			
Current liabilities			
Accounts payable		295,786	91,007
Accrued salaries and benefits payable		138,089	117,737
Compensated absences payable		116,913	111,208
Due to General Fund		1,783,413	1,783,413
Total current liabilities		2,334,201	2,103,365
Noncurrent liabilities			
Compensated absences payable		402,795	399,249
Net pension liability		3,122,082	2,307,384
Total noncurrent liabilities		3,524,877	2,706,633
Total liabilities		5,859,078	4,809,998
Deferred inflows of resources			
Deferred inflows of resources related to pensions		65,775	241,440
NET POSITION			
Net position			
Investment in capital assets		7,986,716	8,464,161
Unrestricted		(4,398,343)	(3,985,864)
Total net position	\$	3,588,373	\$ 4,478,297

See notes to financial statements.

City of Commerce
Transit Fund

Statements of Revenues, Expenses and Changes in Net Position

	Years ended June 30	
	2017	2016
Operating revenues		
Charges for services	\$ -	\$ -
Total operating revenues	-	-
Operating expenses		
Administration	477,774	356,802
Depreciation	584,571	658,835
Operations	3,486,019	3,731,458
Maintenance	576,333	575,879
Total operating expenses	5,124,697	5,322,974
Net operating loss	(5,124,697)	(5,322,974)
Non-operating revenues		
Intergovernmental	2,549,195	2,906,163
Advertising	16,000	-
Interest	6,268	-
Total nonoperating revenues	2,571,463	2,906,163
Operating transfers		
Transfers in	1,663,310	1,815,293
Change in net position	(889,924)	(601,518)
Net position at beginning of year	4,478,297	5,079,815
Net position at end of year	\$ 3,588,373	\$ 4,478,297

See notes to financial statements.

**City of Commerce
Transit Fund
Statements of Cash Flows**

	Years ended June 30	
	2017	2016
Cash flows from operating activities		
Payments to suppliers	\$ (864,039)	\$ (1,601,637)
Payments to employees	<u>(3,223,744)</u>	<u>(3,092,742)</u>
Net cash used in operating activities	<u>(4,087,783)</u>	<u>(4,694,379)</u>
Cash flows from capital and related financing activities		
Purchases and construction of capital assets, net	<u>(107,126)</u>	-
Net cash used in capital and related financing activities	<u>(107,126)</u>	-
Cash flows from non-capital financing activities		
Intergovernmental noncapital grants	2,719,323	2,879,086
Contributions received from other funds	1,663,310	1,815,293
Interest received	6,268	-
Advertising income	<u>16,000</u>	-
Net cash provided by non-capital financing activities	<u>4,404,901</u>	<u>4,694,379</u>
Changes in cash and investments	209,992	-
Cash and investments, beginning of year	<u>-</u>	<u>-</u>
Cash and investments, end of year	<u>\$ 209,992</u>	<u>\$ -</u>
Reconciliation of operating loss to net cash used in operating activities:		
Net operating loss	\$ (5,124,697)	\$ (5,322,974)
Adjustments to reconcile change in fund equity to net cash provided by operating activities:		
Depreciation	584,571	658,835
Changes in operating assets and liabilities:		
Increase in deferred outflows of resources	(421,072)	(156,608)
Increase (decrease) in accounts payable	204,779	(6,834)
Increase in accrued salaries and benefits payable	20,352	31,382
Increase in compensated absences payable	9,251	60,816
Increase in net pension liability	814,698	431,011
Decrease in deferred inflows of resources	<u>(175,665)</u>	<u>(390,007)</u>
Net cash used in operating activities	<u>\$ (4,087,783)</u>	<u>\$ (4,694,379)</u>

See notes to financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Transit Fund (the Fund) of the City of Commerce (the City) is an enterprise fund of the City created by resolution of the City Council. The Fund accounts for the activities necessary to provide transportation service to the citizen and the industrial community. The accounting policies of the Fund conform to accounting principles generally accepted in the United States of America. The following is a summary of the significant policies applied in the preparation of the Fund's financial statements.

Reporting Entity and Fund Accounting

All transactions of the Transit Fund are included in the reporting entity of the City of Commerce and are recorded in a separate fund of the City. As such, the accompanying financial statements present only the Transit Fund and do not purport to, and do not present fairly the financial position and the changes in financial position of the City of Commerce, California, as of and for the years ended June 30, 2017 and 2016. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording resources, related liabilities, deferred inflows and outflows, reserves, and equities segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The Fund follows the Uniform System of Accounts and Records prescribed by the Federal Transportation Administration (FTA) and the California State Controller. Transit system operations provide transportation services to the general public.

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.

Cash, Cash Equivalents and Investments

Cash and investments of the Transit Fund are maintained in the City's cash and investment pool for the purpose of increasing income through investment activities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash, Cash Equivalents and Investments (continued)

Available cash balances consist primarily of certificates of deposit, deposits in the State Treasurer's Local Agency Investment Fund, bankers' acceptances and Federal agency investments and repurchase agreements. All of the City's investments are authorized by State statute. Cash and investments are stated at cost, which approximates fair value. The Transit Fund's portion of cash and investments are \$209,992 and \$0 as of June 30, 2017 and 2016, respectively.

For purposes of reporting cash flows for the Fund, cash and cash equivalents include cash on hand and investments purchased with original maturities of 90 days or less. Cash includes deposits in the cash management pool that has the general characteristics of a demand deposit account. Further information concerning the City's investment pool and a full description of risks relating to cash and investments can be found in the City's Comprehensive Annual Financial Report (CAFR).

Depreciation of Capital Assets

Capital assets (property and equipment) are recorded at cost. Depreciation of capital assets in the Transit Fund is charged to operations. The provision for depreciation is provided over the estimated useful lives of the assets using the straight-line method with no allowance for salvage values. The estimated useful lives used in computing the provision for depreciation of capital assets are as follows:

Description	Useful Life
Buildings	10-40 years
Improvements other than buildings	20-30 years
Distribution system	20-30 years
Infrastructure	20-40 years
Machinery and equipment	5-13 years

Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement Nos. 63 and 65, the City recognizes deferred outflows and inflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period. Deferred outflows and inflows of resources as of June 30, 2017 and 2016 represent pension related deferrals reported in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*.

Further information concerning the City's pension can be found in the City's CAFR.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement of Cash Flows

The City maintains the Statement of Net Position for the entire Transit Fund. The individual Statement of Net Position components cannot be broken down by projects. Thus, the Statement of Cash Flows cannot be presented separately for the Fixed Route, Dial-A-Ride and Recreational Transit projects.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Specifically, the Transit Fund has made certain estimates and assumptions relating to the collectability of its receivables and the useful lives of the capital assets. Actual results could differ from those estimates and assumptions.

NOTE 2 DUE FROM OTHER GOVERNMENTS

As of June 30, 2017 and 2016, amounts due from other governmental agencies consisted of the following:

	2017	2016
Federal Transit Administration	\$ 159,341	\$ 335,315
State of California	14,359	-
Total	\$ 173,700	\$ 335,315

NOTE 3 CAPITAL ASSETS (PROPERTY AND EQUIPMENT)

Property and equipment at June 30, 2017 and 2016 is composed of:

	2017	2016
Building improvements	\$ 8,210,447	\$ 8,210,447
Machinery and equipment	9,734,645	9,627,519
Land	2,421,399	2,421,399
Total property and equipment	20,366,491	20,259,365
Less: Accumulated depreciation	(12,379,775)	(11,795,204)
Capital assets, net	\$ 7,986,716	\$ 8,464,161

City of Commerce
Transit Fund
Notes to Fund Financial Statements
Years ended June 30, 2017 and 2016

NOTE 4 INTERGOVERNMENTAL REVENUES

Intergovernmental revenues for the years ended June 30, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Proposition A 40% Discretionary Fund	\$ 239,200	\$ 234,869
Transportation Development Act (TDA) Article 3	8,667	8,300
TDA Article 4	371,457	354,290
State Transit Assistance Fund	29,822	55,532
Proposition 1B – Security Fund	21,343	21,343
Proposition C Local Return Fund	198,007	194,907
Proposition C Discretionary – Zero Fare Compensation	640,479	644,693
Proposition C Discretionary – Base Restructuring	245,273	240,818
Proposition C Discretionary – Foothill Mitigation	10,833	10,662
Proposition C Discretionary – Security	39,038	37,361
Proposition C Discretionary – MOSIP	72,387	70,531
Measure R Local Return	148,290	146,101
Measure R Clean Fuel Bus Capital Facility and Rolling Stock Fund	-	27,570
Measure R 20% Bus Operations	151,164	144,232
South Coast Air Quality Management District Grant	-	2,500
Federal Transit Administration (FTA) 5307 (CA-90-Y671-01)	3,975	62,223
FTA 5% Greenhouse Gas Reduction	14,359	31,108
FTA CNG Buses (CA-03-0593)	-	728
FTA AIT Aruba Wireless Project	-	283,109
FTA Transit Capital Phase 3 (CA-90-Z093)	131,681	60,344
FTA (CA-90-Z093)	197,048	-
FTA Spare Parts (CA-03-0593)	26,172	728
FTA Bus Shelter (CA-90-Z001)	-	274,214
Total	<u>\$ 2,549,195</u>	<u>\$ 2,906,163</u>

NOTE 5 OPERATING TRANSFERS

Proposition A Local Return revenues are recorded in the Proposition A Local Return Fund and then transferred to the Transit Fund as Operating Transfers. The funds transferred are used to finance the operations of the Transit Fund.

For the fiscal years ended June 30, 2017 and 2016, the Operating Transfers consisted of the following:

	2017	2016
Proposition A Local Return Fund	\$ 238,310	\$ 234,707
Proposition A Exchange	1,425,000	1,000,000
General Fund	-	580,586
Total	\$ 1,663,310	\$ 1,815,293

NOTE 6 PENSION PLAN

California Public Employers' Retirement System (CalPERS)

All qualified permanent and probationary employees are eligible to participate in the City's Miscellaneous Plan, agent multiple-employer defined benefit pension plans administered by the California Public Employers' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS' website under Forms and Publications.

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment.

In accordance with GASB Statement No. 68, the City allocated the following pension related accounts to the Fund as of June 30, 2017 and 2016:

	2017	2016
Net pension liability	\$ 3,122,082	\$ 2,307,384
Deferred outflows of resources	740,817	319,745
Deferred inflows of resources	65,755	241,440

Refer to the City's CAFR for the fiscal years ended June 30, 2017 and 2016 for more information about the City's pension plan and required note disclosures.

NOTE 7 SUBSEQUENT EVENTS

The City has evaluated events through November 28, 2017, the date the financial statements were available to be issued, and concluded no events occurred that require disclosure in or adjustments to the financial statements.

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

To the Honorable Members of the City Council of the City of Commerce, California and the Los Angeles County Metropolitan Transit 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 Transit Fund (the Fund) of the City of Commerce, California (the City) as of and for the years ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated November 28, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the Fund's financial statements, we considered the City's internal control over the Fund's financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Fund's 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 Fund's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our 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 Transit Fund financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

**Los Angeles, California
November 28, 2017**

COMPLIANCE SECTION

Report of Independent Auditors on Compliance

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

Report on Compliance

We have audited the compliance of the City of Commerce, California's (the City) compliance with the Transportation Development Act, State Transit Assistance, Proposition A 40% Discretionary and Proposition C 40% Discretionary Program Memorandum of Understanding (MOU) and Guidelines, and Proposition 1B Guidelines (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 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 Transit Fund 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. Our audit does not provide a legal determination on the City's compliance with the Guidelines.

Opinion

In our opinion, the City of Commerce, California complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2017.



Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that 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. Accordingly, this report is not suitable for any other purpose

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

Los Angeles, California
November 28, 2017

City of Commerce
Transit Fund

**Transportation Development Act (TDA) Article 4, State Transit Assistance (STA),
Proposition A and Proposition C Compliance Matrix
Year ended June 30, 2017**

Compliance Requirements	Applies To	In Compliance			If no, provide details and management response.
		Yes	No	N/A	
1. Operator's expenditures are in conformity with the Regional Transportation Plan and Metro's Transit Performance Measurement Program adopted March 27, 2001.	TDA STA Prop A	X			
2. Operator has met the fare revenue requirements of PUC Sections 99268.2, 99268.3, 99268.4, 99268.5, and 99268.9 as applicable.	TDA STA			X	
3. Operator has made full use of federal funds available under the Urban Mass Transportation Act of 1964, as amended.	TDA STA Prop A	X			
4. Operator did not exceed the amount of STA and LTF funds it is eligible to receive during the year under Section 6634 (Exhibit A).	TDA STA	X			
5. Operator did not exceed the amount of Proposition A Discretionary Fund it is eligible to receive during the year (Exhibit B).	Prop A	X			
6. Operator did not exceed the 50% Expenditure Limitation under PUC 99268 (Exhibit C).	TDA	X			
7. Operator has given priority consideration to claims to offset reduction in federal operating assistance and the unanticipated rise in the cost of fuel, to enhance existing public transportation services, and to meet high priority regional, countywide, or area wide public transportation needs.	TDA STA	X			
8. Operator has made a reasonable effort to implement the productivity improvement recommended pursuant to PUC Section 99244 and has met the Standards prescribed under Section 1.1 of Proposition A 40% Discretionary Fund Guidelines.	TDA STA Prop A	X			
9. Operator is not precluded by any contract entered into from employing part-time drivers or from contracting with common carriers of persons operating under a franchise or license.	TDA STA	X			

See report of independent auditors on compliance.

**City of Commerce
Transit Fund**

**Transportation Development Act (TDA) Article 4, State Transit Assistance (STA),
Proposition A and Proposition C Compliance Matrix
Year ended June 30, 2017**

Compliance Requirements	Applies To	In Compliance			If no, provide details and management response.
		Yes	No	N/A	
10. Operator has been certified within the last 13 months by the California Highway Patrol to be in compliance with Section 1808.1 of the Vehicle Code.	TDA STA	X			
11. Operator is in compliance with the eligibility requirements of PUC Section 99314.6.	TDA STA	X			
12. Operator received local support equivalent to 5% of the current fiscal year operating budget or 25% of the current fiscal year Local Return Funds received by the operator's sponsoring municipality, whichever is less.	Prop A	X			
13. Operator's sponsoring municipality has expended at least 50% of the fiscal year Proposition A Local Return allocation.	Prop A	X			
14. Operator utilized the funds in accordance with Metro's guidelines and did not use the funds to substitute for any other funds, service, or projects except as otherwise specifically provided for in the MOUs. <input type="checkbox"/> Proposition A Discretionary <input type="checkbox"/> Transit Service Expansion	Prop A Prop C Measure R	X			

See report of independent auditors on compliance.

**City of Commerce
Transit Fund
Exhibit A
Eligibility Test for TDA and STA Funds (CAC 6634)
Year ended June 30, 2017**

Eligibility Test for TDA and STA Funds (CAC 6634)

1. Total Operating Costs (Excluding Depreciation)	\$ <u>4,540,126</u>
2. Deductions:	
a) Fare Box Revenue	-
b) Local Support Required Specified Under CAC 6633.2	2,009,607
c) Federal Operating Assistance Received	-
d) Amount Received from a City or County which are beyond boundaries	-
e) Local sales tax revenues pursuant to PUC section 130354	<u>-</u>
3. Total Deductions (Sum a-e)	<u>2,009,607</u>
4. Amount of TDA and STA Funds Eligible	\$ <u><u>2,530,519</u></u>
5. TDA and STA Funds Received	\$ <u><u>401,279</u></u>
6. Excess TDA and STA Funds Received (Amount of Line 5 in excess of Line 4)	\$ <u><u>-</u></u>

See report of independent auditors.

City of Commerce
Transit Fund
Exhibit B
Eligibility Test for Proposition A Discretionary Grant
Year ended June 30, 2017

Eligibility Test for Proposition A Discretionary Grant

1. Total Operating Costs (Excluding Depreciation)	\$ <u>4,540,126</u>
2. Deductions:	
a) UMTA Section 9 Operating Funds	-
b) State Transportation Assistance Funds	29,822
c) TDA Operating Funds	371,457
d) Farebox Revenue	-
e) Local Subsidies (including Local Return, General Revenue, etc.)	2,009,607
f) Other	-
3. Total Deductions (Sum a-f)	<u>2,410,886</u>
4. Amount of Proposition A Discretionary Grant Eligible (Line 1 minus Line 3)	\$ <u>2,129,240</u>
5. Proposition A Discretionary Grant Received	\$ <u>239,200</u>
6. Excess Proposition A Discretionary Received (Amount of Line 5 in excess of Line 4)	<u><u>\$ -</u></u>

See report of independent auditors.

**City of Commerce
Transit Fund
Exhibit C**

**Expenditure Limitation Test and Maintenance of Effort Test
Year ended June 30, 2017**

50% Expenditure Limitation Test ⁽¹⁾

1	Total operating costs before depreciation	\$	2,972,963
2	Total depreciation		584,571
3	Total capital requirements		-
4	Total debt service requirements		-
5	Total (Lines 1,2,3, & 4)		<u>3,557,534</u>
6	Less: Federal Grants Received		358,876
7	Less: Greenhouse/Air Quality Grants Received		14,359
8	Less: State Transit Assistance Fund (STAF) Received		<u>29,822</u>
9	Total (Lines 6 & 7 & 8)		<u>403,057</u>
10	Net (Line 5 less Line 9)	\$	<u><u>3,154,477</u></u>
11	Total permissible Local Transportation Fund under Article 4 (50% of Line 10)	\$	<u><u>1,577,239</u></u>
12	LTF Article 4 Allocated	\$	<u><u>371,457</u></u>
13	Excess LTF Expended (Amount of Line 12 in excess of Line 11)	\$	<u><u>-</u></u>

⁽¹⁾ Amount includes only expenses from the Fixed Route operations

The Article 4 allocation did not exceed the 50% expenditure limitation

Maintenance of Effort Test

Total operating budget	\$	4,651,024
Total local return funds received	\$	2,009,607
5% of Total operating budget	\$	232,551
25% of Total local return funds received	\$	502,402

According to the discretionary guidelines, a local contribution of 5% of the fiscal year's operating budget, or 25% of the fiscal year's local return funds received by the City, whichever is less, is required in meeting the maintenance of effort test.

During the fiscal year ended June 30, 2017, the City made a local contribution of \$2,009,607 from its Measure R Local Return, Proposition A and C Local Return Fund to the Transit Fund. Since the amount of the local contribution exceeded \$232,551, the City is in compliance with the maintenance of effort guidelines.

See report of independent auditors.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**City of Commerce
Transit Fund
Schedule of Findings and Questioned Costs
Year ended June 30, 2017**

There were no findings noted.

EXIT CONFERENCE

An exit conference was held on November 28, 2017 with the City of Commerce representatives. Those in attendance were:

Vasquez and Company LLP representatives:

Cristy Canieda – Partner
Marialyn Salvador – Audit Senior Manager
Shweta Mehrotra – Audit Supervisor

City of Commerce representatives:

Josh Brooks – Assistant Director of Finance
Claude McFerguson – Director of Transportation
Agatha Cheng – Accountant
Grant Farrell – Accounting Consultant

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:

Josh Brooks – Assistant Director of Finance
Claude McFerguson – Director of Transportation
Agatha Cheng – Accountant
Grant Farrell – Accounting Consultant



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