



**Metro**<sup>TM</sup>

**City of San Fernando  
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 San Fernando, 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 San Fernando, 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 San Fernando, 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 November 28, 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  
November 28, 2017

City of San Fernando  
 Proposition A Local Return Fund  
 Balance Sheets

		June 30	
		2017	2016
<b>ASSETS</b>			
Cash and investments		\$ 229,855	\$ 164,694
	<b>Total assets</b>	<b>\$ 229,855</b>	<b>\$ 164,694</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable		\$ 164,749	\$ 50,341
Accrued payroll and employee benefits		59	391
	<b>Total liabilities</b>	<b>164,808</b>	<b>50,732</b>
<b>Fund balance</b>			
Restricted		65,047	113,962
	<b>Total fund balance</b>	<b>65,047</b>	<b>113,962</b>
	<b>Total liabilities and fund balance</b>	<b>\$ 229,855</b>	<b>\$ 164,694</b>

*See notes to Funds financial statements.*

City of San Fernando  
 Proposition A Local Return Fund  
**Statements of Revenues, Expenditures and Changes in Fund Balance**

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	Years ended June 30	
	2017	2016
<b>Revenues</b>		
Proposition A	\$ 448,118	\$ 437,213
Interest income	1,294	579
Investment income (loss)	(841)	262
Project generated revenues	<u>18,750</u>	<u>29,002</u>
<b>Total revenues</b>	<u><b>467,321</b></u>	<u>467,056</u>
<b>Expenditures</b>		
Various projects	<u>516,236</u>	<u>439,922</u>
<b>Total expenditures</b>	<u><b>516,236</b></u>	<u>439,922</u>
Excess (deficiency) of revenues over expenditures	<b>(48,915)</b>	27,134
Fund balance at beginning of year	<u>113,962</u>	<u>86,828</u>
Fund balance at end of year	<u><b>\$ 65,047</b></u>	<u>\$ 113,962</u>

*See notes to Funds financial statements.*

**City of San Fernando**  
**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	Trolley Fixed Route Transit	\$ 115,000	\$ 131,804	\$ (16,804)	\$ 47,500
110-02	Trolley / Utility Truck Fuel	40,000	15,569	24,431	14,229
120-01	Dial-A-Ride	280,000	280,000	-	279,204
200-01	Recreational Trips Programs	25,000	24,742	258	17,655
250-08	MTA Bus Pass Subsidy	17,500	16,055	1,445	17,448
480-09	Prop A Administration	54,265	48,066	6,199	63,886
	<b>Total expenditures</b>	<b>\$ 531,765</b>	<b>\$ 516,236</b>	<b>\$ 15,529</b>	<b>\$ 439,922</b>

*See report of independent auditors.*



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

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<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>
2009	Monitors and Navigation System DVD Playback and Anti-Thief System	\$ 12,118	\$ -	\$ -	\$ 12,118
2013	Bus Shelters	46,288	-	-	46,288
	<b>Total</b>	<b>\$ 58,406</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 58,406</b>

*See report of independent auditors.*

City of San Fernando  
Proposition C Local Return Fund  
Balance Sheets

		June 30	
		2017	2016
<b>ASSETS</b>			
Cash and investments		\$ 193,718	\$ 208,229
	<b>Total assets</b>	<b>\$ 193,718</b>	<b>\$ 208,229</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable		\$ 27,226	\$ 42,971
Accrued payroll and employee benefits		661	987
	<b>Total liabilities</b>	<b>27,887</b>	<b>43,958</b>
<b>Fund balance</b>			
Restricted		165,831	164,271
	<b>Total fund balance</b>	<b>165,831</b>	<b>164,271</b>
	<b>Total liabilities and fund balance</b>	<b>\$ 193,718</b>	<b>\$ 208,229</b>

See notes to Funds financial statements.

City of San Fernando  
 Proposition C Local Return Fund  
**Statements of Revenues, Expenditures and Changes in Fund Balance**

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	Years ended June 30	
	2017	2016
<b>Revenues</b>		
Proposition C	\$ 371,999	\$ 362,981
Interest income	727	1,038
Investment income (loss)	(832)	457
<b>Total revenues</b>	<b>371,894</b>	<b>364,476</b>
<b>Expenditures</b>		
Various projects	370,334	348,479
<b>Total expenditures</b>	<b>370,334</b>	<b>348,479</b>
Excess of revenues over expenditures	1,560	15,997
Fund balance at beginning of year	164,271	148,274
Fund balance at end of year	\$ 165,831	\$ 164,271

*See notes to Funds financial statements.*

**City of San Fernando**  
**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)**

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Project Code	Project Name	2017			2016 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
110-01	Trolley Fixed Route Transit	\$ 95,000	\$ 95,000	\$ -	\$ 199,498
440-05	Street and Bikeway Improvements	213,612	213,612	-	91,140
480-01	Prop C Administration	78,403	61,722	16,681	57,841
<b>Total expenditures</b>		<b>\$ 387,015</b>	<b>\$ 370,334</b>	<b>\$ 16,681</b>	<b>\$ 348,479</b>

*See report of independent auditors.*

City of San Fernando  
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
1998	Multi-Use Recreation Building	\$ 566,845	\$ -	\$ -	\$ 566,845
1998	Shelter Bus	80,575	-	-	80,575
1998	Hewlett Packard Netserver	12,251	-	-	12,251
1998	Poligon Structure	7,782	-	-	7,782
2001	Solar Arrow Trailer Board	6,089	-	-	6,089
2002	Inductive Loop Detector	9,800	-	-	9,800
2003	Traffic Signals	34,259	-	-	34,259
2003	Maclay St Rehabilitation	17,642	-	-	17,642
2004	Traffic Signals	189,002	-	-	189,002
2004	Van	14,000	-	-	14,000
2004	S Maclay Ave Rehabilitation	80,681	-	-	80,681
2004	Street Striping	4,000	-	-	4,000
2008	Maclay Streetscape	1,232,487	-	-	1,232,487
2009	Backhoe Attachment for Skid Steer	8,900	-	-	8,900
2013	Park Ave Street Sidewalk Improvements	128,017	-	-	128,017
2017	Street Resurfacing project	-	303,907	-	303,907
	<b>Total</b>	<u>\$ 2,392,330</u>	<u>\$ 303,907</u>	<u>\$ -</u>	<u>\$ 2,696,237</u>

*See report of independent auditors.*

**City of San Fernando  
Measure R Local Return Fund  
Balance Sheets**

		<b>June 30</b>	
		<b>2017</b>	<b>2016</b>
<b>ASSETS</b>			
Cash and investments	\$	<u>3,334,264</u>	\$ 3,702,602
<b>Total assets</b>	<b>\$</b>	<b><u>3,334,264</u></b>	<b><u>3,702,602</u></b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$	17,259	\$ 57,698
Accrued payroll and employee benefits		613	-
Retentions payable		-	3,070
<b>Total liabilities</b>		<u>17,872</u>	<u>60,768</u>
<b>Fund balance</b>			
Restricted - Total Road Improvement Program		2,693,840	2,695,218
Restricted - Other		622,552	946,616
<b>Total fund balance</b>		<u>3,316,392</u>	<u>3,641,834</u>
<b>Total liabilities and fund balance</b>	<b>\$</b>	<b><u>3,334,264</u></b>	<b><u>\$ 3,702,602</u></b>

*See notes to Funds financial statements.*

City of San Fernando  
Measure R Local Return Fund

**Statements of Revenues, Expenditures and Changes in Fund Balance**

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	Years ended June 30	
	2017	2016
<b>Revenues</b>		
Measure R	\$ 278,844	\$ 272,157
Interest income	13,690	4,494
Investment income (loss)	(3,710)	1,662
<b>Total revenues</b>	<b>288,824</b>	<b>278,313</b>
<b>Expenditures</b>		
Various projects	614,266	360,852
<b>Total expenditures</b>	<b>614,266</b>	<b>360,852</b>
Deficiency of revenues over expenditures	(325,442)	(82,539)
<b>Other financing sources</b>		
Transfer from General Fund	-	9,095
Proceeds from issuance of COP	-	2,916,355
<b>Total other financing sources</b>	<b>-</b>	<b>2,925,450</b>
Excess (deficiency) of revenues over expenditures and other financing sources	(325,442)	2,842,911
Fund balance at beginning of year	3,641,834	798,923
Fund balance at end of year	\$ 3,316,392	\$ 3,641,834

*See notes to Funds financial statements.*

City of San Fernando  
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)	
1.05	Street Maintenance				
	Cost of Issuance (TRIP) Program	\$ -	\$ -	\$ -	221,802
	Street Resurfacing Program	-	-	-	845
	City Wide Street Repair Projects (Safe Routes)	-	-	-	123,051
1.05	Annual Resurfacing Program (Construction and Contingency)	1,229,084	313,885	915,199	-
1.05	TRIP COP - Principal and Interest	178,000	179,942	(1,942)	-
1.05	Safe Routes to School Project (Match and Contingency)	92,363	48,838	43,525	-
1.05	City Wide Street Repair	197,873	22,401	175,472	-
1.05	Glenoaks Resurfacing Project (Construction and Contingency)	1,342,000	5,228	1,336,772	-
1.05	Pacoima Wash Project	2,648	-	2,648	-
3.90	Consulting Services Related to Pacoima Walsh Bikeway Project	-	-	-	5,804
7.90	Planning, Engineering: Engineering Services Project/Construction Management, Inspections Services Street Rehabilitation Project	-	-	-	9,350
7.90	Annual Resurfacing Program (Design)	60,000	-	60,000	-
7.90	Annual Resurfacing Program (Staff Project MGT)	40,000	2,931	37,069	-
7.90	Glenoaks Resurfacing Project (Design)	75,000	-	75,000	-
7.90	Glenoaks Resurfacing Project (Staff Project MGT / Engineering)	50,000	-	50,000	-
8.10	Staff Administrative Expense	30,000	27,149	2,851	-
8.10	TRIP COP - Administrative Expense	16,000	13,892	2,108	-
9.10	Local Share for Bridge Preventive Maintenance Project	15,000	-	15,000	-
	<b>Total expenditures</b>	<b>\$ 3,327,968</b>	<b>\$ 614,266</b>	<b>\$ 2,713,702</b>	<b>\$ 360,852</b>

*See report of independent auditors.*



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

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<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>
2011	Park Avenue Streetscape Improvements	\$ 171,904	\$ -	\$ -	\$ 171,904
2013	Park Avenue Streetscape Improvements	45,740	-	-	45,740
2017	Safe Routes to School Cycle 7 Around Various Schools	-	179,104	-	179,104
2017	Street Resurfacing Project	-	313,885	-	313,885
<b>Total</b>		<u>\$ 217,644</u>	<u>\$ 492,989</u>	<u>\$ -</u>	<u>\$ 710,633</u>

*See report of independent auditors.*

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

		June 30	
		2017	2016
<b>ASSETS</b>			
Due from LACMTA	\$	11,635	\$ -
	<b>Total assets</b>	<b>\$ 11,635</b>	<b>\$ -</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Cash overdraft	\$	11,635	\$ -
	<b>Total liabilities</b>	<b>11,635</b>	<b>-</b>
<b>Fund balance</b>			
Restricted		-	-
	<b>Total fund balance</b>	<b>-</b>	<b>-</b>
	<b>Total liabilities and fund balance</b>	<b>\$ 11,635</b>	<b>\$ -</b>

*See notes to Funds financial statements.*

City of San Fernando  
 Transportation Development Act Article 3 Fund  
 Pursuant to Public Utilities Code Section 99234  
**Statements of Revenues, Expenditures and Changes in Fund Balance**

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	Years ended June 30	
	2017	2016
<b>Revenues</b>		
Intergovernmental Allocations:		
Article 3	\$ 11,635	\$ 7,500
<b>Total revenues</b>	<b>11,635</b>	<b>7,500</b>
 <b>Expenditures</b>		
Sidewalk Repair	11,635	7,500
<b>Total expenditures</b>	<b>11,635</b>	<b>7,500</b>
 Excess of revenues over expenditures	 -	 -
 Fund balance at beginning of year	 -	 -
 Fund balance at end of year	 \$ -	 \$ -

*See notes to Funds financial statements.*

**City of San Fernando**  
**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**

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Project Description	Program Year	Totals to Date		Unexpended Allocations	Project Status
		Allocations	Expenditures		
<b>Local Allocations:</b>					
Sidewalk Repair: City Wide	2017	\$ 11,635	\$ 11,635	\$ -	Completed
<b>Totals</b>		<u>\$ 11,635</u>	<u>\$ 11,635</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.

**NOTE 6 CASH AND INVESTMENTS (CONTINUED)**

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:

	<b>2017</b>	<b>2016</b>
Dial-A-Ride fares	\$ <u>2,159</u>	\$ 5,068
AQMD Natural Gas Trolleys	<b>8,779</b>	16,004
MTA bus pass sales	<u>7,812</u>	<u>7,930</u>
	<u><b>\$ 18,750</b></u>	<u>\$ 29,002</u>

**NOTE 8 TOTAL ROAD IMPROVEMENT PROGRAM (TRIP) CERTIFICATES OF PARTICIPATION (COP), Series 2016**

In March 2016, the City issued \$2,785,000 of Series 2016 Certificates of Participation ("COPs") through the California Communities' Total Road Improvement Program (TRIP) for the purpose of financing the design, acquisition, and construction of certain roadway and street improvement projects in the City of San Fernando. The COPs are secured and payable solely from the City's annual Local Measure R Sales Tax receipts. The interest rate on the COPs ranges from 2.0% to 5.0% with annual principal and interest payments ranging from \$179,000 to \$182,000. Principal and interest is payable each June 1 and December 1, commencing December 1, 2016; maturing on June 1, 2036. Proceeds from the issuance of COP was recorded under MRLRF.

On March 24, 2016, LACMTA approved the City's Five-Year Capital Improvement Program that includes the projects for the use of the MRLRF in connection with the TRIP Financing Program as described above.

The following is the capital reserve balance for the TRIP project as of June 30, 2017 and 2016:

Proceeds from issuance of COP	\$ 2,916,355
Add: Investment income allocated during the year	665
Less: Cost of issuance and underwriter's discount of COP	<u>(221,802)</u>
	2,695,218
Add: Investment income allocated during the year	8,647
Add: Adjustment to cost of issuance	1,225
Less: Underwriter fees	<u>(11,250)</u>
	<u><b>\$ 2,693,840</b></u>



**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:

		<u>2017</u>		<u>2016</u>
FY 2013/14 allocation	\$	-	\$	3,304
FY 2014/15 allocation		733		4,196
FY 2015/16 allocation		10,902		-
	\$	<u>11,635</u>	\$	<u>7,500</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:

		<u>2017</u>		<u>2016</u>
FY 2014/15 reserve	\$	-	\$	733
FY 2015/16 reserve		4,544		15,446
FY 2016/17 allocation		16,283		-
	\$	<u>20,827</u>	\$	<u>16,179</u>

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 November 28, 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 San Fernando, 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 San Fernando, 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 November 28, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audits of the Funds' financial statements, we considered the City's internal control over the Funds' financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Funds' financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

A handwritten signature in black ink that reads "Vaqueria &amp; 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 San Fernando, California and the  
Los Angeles County Metropolitan Transportation Authority**

### **Report on Compliance**

We have audited the compliance of the City of San Fernando, 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 San Fernando, 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 Finding #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 &amp; Company LLP".

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

**City of San Fernando  
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>A. Proposition A and Proposition C Local Return Funds</b>					
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			Finding #2017-001
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 San Fernando  
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>B. Measure R Local Return Fund</b>					
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		
<b>C. Transportation Development Act Article 3 Fund</b>					
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 San Fernando**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2017**

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**PALRF: Finding #2017-001**

<b>Compliance Reference</b>	Proposition A and Proposition C Local Return Guidelines indicates that all projects must have Project Codes. This code is critical in Form submittal as it is used in the LR database system. Section II (A)(1) of the Proposition A and Proposition C Local Return Guidelines specifically identified Project 140 for Recreation Transit Service.
<b>Condition</b>	The City's Recreational Trips Program was coded under Project code 200 instead of Project code 140.  This is a repeat finding.
<b>Cause</b>	The City was not aware that the incorrect project code for "Recreational Transit" was being used. The City has been using project code 200 rather than project code 140 for a number of years until it was cited in the prior year audit. However, the City failed to correct the project code used in this year's Form B and Form C.
<b>Effect</b>	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
<b>Recommendation</b>	We recommend for the City to revise the Project code used for the Recreational Trips Program to align with the Local Return Guidelines.
<b>Management's Response</b>	Staff was unable to correct the project code from 200 to 140 in FY 2016/17 because the error was brought to staff attention in October 2016 and staff had already submitted the Forms in August 2016.
<b>Finding Corrected During the Audit</b>	The project codes have been corrected with LACMTA for FY 2017/18.

**EXIT CONFERENCE**

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

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

City of San Fernando representatives:  
Nick Kimball – Finance Director  
Sonia Garcia – Senior Accountant  
Kenneth Jones – Management Analyst

Matters discussed:

Results of the audit disclosed an instance of noncompliance with the Local Return Guidelines.

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

Nick Kimball – Finance Director  
Sonia Garcia – Senior Accountant  
Kenneth Jones – Management Analyst



[www.vasquezcpa.com](http://www.vasquezcpa.com)

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