



MetroTM

**City of La Puente
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**

	<u>PAGE</u>
FINANCIAL SECTION	
Report of Independent Auditors	1
Proposition A Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	3
Statements of Revenues, Expenditures and Changes in Fund Balance	4
Supplementary Information:	
Schedule of Expenditures – Actual and LACMTA Approved Project Budget	5
Schedule of Capital Assets	6
Proposition C Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	7
Statements of Revenues, Expenditures and Changes in Fund Balance	8
Supplementary Information:	
Schedule of Expenditures – Actual and LACMTA Approved Project Budget	9
Schedule of Capital Assets	10
Measure R Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	11
Statements of Revenues, Expenditures and Changes in Fund Balance	12
Supplementary Information:	
Schedule of Expenditures – Actual and LACMTA Approved Project Budget	13
Schedule of Capital Assets	14
Transportation Development Act Article 3 Fund:	
Basic Financial Statements:	
Balance Sheets	15
Statements of Revenues, Expenditures and Changes in Fund Balance	16
Supplementary Information:	
Schedule of Transportation Development Act Allocation for Specific Projects	17
Notes to Funds Financial Statements	18
Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	23
COMPLIANCE SECTION	
Report of Independent Auditors on Compliance	25
Compliance Matrix	27
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	29
EXIT CONFERENCE	30

FINANCIAL SECTION

Report of Independent Auditors

To the Honorable Members of the City Council of the City of La Puente, 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 La Puente, 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 La Puente, 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 20, 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 20, 2017

**City of La Puente
Proposition A Local Return Fund
Balance Sheets**

		June 30	
		2017	2016
ASSETS			
Cash and investments	\$	652,992	\$ 803,297
Total assets	\$	652,992	\$ 803,297
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	103,706	\$ 62,626
Union dues payable		-	27
Total liabilities		103,706	62,653
Fund balance			
Restricted		549,286	740,644
Total fund balance		549,286	740,644
Total liabilities and fund balance	\$	652,992	\$ 803,297

See notes to Funds financial statements.

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

	Years ended June 30	
	2017	2016
Revenues		
Proposition A	\$ 742,485	\$ 730,638
Interest income	9,972	7,934
Project generated revenues	138,820	168,729
Total revenues	891,277	907,301
Expenditures		
Various projects	1,088,988	902,397
Total expenditures	1,088,988	902,397
Excess (deficiency) of revenues over expenditures	(197,711)	4,904
Other financing source		
Transfer in from General Fund	6,353	-
Total other financing source	6,353	-
Excess (deficiency) of revenues over expenditures and other financing source	(191,358)	4,904
Fund balance at beginning of year	740,644	735,740
Fund balance at end of year	\$ 549,286	\$ 740,644

See notes to Funds financial statements.

City of La Puente
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	Fixed Route Transit	\$ 393,800	\$ 398,168	\$ (4,368)	\$ 382,175
130-01	Special Service Paratransit	114,200	97,799	16,401	98,529
140-01	Recreation Transportation	5,200	3,203	1,997	2,833
150-01	Bus Shelter Replacement	297,800	221,067	76,733	14,967
170-01	Bus Shelter Maintenance	94,200	31,586	62,614	29,975
250-01	User Side Subsidy	105,000	134,263	(29,263) ^a	176,093
270-01	SGVCOG Membership	9,000	9,250	(250)	8,977
280-01	Transit Marketing	5,900	5,031	869	3,286
480-01	Administration - Proposition A	215,600	188,621	26,979	185,562
	Total expenditures	\$ 1,240,700	\$ 1,088,988	\$ 151,712	\$ 902,397

^a The actual variance after considering other funding sources is calculated as follows:

LACMTA Budget		\$ 105,000
Total expenditures	\$ 134,263	
Less: Project generated revenue - Transit bus passes	<u>95,470</u>	
PALRF expenditures		<u>38,793</u>
Actual Variance Positive (Negative)		<u>\$ 66,207</u>

See report of independent auditors.

City of La Puente
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>
1984-87	Parking Lots	\$ 425,363	\$ -	\$ -	\$ 425,363
1987	Cash Register	1,609	-	-	1,609
1987	Cash Register	826	-	-	826
2002	Equipment	708	-	-	708
2002	3 Transit Vehicles	51,114	-	-	51,114
2005	Parking Lot Expansion - Glendora Ave	216,096	-	-	216,096
2006	Bus Shelters	74,099	-	-	74,099
2007	Bus Shelters	101,086	-	-	101,086
	Total	\$ 870,901	\$ -	\$ -	\$ 870,901

See report of independent auditors.

**City of La Puente
Proposition C Local Return Fund
Balance Sheets**

		June 30	
		2017	2016
ASSETS			
Cash and investments	\$	1,120,252	\$ 867,313
Accounts receivable		-	614
Total assets	\$	1,120,252	\$ 867,927
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	498,967	\$ 22,881
Retention payable		75,518	-
Total liabilities		574,485	22,881
Fund balance			
Restricted		545,767	845,046
Total fund balance		545,767	845,046
Total liabilities and fund balance	\$	1,120,252	\$ 867,927

See notes to Funds financial statements.

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

	Years ended June 30	
	2017	2016
Revenues		
Proposition C	\$ 618,491	\$ 608,355
Interest income	14,382	9,145
Project reimbursement	30,014	-
Total revenues	662,887	617,500
 Expenditures		
Various projects	1,058,590	577,931
Total expenditures	1,058,590	577,931
 Excess (deficiency) of revenues over expenditures	(395,703)	39,569
 Other financing source		
Transfer in from General Fund	96,424	-
Total other financing source	96,424	-
 Excess (deficiency) of revenues over expenditures and other financing source	(299,279)	39,569
 Fund balance at beginning of year	845,046	805,477
 Fund balance at end of year	\$ 545,767	\$ 845,046

See notes to Funds financial statements.

City of La Puente
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)	
440-01	Sunset Ave Resurfacing Project	\$ -	\$ -	\$ -	402,379
440-08	Valley Boulevard Wall Improvements Phase III - Ferreo to Dora Guzman	-	-	-	6,900
440-10	Street Improvements at Del Valle and Dora Guzman	550,000	540,228	9,772	72,228
440-11	FY16-17 Major Street Improvements Oldvalley/Orange	600,000	518,362	81,638	-
480-02	Administration - Prop C	237,000	-	237,000	96,424
Total expenditures		\$ 1,387,000	\$ 1,058,590	\$ 328,410	\$ 577,931

See report of independent auditors.

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

Date Acquired	Description	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
1999	Electronic Sign	\$ 593	-	-	\$ 593
2002-2003	Temple Avenue Resurfacing - Phase 3	76,574	-	-	76,574
2002-2003	Temple Avenue Reconstruction - Stimson Avenue	381,228	-	-	381,228
2005	Hacienda Restructuring/Reconstruction	40,573	-	-	40,573
2005	Traffic Stop - Glendora Avenue Hill	178,985	-	-	178,985
2006	Traffic Signal - Glendora Avenue Hill	12,525	-	-	12,525
2007	Central Street Reconstruction	239,640	-	-	239,640
2010	Bus Pad - Orange and Amar	9,475	-	-	9,475
2010	Bus Pad - Hacienda and Amar	18,460	-	-	18,460
2010	Main Street Reconstruction	136,601	-	-	136,601
2010	Bus Pad - Old Valley Road	16,933	-	-	16,933
2010	Glendora Ave Reconstruction	91,082	-	-	91,082
2010	Hacienda Boulevard Improvement Project	233,982	-	-	233,982
2011	Temple, Dora Guzman, Del Valle	195,263	-	-	195,263
2014	Valley Boulevard Improvement	6,493	-	-	6,493
2014	Amar Road Storm Drain	1,529,144	-	-	1,529,144
2014	Temple and Glendora	138,792	-	-	138,792
2014	Street Improvements at Various Streets	138,500	-	-	138,500
2014	Pavement Management System	33,244	-	-	33,244
Total		\$ 3,478,087	\$ -	\$ -	\$ 3,478,087

See report of independent auditors.

**City of La Puente
Measure R Local Return Fund
Balance Sheets**

		June 30	
		2017	2016
ASSETS			
Cash and investments	\$	919,833	\$ 504,612
Accounts receivable		-	2,846
Total assets	\$	919,833	\$ 507,458
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	25,317	\$ 417
Total liabilities		25,317	417
Fund balance			
Restricted		894,516	507,041
Total fund balance		894,516	507,041
Total liabilities and fund balance	\$	919,833	\$ 507,458

See notes to Funds financial statements.

City of La Puente
Measure R Local Return Fund

Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2017	2016
Revenues		
Measure R	\$ 462,015	\$ 454,809
Interest income	10,322	4,233
Total revenues	472,337	459,042
Expenditures		
Various projects	115,812	190,105
Total expenditures	115,812	190,105
Excess of revenues over expenditures	356,525	268,937
Other financing source		
Transfer from General Fund	30,950	-
Total other financing source	30,950	-
Excess of revenues over expenditures and other financing source	387,475	268,937
Fund balance at beginning of year	507,041	238,104
Fund balance at end of year	\$ 894,516	\$ 507,041

See notes to Funds financial statements.

City of La Puente
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)	
01-001	Santo Oro Local Street Improvements	\$ -	\$ -	\$ -	1,954
01-002	Local Street Improvements - Various Locations	450,000	69,600	380,400	115
01-003	Rule 20A Undergrounding	50,000	1,985	48,015	-
02-001	Traffic Signal Improvements on Amar Road, Various Locations	-	-	-	2,682
02-002	LP-3 Traffic Signals - Various Locations	234,000	44,227	189,773	-
03-001	Concrete Sidewalk Improvements - Various Locations	-	-	-	150,000
08-001	Administration for 01-001	-	-	-	446
08-002	Administration for 01-002	-	-	-	26
08-003	Administration for 02-001	-	-	-	613
08-005	Administration for 02-002	46,800	-	46,800	-
08-006	Administration for 03-002	90,000	-	90,000	34,269
08-007	Administration for 01-003	10,000	-	10,000	-
Total expenditures		\$ 880,800	\$ 115,812	\$ 764,988	\$ 190,105

See report of independent auditors.

City of La Puente
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>
2010	Street Rehabilitation	\$ 122,229	\$ -	-	\$ 122,229
2010	Valley Boulevard Improvements	74,315	-	-	74,315
2011	Traffic Signs and Striping	4,337	-	-	4,337
2011	Old Valley Boulevard Improvements	155,910	-	-	155,910
2013	Valley Boulevard Improvements - PH II	126,845	-	-	126,845
2013	Traffic Signals LP-3	44,693	-	-	44,693
2013	Amar/Tanopah	33,260	-	-	33,260
2014	Valley Blvd Improvements	6,000	-	-	6,000
2014	Local Street Improvements	364,643	-	-	364,643
2014	Pavement Management System	2,740	-	-	2,740
Total		\$ 934,972	\$ -	-	\$ 934,972

See report of independent auditors.

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

		June 30	
		2017	2016
ASSETS			
Due from LACMTA	\$	1,566	\$ -
Total assets	\$	1,566	\$ -
LIABILITIES AND FUND BALANCE			
Liabilities			
Cash overdraft	\$	1,566	\$ -
Total liabilities	\$	1,566	\$ -
Fund balance			
Restricted		-	-
Total fund balance		-	-
Total liabilities and fund balance	\$	1,566	\$ -

See notes to Funds financial statements.

City of La Puente
 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	\$	50,000	\$ 30,000
Total revenues		50,000	30,000
 Expenditures			
Major Street Resurface/Improvement			
		50,000	30,000
Total expenditures		50,000	30,000
 Excess of revenues over expenditures			
		-	-
 Fund balance at beginning of year			
		-	-
 Fund balance at end of year			
	\$	-	\$ <u> </u> -

See notes to Funds financial statements.

City of La Puente
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 Year	Totals to Date		Unexpended Allocations	Project Status
		Allocations	Expenditures		
Local Allocations:					
Major Street Resurface/Improvement	2017	\$ 50,000	\$ 50,000	-	Completed
Totals		<u>\$ 50,000</u>	<u>\$ 50,000</u>	-	
Fund balance at beginning of year				-	
Fund balance at end of year				<u>\$ -</u>	

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 PROJECT GENERATED REVENUES

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

	2017	2016
Transit bus passes	\$ 95,470	\$ 117,144
Shuttle fares	42,451	50,856
Dial-A-Ride fares	899	729
Total project generated revenues	\$ 138,820	\$ 168,729

NOTE 8 PROJECT REIMBURSEMENTS – PCLRF

During the fiscal year 2016/17, the City received a reimbursement amounting to \$28,059 from Surface Transportation Program – Local (STPL), a Federal Grant, for the Temple Avenue Project. The project was being funded by both PCLRF and STPL and was completed in FY 2015. In addition, the City received \$1,955 from Southern California Edison as a refund of the amount paid in excess of the actual costs of the relocation of equipment for the same project.

NOTE 9 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 2014/15 allocation	\$ 5,409	\$ 8,856
FY 2015/16 allocation	25,801	21,144
FY 2016/17 allocation	18,790	-
Total allocation	\$ 50,000	\$ 30,000

NOTE 10 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 2014/15 allocation	\$	-	\$	5,409
FY 2015/16 allocation		-		25,801
FY 2016/17 allocation		8,179		-
Total reserve	\$	8,179	\$	31,210

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 11 SUBSEQUENT EVENTS

The City has evaluated subsequent events through December 20, 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 Puente, 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 La Puente, 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 20, 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.

Los Angeles, California
December 20, 2017

COMPLIANCE SECTION

Report of Independent Auditors on Compliance

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

Report on Compliance

We have audited the compliance of the City of La Puente, 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 La Puente, 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 an instance of noncompliance with the requirements, which is described in the accompanying Schedule of Findings and Questioned Costs as Findings #2017-001. Our opinion is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the City 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 20, 2017**

**City of La Puente
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				
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			See Finding #2017-001
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 La Puente
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 report of independent auditors on compliance.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

PALRF and PCLRF: Finding #2017-001

Compliance Reference	<p>Under Section II(C)(7) of the Proposition A and Proposition C Local Return Guidelines, Jurisdictions are required to certify that they have conducted and maintain Pavement Management Systems (PMS) when proposing “ Street Repair and Maintenance” or “Bikeway” projects.</p> <p>Self-certifications executed by the Jurisdiction’s Engineer or designated, registered civil engineer, must be submitted with a Form A for new street maintenance or bikeway projects, or Form B (biannually) for ongoing projects, to satisfy “Street Repair and Maintenance” and “Bikeway” project eligibility criteria.</p>
Condition	<p>The City has not submitted a signed Pavement Management System (PMS) certification in FY 2016/17, which is required to be obtained every 3 years. The City’s latest certification submitted to LACMTA in June 2015 had a December 2013 inventory update and review of pavement condition completion date which was over 3 years already.</p>
Cause	<p>Due to circumstances beyond the City’s control, the City was delayed in retaining a consultant to update the City’s PMS prior to the audit report.</p>
Effect	<p>The City was not in compliance with respect to the certification of PMS in conformance with the criteria stipulated in the Local Return Guidelines. As such, any local return funds spent may be required to be returned to the Local Return Funds.</p>
Recommendation	<p>The City should submit to LACMTA a signed certification that it has a PMS for eligibility of its new or ongoing street maintenance or bikeway projects and keep it on file.</p>
Management’s Response	<p>The City of La Puente has budgeted \$50,000 in the fiscal year 2017-18 to update its Pavement Management System (PMS). The City has retained the services of Willdan Engineering to complete the update and it is anticipated that the PMS will be fully updated by April 2018. The City will notify LACMTA once the PMS update has been completed.</p>

EXIT CONFERENCE

An exit conference was held on December 20, 2017 with the City of La Puente representative. Those in attendance were:

Vasquez and Company LLP representative:
Marialyn Salvador – Audit Senior Manager

City of La Puente representative:
Joann Gitmed – Finance Manager

Matters discussed:

Results of the audit disclosed an instance of noncompliance with LACMTA Guidelines.

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

Joann Gitmed – Finance Manager



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Vasquez & Company LLP has over 45 years of experience in performing audit, accounting & consulting services for all types of nonprofit organizations, for-profit companies, governmental entities and publicly traded companies. Vasquez is a member of the RSM US Alliance. RSM US Alliance provides its members with access to resources of RSM US LLP. RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International. Visit [rsmus.com/about us](http://rsmus.com/about-us) for more information regarding RSM US LLP and RSM International. The RSM™ logo is used under license by RSM US LLP. RSM US Alliance products and services are proprietary to RSM US LLP.

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