



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
Measure M Local Return Fund
Transportation Development Act Article 3 Fund**

**As of and for the Years Ended June 30, 2020 and 2019
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	4
Statements of Revenues, Expenditures and Changes in Fund Balance	5
Supplementary Information:	
Schedule of Expenditures – Actual and LACMTA Approved Project Budget	6
Schedule of Capital Assets	7
Proposition C Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	8
Statements of Revenues, Expenditures and Changes in Fund Balance	9
Supplementary Information:	
Schedule of Expenditures – Actual and LACMTA Approved Project Budget	10
Schedule of Capital Assets	11
Measure R Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	12
Statements of Revenues, Expenditures and Changes in Fund Balance	13
Supplementary Information:	
Schedule of Expenditures – Actual and LACMTA Approved Project Budget	14
Schedule of Capital Assets	15
Measure M Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	16
Statements of Revenues, Expenditures and Changes in Fund Balance	17
Supplementary Information:	
Schedule of Expenditures – Actual and LACMTA Approved Project Budget	18
Schedule of Capital Assets	19
Transportation Development Act Article 3 Fund:	
Basic Financial Statements:	
Balance Sheets	20
Statements of Revenues, Expenditures and Changes in Fund Balance	21
Notes to Funds Financial Statements	22
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>	27

	<u>PAGE</u>
COMPLIANCE SECTION	
Report of Independent Auditors on Compliance	29
Compliance Matrix	31
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	35
EXIT CONFERENCE	38

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, the Measure M 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, 2020 and 2019, 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 City'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 City'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, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund of the City of La Puente, California, as of June 30, 2020 and 2019, 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, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund of the City of La Puente, California, and do not purport to, and do not present fairly the financial position of the City as of June 30, 2020 and 2019, 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 3, 2020 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.

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

**Glendale, California
December 3, 2020**

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

		June 30	
		2020	2019
ASSETS			
Cash and investments	\$	760,958	\$ 702,847
Prepaid expenses		10,058	1,403
Total assets	\$	771,016	\$ 704,250
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	42,816	\$ 56,717
Total liabilities		42,816	56,717
Fund balance			
Restricted		728,200	647,533
Total fund balance		728,200	647,533
Total liabilities and fund balance	\$	771,016	\$ 704,250

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	
	2020	2019
Revenues		
Proposition A	\$ 789,228	\$ 812,179
Interest income	14,136	12,224
Project generated revenues	103,485	129,742
Total revenues	906,849	954,145
Expenditures		
Various projects	826,182	883,296
Expenditures funded by General Fund	13,532	-
Total expenditures	839,714	883,296
Excess of revenues over expenditures	67,135	70,849
Other financing source		
Transfer in from General Fund	13,532	-
Total other financing source	13,532	-
Change in fund balance	80,667	70,849
Fund balance at beginning of year	647,533	576,684
Fund balance at end of year	\$ 728,200	\$ 647,533

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, 2020
(With Comparative Actuals for 2019)

Project Code	Project Name	2020			2019 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
110-01	Fixed Route Transit	\$ 466,200	\$ 434,854	\$ 31,346	\$ 438,738
130-01	Special Service Paratransit	125,200	112,184	13,016	123,242
140-01	Recreation Transportation	4,200	694	3,506	743
160-01	Bus Shelter Replacement/Refurbishment	240,000	-	240,000	-
170-01	Bus Shelter Maintenance	51,300	29,616	21,684	40,355
250-01	User Side Subsidy	137,300	99,721	37,579	121,590
270-01	SGVCOG Membership	10,000	10,130	(130)	9,776
280-01	Transit Marketing	5,700	1,286	4,414	5,186
480-01	Administration - Proposition A	173,100	137,697	35,403	143,666
	Total expenditures	\$ 1,213,000	\$ 826,182	\$ 386,818	\$ 883,296

See report of independent auditors.

City of La Puente
Proposition A Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2020

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</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	
		2020	2019
ASSETS			
Cash and investments	\$	2,069,652	\$ 1,694,488
Prepaid expenses		-	327
Total assets	\$	<u>2,069,652</u>	<u>\$ 1,694,815</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	28,661	\$ 1,844
Retention payable		21,654	-
Total liabilities		<u>50,315</u>	<u>1,844</u>
Fund balance			
Restricted		<u>2,019,337</u>	<u>1,692,971</u>
Total fund balance		<u>2,019,337</u>	<u>1,692,971</u>
Total liabilities and fund balance	\$	<u>2,069,652</u>	<u>\$ 1,694,815</u>

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	
	2020	2019
Revenues		
Proposition C	\$ 654,667	\$ 673,679
Interest income	35,779	25,871
Total revenues	690,446	699,550
Expenditures		
Expenditures funded by PCLRF	364,080	105,019
Expenditures funded by General Fund	3,413	13,691
Total expenditures	367,493	118,710
Excess of revenues over expenditures	322,953	580,840
Other financing source		
Transfer in from General Fund	3,413	13,691
Total other financing source	3,413	13,691
Change in fund balance	326,366	594,531
Fund balance at beginning of year	1,692,971	1,098,440
Fund balance at end of year	\$ 2,019,337	\$ 1,692,971

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, 2020
(With Comparative Actuals for 2019)

Project Code	Project Name	2020		Variance Positive (Negative)	2019 Actual
		LACMTA Budget	Actual		
450-01	Pkwy/Arterial Wall Improvements - Amar/Elliot	\$ 800,000	\$ 46,097	\$ 753,903	\$ 66,445
470-01	Pavement Management System (PMS)	-	-	-	21,071
470-02	Major Street Resurfacing	950,000	257,303	692,697	-
480-02	Administration	45,600	60,680 *	(15,080)	17,503
Total expenditures		\$ 1,795,600	\$ 364,080	\$ 1,431,520	\$ 105,019

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

See report of independent auditors.

City of La Puente
Proposition C Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2020

Date Acquired	Description	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
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	
		2020	2019
ASSETS			
Cash and investments	\$	639,679	\$ 732,657
Prepaid expenses		-	1,415
Total assets	\$	639,679	\$ 734,072
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	42,153	\$ 2,688
Retention payable		8,801	-
Total liabilities		50,954	2,688
Fund balance			
Restricted		588,725	731,384
Total fund balance		588,725	731,384
Total liabilities and fund balance	\$	639,679	\$ 734,072

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	
	2020	2019
Revenues		
Measure R	\$ 490,298	\$ 505,405
Interest income	14,925	9,679
Total revenues	505,223	515,084
Expenditures		
Expenditures funded by MRLRF	647,882	255,280
Expenditures funded by General Fund	2,079	26,232
Total expenditures	649,961	281,512
Excess (deficiency) of revenues over expenditures	(144,738)	233,572
Other financing source		
Transfer in from General Fund	2,079	26,232
Total other financing source	2,079	26,232
Change in fund balance	(142,659)	259,804
Fund balance at beginning of year	731,384	471,580
Fund balance at end of year	\$ 588,725	\$ 731,384

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, 2020
(With Comparative Actuals for 2019)

Project Code	Project Name	2020			2019 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
01-001	Repair & Maintenance of Public Roadways	\$ 90,000	\$ 84,116	\$ 5,884	\$ -
01-003	Rule 20A Undergrounding	500	360	140	9,248
01-004	Local Street Improvements - Slurry Seal	65,000	54,104	10,896	-
01-005	Valley Blvd Sound Wall - Phase III - Industry Loan Payment	55,000	53,287	1,713	208,741
01-006	Bond Funding - Local Streets Pavement Resurfacing	230,933	230,933	-	-
02-002	LP-3 Traffic Signals - Amar Rd/Willow	155,000	164,472	(9,472)	13,513
07-002	Pavement Management Program	-	-	-	21,071
08-009	Administration	73,000	60,610	12,390	2,707
Total expenditures		\$ 669,433	\$ 647,882	\$ 21,551	\$ 255,280

See report of independent auditors.

City of La Puente
Measure R Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2020

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</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
Measure M Local Return Fund
Balance Sheets**

		June 30	
		2020	2019
ASSETS			
Cash and investments	\$	576,871	\$ 904,398
Prepaid expenses		-	1,415
Total assets	\$	<u>576,871</u>	<u>\$ 905,813</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	35,477	\$ 272,841
Retention payable		1,559	10,442
Total liabilities		<u>37,036</u>	<u>283,283</u>
Fund balance			
Restricted		<u>539,835</u>	<u>622,530</u>
Total fund balance		<u>539,835</u>	<u>622,530</u>
Total liabilities and fund balance	\$	<u>576,871</u>	<u>\$ 905,813</u>

See notes to Funds financial statements.

City of La Puente
Measure M Local Return Fund
Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2020	2019
Revenues		
Measure M	\$ 551,864	\$ 569,260
Interest income	12,145	13,128
Total revenues	564,009	582,388
Expenditures		
Various projects	646,704	388,777
Total expenditures	646,704	388,777
Excess (deficiency) of revenues over expenditures	(82,695)	193,611
Fund balance at beginning of year	622,530	428,919
Fund balance at end of year	\$ 539,835	\$ 622,530

See notes to Funds financial statements.

City of La Puente
Measure M Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2020
(With Comparative Actuals for 2019)

Project Code	Project Name	2020			2019 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
01-002	LSI - Slurry Seal/Resurfacing	\$ 140,000	\$ 125,179	\$ 14,821	\$ 270,161
01-003	Crosswalk Enhancement	25,000	20,647	4,353	71,550
01-004	Concrete Repairs - Various Locations	150,000	3,245	146,755	-
01-005	Street Bollards - Downtown	63,000	62,828	172	-
01-006	Repair and Maintenance of Public Roadways	100,000	93,695	6,305	-
01-007	Storm Drain Cleaning	16,500	16,236	264	-
01-008	Bond Funding - Local Streets Pavement Resurfacing	263,633	263,633	-	-
08-001	Administration	43,400	61,241	(17,841)	47,066
Total expenditures		\$ 801,533	\$ 646,704	\$ 154,829	\$ 388,777

See report of independent auditors.

City of La Puente
Measure M Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2020

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>
N/A	None	\$ -	\$ -	\$ -	\$ -
	Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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	
		2020	2019
ASSETS			
Cash		\$ -	\$ -
	Total assets	\$ -	\$ -
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable		\$ -	\$ -
	Total liabilities	-	-
Fund balance			
Restricted		-	-
	Total fund balance	-	-
	Total liabilities and fund balance	\$ -	\$ -

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	
		2020	2019
Revenues			
Intergovernmental Allocations:			
Article 3	\$	-	-
Total revenues		-	-
 Expenditures			
Construction/Maintenance			
		-	-
Total expenditures		-	-
Excess of revenues over expenditures			
		-	-
Fund balance at beginning of year			
		-	-
Fund balance at end of year			
	\$	-	-

See notes to Funds financial statements.

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), the Measure M Local Return Fund (MMLRF) 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 the county-wide ½ cent Measure R 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.

MMLRF is derived from 17% of the county-wide ½ cent Measure M 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, MMLRF 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 based on budgets approved by LACMTA and 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 (CAFR) 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, MMLRF and TDAA3F report the following fund balance classification as of June 30, 2020 and 2019:

- 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 is restricted for projects approved by LACMTA.

Information regarding the fund balance reporting policy adopted by the City is described in the City's CAFR.

NOTE 2 ANNUAL FINANCIAL STATEMENTS

The financial statements reflect only the financial position and results of operations of the PALRF, PCLRF, MRLRF, MMLRF and TDAA3F, and do not purport to, and do not present fairly the City's financial position as of June 30, 2020 and 2019, 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 MEASURE M LOCAL RETURN COMPLIANCE REQUIREMENTS

Measure M was approved by the voters of Los Angeles County on November 8, 2016 to improve transportation and ease traffic congestion consistent with the Los Angeles County Traffic Improvement Plan Ordinance approved by the Metro Board of Directors on June 23, 2016. The Measure M Ordinance specifies that LR funds be used exclusively for transportation purposes.

Measure M 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 M Local Return Program Guidelines*, funds received pursuant to these guidelines may only be used for Measure M Local Return approved programs. See accompanying Compliance Matrix.

NOTE 6 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 7 CASH AND INVESTMENTS

The PALRF, PCLRF, MRLRF, MMLRF 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 CAFR for a full description of risks relating to cash and investments.

NOTE 8 PROJECT GENERATED REVENUES

Project generated revenues under PALRF for the years ended June 30, 2020 and 2019 consisted of the following:

	2020	2019
Transit bus passes	\$ 59,855	\$ 90,699
Shuttle fares	42,962	38,104
Dial-A-Ride fares	668	939
Total project generated revenues	\$ 103,485	\$ 129,742

NOTE 9 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, 2020 and 2019, the City has funds on reserve as follows:

	2020	2019
FY 2016/17 allocation	\$ 8,179	\$ 8,179
FY 2017/18 allocation	26,398	26,398
FY 2018/19 allocation	27,432	27,432
FY 2019/20 allocation	29,381	-
Total reserve	\$ 91,390	\$ 62,009

For FY 2019/20, any TDA Article 3 funds left on reserve for FY 2015/16 or prior, are subject to lapse if not claimed by the City by June 30, 2020. There were no funds that lapsed in FY 2019/20.

NOTE 10 SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries. To date, it is unknown how long these conditions will last and what the complete financial effect will be to businesses and other affected organizations, including local governmental entities.

The City has evaluated events subsequent to June 30, 2020 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through December 3, 2020, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no other subsequent events occurred that require recognition or additional disclosure in 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, the Measure M 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 year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated December 3, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the Funds' financial statements, we considered the City's internal control over the Funds' financial reporting (internal control) as a basis for designing 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 audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, Measure M 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 financial statements. 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 "Vasquez & Company LLP".

**Glendale, California
December 3, 2020**

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, Measure M 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, 2020.

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, Measure M 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, 2020.



Other Matters

The results of our auditing procedures disclosed instances of noncompliance with the requirements, which are described in the accompanying Schedule of Findings and Questioned Costs as Findings #2020-001 and #2020-002. Our opinion is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses 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 "Vasquez & Company LLP".

**Glendale, California
December 3, 2020**

**City of La Puente
Compliance Matrix
Year ended June 30, 2020**

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			See Finding #2020-001
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 timely.	X				
8. Annual Expenditure Report (Form C) was submitted timely.	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 timely.		X			See Finding #2020-002

See report of independent auditors on compliance.

**City of La Puente
Compliance Matrix
Year ended June 30, 2020**

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 timely.	X				
8. Expenditure Report (Form Two) was submitted timely.	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 timely.			X		

See report of independent auditors on compliance.

**City of La Puente
Compliance Matrix
Year ended June 30, 2020**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
C. Measure M 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 fund shortfall.	X				
3. Signed Assurances and Understandings on file.	X				
4. Separate Measure M Local Return Account was established.	X				
5. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	X				
6. Funds were expended with LACMTA's approval.	X				
7. Expenditure Plan (Form M-One) was submitted timely.	X				
8. Expenditure Report (Form M-Two) was submitted timely.	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 timely.			X		

See report of independent auditors on compliance.

**City of La Puente
Compliance Matrix
Year ended June 30, 2020**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
D. 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		There were no expenditures in FY 2019/20.

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, 2020

PCLRF: Finding #2020-001

Compliance Reference	Section I(C) Project Description Form (Form A) of the Proposition A and C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	<p>The City exceeded LACMTA's approved budget by more than 25 percent without obtaining approval through a revised Form A for PCLRF's Project Code 480-02, Administration. Amount in excess of 25 percent of the approved budget was \$3,680.</p> <p>Projects with greater than 25 percent change from the approved project budget should be amended by submitting a Project Description Form (Form A).</p> <p>The City submitted a Form A to the LACMTA Program Manager and obtained a retroactive approval of the project on November 12, 2020.</p>
Cause	City staff became primarily engaged in disaster management and Emergency Operations Center (EOC) activities in March 2020 due to the COVID-19 Pandemic. As priorities in local government shifted towards protecting the community from this emergent threat, an oversight was made in monitoring expenditures in the Administration project.
Effect	The City's PCLRF project expenditures exceeded 25 percent of the approved project budget without LACMTA's prior approval, which resulted in the City's noncompliance with the Guidelines.
Recommendation	We recommend that the City submit a revised Form A to obtain LACMTA's approval for the change in project budget and for the City to implement internal controls to ensure compliance with this requirement at all times.

City of La Puente
Schedule of Findings and Questioned Costs
Year ended June 30, 2020

PCLRF: Finding #2020-001 (Continued)

Management's Response	City staff agrees with the finding and has put a procedure in place to verify that LACMTA approval has been obtained prior to the expenditure of funds. Under this procedure a designated staff member will review and complete all necessary documents for submission to LACMTA. Furthermore, staff has recently implemented a monthly budget monitoring and reporting process, which is reviewed at all levels of management.
Finding Corrected During the Audit	LACMTA Program Manager granted retroactive approval of the said project on November 12, 2020. No additional follow up is required.

City of La Puente
Schedule of Findings and Questioned Costs
Year ended June 30, 2020

PALRF: Finding #2020-002

Compliance Reference	Under Section III (A) Reporting Requirements for Jurisdictions of the Proposition A and Proposition C Local Return Guidelines, for Jurisdictions with Recreational Transit projects, Jurisdictions are required to annually submit an accounting of Recreational Transit trips, destinations and costs. This information should be submitted along with the Form C, no later than October 15 after the fiscal year.
Condition	The Recreational Transit report was submitted on October 16, 2020, 1 day beyond the due date of October 15, 2020.
Cause	City staff became primarily engaged in disaster management and Emergency Operations Center (EOC) activities in March 2020 due to the COVID-19 Pandemic. Based on social distancing guidelines from Public Health authorities, recreational transit activities were halted. Due to the lack of activity in this area of service, City staff made an oversight in tracking the deadline for submittal of the report.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that the Annual Recreational Transit Report is submitted by October 15 as required by the Guidelines.
Management's Response	City staff agrees with the finding and has implemented new control procedures to ensure the timely submission of all LACMTA documents, including scheduling calendar events in MS Outlook on multiple user accounts within the Administrative Services Department.
Finding Corrected During the Audit	The City subsequently submitted the form. No follow up is required.

EXIT CONFERENCE

An exit conference was held on November 30, 2020 with the City of La Puente representatives. Those in attendance were:

Vasquez and Company LLP representatives:
 Marialyn Salvador – Audit Senior Manager
 Ihab Fakhreddine – Senior Auditor (BCA Watson Rice LLP)

City of La Puente representatives:
 Troy Grunklee – Director of Administrative Services
 Alex Merkel-Medina – Principal Accountant

Matters discussed:

Results of the audit disclosed instances 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:

Troy Grunklee – Director of Administrative Services
Alex Merkel-Medina – Principal Accountant



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