



MetroTM

**City of Pico Rivera
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 Pico Rivera, 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 Pico Rivera, 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 Pico Rivera, 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 Pico Rivera
Proposition A Local Return Fund
Balance Sheets**

		June 30	
		2017	2016
ASSETS			
Cash and investments	\$	2,279,057	\$ 1,819,469
Due from LACMTA		23,919	30,806
Interest receivable		9,314	3,305
Total assets	\$	<u>2,312,290</u>	<u>\$ 1,853,580</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	89,898	\$ 10,189
Accrued payroll and employee benefits		486	1,040
Total liabilities		<u>90,384</u>	<u>11,229</u>
Deferred inflows of resources			
Unavailable revenues		23,919	30,806
Total deferred inflows of resources		<u>23,919</u>	<u>30,806</u>
Fund balance			
Restricted		2,197,987	1,811,545
Total fund balance		<u>2,197,987</u>	<u>1,811,545</u>
Total liabilities, deferred inflows of resources and fund balance	\$	<u>2,312,290</u>	<u>\$ 1,853,580</u>

See notes to Funds financial statements.

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

	Years ended June 30	
	2017	2016
Revenues		
Proposition A	\$ 1,171,152	\$ 1,152,924
Proposition A Discretionary Incentive Program grant	30,806	-
Investment income	32,899	13,231
Bus pass sales	4,896	7,309
Total revenues	1,239,753	1,173,464
Expenditures		
Various projects	853,311	636,366
Total expenditures	853,311	636,366
Excess of revenues over expenditures	386,442	537,098
Fund balance at beginning of year	1,811,545	1,274,447
Fund balance at end of year	\$ 2,197,987	\$ 1,811,545

See notes to Funds financial statements.

City of Pico Rivera
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)	
130-02	Special Service of U & H	\$ 600,000	\$ 635,667	\$ (35,667)	\$ 411,681
150-01	Sidewalk Installation at Two Bus Stops Along Washington Boulevard	20,000	19,087	913	-
160-49	Bus Shelters Lighting Improvements Citywide	50,000	26,037	23,963	-
170-01	Bus Shelter Maintenance	180,000	125,071	54,929	118,924
250-06	MTA Bus Pass Buydown	24,000	14,008	9,992	18,505
480-05	Administration	175,000	33,441	141,559	87,256
Total expenditures		\$ 1,049,000	\$ 853,311	\$ 195,689	\$ 636,366

See report of independent auditors.

City of Pico Rivera
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>
2010	Bus for Dial-A-Ride Program	\$ 56,727	\$ -	\$ -	\$ 56,727
2010	Bus for Dial-A-Ride Program	56,727	-	-	56,727
2012	Pico Park Transit Hub-Pkg lot Expansion	700,000	-	-	700,000
2014	Bus Shelter Replacement	203,655	-	-	203,655
2015	Gold Line Extension Project	60,000	-	-	60,000
	Total	\$ 1,077,109	\$ -	\$ -	\$ 1,077,109

See report of independent auditors.

City of Pico Rivera
Proposition C Local Return Fund
Balance Sheets

		June 30	
		2017	2016
ASSETS			
Cash and investments	\$	1,273,686	\$ 602,076
Interest receivable		4,610	1,095
Total assets	\$	1,278,296	\$ 603,171
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	800	\$ 600
Accrued payroll and employee benefits		1,708	801
Total liabilities		2,508	1,401
Fund balance			
Restricted		1,275,788	601,770
Total fund balance		1,275,788	601,770
Total liabilities and fund balance	\$	1,278,296	\$ 603,171

See notes to Funds financial statements.

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

		Years ended June 30	
		2017	2016
Revenues			
Proposition C	\$	974,150	\$ 958,515
Investment income		12,831	8,278
Project reimbursement		48,654	-
Total revenues		1,035,635	966,793
Expenditures			
Various projects		361,617	1,497,076
Total expenditures		361,617	1,497,076
Deficiency of revenues over expenditures		674,018	(530,283)
Fund balance at beginning of year		601,770	1,132,053
Fund balance at end of year	\$	1,275,788	\$ 601,770

See notes to Funds financial statements.

City of Pico Rivera
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)	
210-09	HSIP Cycle 7 - Traffic Signal Upgrades Citywide	\$ 50,000	\$ 2,818	\$ 47,182	\$ -
210-45	HSIP Cycle 6, Traffic Safety and Sidewalk Improvements	105,000	10,158	94,842	9,929
220-03	Graffiti Removal Transfer	75,000	75,000	-	46,172
270-22	Gateway Cities COG SR-91 / I 605 Needs Assessment Study	20,000	20,000	-	20,000
270-41	Telegraph Road over Rio Hondo River Bridge Rehabilitation Project	220,000	7,606	212,394	6,957
270-42	Washington Blvd over Rio Hondo River Bridge Rehabilitation Project	95,000	6,640	88,360	6,554
410-34	Safe Routes to School - Infrastructure/Traffic Signals and other Safety Improvements	135,000	64,122	70,878	297,937
450-15	Whittier Blvd Corridor Street Improvements - Rosemead Blvd to the Eastern City Limits	400,000	-	400,000	-
450-29	Telegraph Road Raised Medians	-	-	-	219
450-32	Durfee Avenue Underpass Project	45,000	26,634	18,366	31,733
450-33	Whittier Blvd Rehabilitation Project	20,000	-	20,000	724,571
450-36	Rosemead Blvd/Telegraph Road Intersection Improvements	285,000	22,125	262,875	19,027
450-37	Paramount Blvd Raised Median Project	400,000	70,393	329,607	21,881
450-47	Bridge Preventative Maintenance Program	30,000	3,046	26,954	192,154
450-48	Telegraph Road Traffic Throughout and Safety Enhancement Project-Phase II	30,000	975	29,025	207
450-50	Whittier Boulevard Street Overlay	200,000	-	200,000	-
470-44	Pavement Management System Update	-	-	-	32,474
480-01	Administration	175,000	52,100	122,900	87,261
Total expenditures		\$ 2,285,000	\$ 361,617	\$ 1,923,383	\$ 1,497,076

See report of independent auditors.

City of Pico Rivera
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>
2004	Bus Shelter Replacement	\$ 178,422	\$ -	\$ -	\$ 178,422
2005	W. Whittier Blvd Street	179,844	-	-	179,844
2006	SG River Pkway/Beverly	144,853	-	-	144,853
2012	Pico Rivera Transit Hub - Parking Lot Expansion	211,224	-	-	211,224
2012	Beverly Blvd Rehabilitation	268,211	-	-	268,211
2014	Pavement Management System Update	45,068	-	-	45,068
2014	Beverly Blvd Median Island Improvement Rosemead Blvd. Rehabilitation	994,685	-	-	994,685
2014	Washington	420,370	-	-	420,370
2014	Rosemead/Whittier Improvements	221,795	-	-	221,795
2014	Construction In Progress - Various Projects Sidewalk Improvements and Bus Stop	2,415,796	-	-	2,415,796
2015	Improvements Rosemead Blvd/Mines Ave Intersection	50,000	-	-	50,000
2015	Improvements	785,383	-	-	785,383
	Total	\$ 5,915,651	\$ -	\$ -	\$ 5,915,651

See report of independent auditors.

City of Pico Rivera
Measure R Local Return Fund
Balance Sheets

		June 30	
		2017	2016
ASSETS			
Cash and investments	\$	865,430	\$ 293,871
Interest receivable		3,888	800
Due from other government agencies		112,092	215,517
Total assets	\$	981,410	\$ 510,188
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	-	\$ -
Total liabilities		-	-
Deferred inflows of resources			
Unavailable revenues		112,092	215,517
Total deferred inflows of resources		112,092	215,517
Fund balance			
Restricted		869,318	294,671
Total fund balance		869,318	294,671
Total liabilities, deferred inflows of resources and fund balance	\$	981,410	\$ 510,188

See notes to Funds financial statements.

City of Pico Rivera
Measure R Local Return Fund

Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2017	2016
Revenues		
Measure R	\$ 728,756	\$ 717,674
Investment income	9,613	7,672
Measure R Fund Highway Grants	282,946	326,101
Total revenues	1,021,315	1,051,447
 Expenditures		
Expenditures funded by MRLRF	265,146	1,524,789
Expenditures funded by Measure R Fund Highway Grants	181,522	249,716
Total expenditures	446,668	1,774,505
 Excess (deficiency) of revenues over expenditures	 574,647	 (723,058)
 Fund balance at beginning of year, as restated	 294,671	 1,017,729
 Fund balance at end of year	 \$ 869,318	 \$ 294,671

See notes to Funds financial statements.

City of Pico Rivera
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	Beverly Blvd Rehabilitation and Landscape Median Improvements	\$ 344,369	\$ -	\$ 344,369	\$ -
01-002	Residential Road Resurfacing Project - Phase D	150,000	-	150,000	-
01-003	Residential Road Resurfacing Project - Phase E	845,000	-	845,000	90
01-004	Entrance Monument Replacement Project	260,000	-	260,000	-
01-005	Annual Sidewalk Improvement Project	200,000	-	200,000	-
01-006	Slauson Avenue Improvements	55,000	-	55,000	-
01-007	Residential Road Resurfacing Project - Phase F	600,000	-	600,000	597,815
01-008	Roadway Safety Improvements - Signage and Striping	150,000	-	150,000	12,608
01-009	Safe Routes to School - Safety Improvements along Passons/ Beverly	80,000	-	80,000	78,349
01-010	Whittier Boulevard Rehabilitation Project	300,000	7,270	292,730	111,387
01-011	Signing and Striping	35,000	30,413	4,587	75,000
01-012	Annual Sidewalk Improvement Project	180,000	187,636	(7,636)	185,828
01-013	Asphalt Overlay Along San Gabriel Parkway, Construction of Curb, Gutter	140,000	-	140,000	-
01-014	Residential Resurfacing Project - Phase G	500,000	5,029	494,971	-
01-015	Whittier Boulevard Overlay Project	10,000	7,072	2,928	-
02-001	Left Turn Phasing Installation to Update Antiquated Traffic Signal	120,000	-	120,000	-
02-002	Left-turn Phasing/Other Signal Improvements Throughout the City	202,000	-	202,000	142,000
02-003	Battery Backup System Project	50,000	-	50,000	129
02-005	Rewiring of Traffic Signals	35,000	71	34,929	4,476
02-007	Traffic Signal Improvement at Loch Lomond and Paramount Blvd	50,000	24,276	25,724	-
03-001	Transportation Enhancements to Pedestrian Bridge	250,000	-	250,000	114,837
03-002	Traffic Calming/Pedestrian and Bike Safety Signage	45,000	-	45,000	44,028
05-001	Installation of Transit Hub at Rio Vista Park	125,000	-	125,000	-
05-002	Installation of Transit Hub at Smith Park	100,000	-	100,000	100,000
07-001	Corridor Study for the Development of Lakewood/Rosemead Blvd	65,000	-	65,000	58,242
08-001	SRTS Non-Infrastructure Project - Federal Reporting	5,500	3,379	2,121	-
Total expenditures		\$ 4,896,869	\$ 265,146	\$ 4,631,723	\$ 1,524,789

See report of independent auditors.

City of Pico Rivera
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>
2013	Residential Resurfacing Project - Phase D	\$ 148,125	\$ -	\$ -	\$ 148,125
2015	Construction in Progress - Various Projects	701,696	-	-	701,696
2015	Rio Vista Park	125,000	-	-	125,000
2015	Residential Resurfacing Project	843,349	-	-	843,349
2015	Entrance Monument Replacement	221,914	-	-	221,914
2015	Slauson Ave Street Improvement	53,709	-	-	53,709
2015	Annual Sidewalk Improvement	100,000	-	-	100,000
	Total	<u>\$ 2,193,793</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,193,793</u>

See report of independent auditors.

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

		June 30	
		2017	2016
ASSETS			
Due from LACMTA		\$ 63,192	\$ 126,020
	Total assets	\$ 63,192	\$ 126,020
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities			
Due to other funds		\$ 63,005	\$ 126,020
	Total liabilities	63,005	126,020
Deferred inflows of resources			
Unavailable revenues		2,393	46,307
	Total deferred inflows of resources	2,393	46,307
Fund balance (deficit)			
Restricted		(2,206)	(46,307)
	Total fund balance(deficit)	(2,206)	(46,307)
	Total liabilities, deferred inflows of resources and fund balance (deficit)	\$ 63,192	\$ 126,020

See notes to Funds financial statements.

City of Pico Rivera
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	\$ 60,799	\$ 79,714
Interest income	187	-
Total revenues	60,986	79,714
Expenditures		
Roadway Improvement Citywide Project	16,885	99,960
Total expenditures	16,885	99,960
Excess (deficiency) of revenues over expenditures	44,101	(20,246)
Fund balance (deficit) at beginning of year	(46,307)	(26,061)
Fund balance (deficit) at end of year	\$ (2,206)	\$ (46,307)

See notes to Funds financial statements.

City of Pico Rivera
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:					
Roadway Improvement Citywide Project	2017	\$ 60,799	\$ 16,885	\$ 43,914	Ongoing
Totals		<u>\$ 60,799</u>	<u>\$ 16,885</u>	43,914	
Interest income				187	
Fund balance(deficit) at beginning of year				<u>(46,307)</u>	
Fund balance(deficit) at end of year				<u>\$ (2,206)</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.

Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the County recognizes deferred outflows and deferred 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 inflows of resources reported by the City represent resources that are not available for spending as of June 30, 2017 and 2016.

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 PROPOSITION A DISCRETIONARY INCENTIVE PROGRAM GRANT

Proposition A Discretionary Incentive Program grant represents additional funds received from LACMTA for participating in the National Transit Database Reporting Program. The Proposition A Discretionary Incentive Program grant was recorded under PALRF. The City received \$30,806 and \$0 for the years ended June 30, 2017 and 2016, respectively, for participating in the program.

NOTE 8 MEASURE R HIGHWAY GRANTS

In March 2014, LACMTA Board approved to fund "Project Approval and Environmental Documentation (PAED), Plans, Specifications, and Estimates (PSE), Right of Way (ROW), and Construction phases of the Rosemead Boulevard and Beverly Boulevard Intersection Improvements Project, Rosemead/Whittier Intersection Improvements Projects, Rosemead Boulevard and Washington Boulevard Intersection Improvements Projects and Rosemead Boulevard and Slauson Avenue Intersection Improvements Projects, referred to as Agreement Nos. 14-1490, 14-1491, 14-1492 and 14-1493, respectively. Under the agreement, to the extent the Measure R funds are available, LACMTA shall make to the City a grant of the Measure R funds for these Projects. The funds will be released to the City on a reimbursement basis in accordance with invoices submitted in support of the monthly progress report and the quarterly expenditure report submitted to LACMTA a few days after the close of each quarter. The City recognized \$282,946 and \$326,101 of revenue from these projects during the years ended June 30, 2017 and 2016, respectively.

NOTE 9 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND REVENUE ALLOCATION

The revenue allocations for the years ended June 30, 2017 and 2016 is as follows:

		<u>2017</u>		<u>2016</u>
FY 2012/13 allocation	\$	-	\$	18,748
FY 2013/14 allocation		-		51,487
FY 2014/15 allocation		32,455		9,479
Deferral from FY 2014		28,344		-
	\$	<u>60,799</u>	\$	<u>79,714</u>

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 reserve	\$	-	\$	32,455
FY 2015/16 reserve		12,360		40,704
FY 2016/17 allocation		42,530		-
	\$	54,890	\$	73,159

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

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 Pico Rivera, California and the
Los Angeles County Metropolitan Transportation Authority**

Report on Compliance

We have audited the compliance of the City of Pico Rivera, 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 Pico Rivera, 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 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 "Vagueney & Company LLP".

Los Angeles, California
December 14, 2017

**City of Pico Rivera
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				
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 Pico Rivera
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 Pico Rivera
Schedule of Findings and Questioned Costs
Year ended June 30, 2017**

There were no findings noted.

EXIT CONFERENCE

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

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

City of Pico Rivera representative:
Hazel Vitancol-De Guzman – Accountant III

Matters discussed:

Results of the audit disclosed no significant compliance or financial statement issues.

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

Michael Solorza – Director of Finance
Hazel Vitancol-De Guzman – Accountant III



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