

***CITY OF PARAMOUNT
ANNUAL FINANCIAL REPORT OF THE
PROPOSITION A LOCAL RETURN FUND
PROPOSITION C LOCAL RETURN FUND
MEASURE R LOCAL RETURN FUND
TRANSPORTATION DEVELOPMENT ACT
ARTICLE 3 FUND***

***FOR THE FISCAL YEARS ENDED
JUNE 30, 2017 AND 2016***



Metro[®]



Simpson & Simpson, LLP
Certified Public Accountants

CITY OF PARAMOUNT
TABLE OF CONTENTS

FINANCIAL SECTION	PAGE
Independent Auditor's Report	1
Proposition A Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	3
Statements of Revenues, Expenditures and Changes in Fund Balance	4
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	5
Schedule of Capital Assets	6
Proposition C Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	7
Statements of Revenues, Expenditures and Changes in Fund Balance	8
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	9
Schedule of Capital Assets	10
Measure R Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	11
Statements of Revenues, Expenditures and Changes in Fund Balance	12
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	13
Schedule of Capital Assets	14
Transportation Development Act Article 3 Fund:	
Basic Financial Statements:	
Balance Sheets	15
Statements of Revenues, Expenditures and Changes in Fund Balance	16
Supplementary Information:	
Schedule of Transportation Development Act Allocation for Specific Projects	17
Notes to Financial Statements	18
Independent Auditor's Report on Internal Control over Financial Reporting and on	
Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	23
COMPLIANCE SECTION	
Independent Auditor's Report On Compliance	25
Compliance Matrix	27
Schedule of Findings and Recommendations	30
EXIT CONFERENCE	31

FINANCIAL SECTION



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

Independent Auditor's Report

To the Honorable Members of the City Council of the
City of Paramount, 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 (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), and Transportation Development Act Article 3 (TDAA3F) Fund of the City of Paramount, California (City) as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, as listed in the table of contents.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about 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 PALRF, PCLRF, MRLRF and TDAA3F of the City of Paramount, California, as of June 30, 2017 and 2016, and the respective changes in their 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 PALRF, PCLRF, MRLRF and TDAA3F and do not purport to, and do not, present fairly the financial position of the City of Paramount, California, as of June 30, 2017 and 2016, and the changes in financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Paramount, California's PALRF, PCLRF, MRLRF, and TDAA3F Fund financial statements as a whole. The accompanying supplementary information as listed in the table of contents is presented for the purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated October 30, 2017, on our consideration of the City of Paramount's internal control over 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over 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 financial reporting and compliance.

A handwritten signature in cursive script that reads "Simpson & Simpson".

Los Angeles, California
October 30, 2017

CITY OF PARAMOUNT

PROPOSITION A LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and investments	\$ 545,595	\$ 473,774
Due from metro	122	24
Interest receivable	<u>1,030</u>	<u>583</u>
Total assets	<u>\$ 546,747</u>	<u>\$ 474,381</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ <u>99,035</u>	\$ <u>97,887</u>
Total liabilities	<u>99,035</u>	<u>97,887</u>
Fund Balance		
Restricted	<u>447,712</u>	<u>376,494</u>
Total fund balance	<u>447,712</u>	<u>376,494</u>
Total liabilities and fund balance	<u>\$ 546,747</u>	<u>\$ 474,381</u>

The accompanying notes are an integral part of the financial statements.

CITY OF PARAMOUNT

PROPOSITION A LOCAL RETURN FUND

**STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**

For the Fiscal Years Ended June 30

	<u>2017</u>	<u>2016</u>
REVENUES		
Proposition A	\$ 1,009,115	\$ 993,684
Interest income	3,069	1,671
Project generated revenue (Note 7)	81,170	95,924
Total revenues	<u>1,093,354</u>	<u>1,091,279</u>
EXPENDITURES		
Various projects	<u>1,022,136</u>	<u>1,015,686</u>
Total expenditures	<u>1,022,136</u>	<u>1,015,686</u>
Excess of revenues over expenditures	71,218	75,593
Fund balance at beginning of year	<u>376,494</u>	<u>300,901</u>
Fund balance at end of year	<u>\$ 447,712</u>	<u>\$ 376,494</u>

The accompanying notes are an integral part of the financial statements.

CITY OF PARAMOUNT

PROPOSITION A LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET

For the Fiscal Year Ended June 30, 2017
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2016)

Project Code	Project Name	2017		Variance Favorable (Unfavorable)	2016 Actual
		Metro Budget	Actual		
110-01	Community Level Transit	\$ 721,000	\$ 687,658	\$ 33,342	\$ 678,270
110-04	Long Beach Transit Subsidy	13,000	12,252	748	11,453
140-02	Recreation Transit	44,000	9,845	34,155	12,784
170-01	Bus Stop Maintenance	30,000	20,415	9,585	22,275
220-01	Transit Security - Bus Stops and MTA Railroad ROW Patrol	85,000	85,000	-	82,927
240-05	Subsidized Taxi Services	48,000	26,426	21,574	26,687
270-11	Eco-Rapid Transit (previously Orange Line) Feasibility Study (IV)	27,000	18,898	8,102	21,433
480-03	Prop A Administration	200,000	161,642	38,358	159,857
	Total expenditures	<u>\$ 1,168,000</u>	<u>\$ 1,022,136</u>	<u>\$ 145,864</u>	<u>\$ 1,015,686</u>

See accompanying independent auditor's report.

CITY OF PARAMOUNT

PROPOSITION A LOCAL RETURN FUND

**SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS**

June 30, 2017

<u>Date</u> <u>Acquired</u>	<u>Description</u>	<u>Balance</u> <u>7/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2017</u>
2002	Challenger 16 Passenger Bus	\$ 73,350	\$ -	\$ -	\$ 73,350
2005	El Dorado EZ Rider II (30 passenger bus)	209,276	-	-	209,276
2007	El Dorado EZ Rider - Unit 599	101,993	-	-	101,993
2008	El Dorado Aerotech - Unit 598	70,374	-	-	70,374
2009	El Dorado EZ Rider - Unit 599	200,000	-	-	200,000
2011	2010 Starcraft Allstar 25' - Unit 241	34,311	-	-	34,311
2011	2010 Starcraft Allstar 25' - Unit 242	34,311	-	-	34,311
2011	2008 El Dorado Passport	36,739	-	-	36,739
	Total	\$ <u>760,354</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>760,354</u>

See accompanying independent auditor's report.

CITY OF PARAMOUNT

PROPOSITION C LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and investments	\$ 655,796	\$ 468,155
Interest receivable	<u>1,217</u>	<u>577</u>
Total assets	<u>\$ 657,013</u>	<u>\$ 468,732</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ <u>37,356</u>	\$ <u>4,469</u>
Total liabilities	<u>37,356</u>	<u>4,469</u>
Fund Balance		
Restricted	<u>619,657</u>	<u>464,263</u>
Total fund balance	<u>619,657</u>	<u>464,263</u>
Total liabilities and fund balance	<u>\$ 657,013</u>	<u>\$ 468,732</u>

The accompanying notes are an integral part of the financial statements.

CITY OF PARAMOUNT

PROPOSITION C LOCAL RETURN FUND

**STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**

For the Fiscal Years Ended June 30

	<u>2017</u>	<u>2016</u>
REVENUES		
Proposition C	\$ 839,905	\$ 826,647
Interest income	2,517	3,023
Other Revenue	31,440	-
Total revenues	<u>873,862</u>	<u>829,670</u>
EXPENDITURES		
Various projects	<u>718,468</u>	<u>1,315,619</u>
Total expenditures	<u>718,468</u>	<u>1,315,619</u>
Excess (deficiency) of revenues over expenditures	155,394	(485,949)
Fund balance at beginning of year	<u>464,263</u>	<u>950,212</u>
Fund balance at end of year	<u>\$ 619,657</u>	<u>\$ 464,263</u>

The accompanying notes are an integral part of the financial statements.

CITY OF PARAMOUNT

PROPOSITION C LOCAL RETURN FUND

**SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET**

For the Fiscal Year Ended June 30, 2017
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2016)

Project Code	Project Name	2017			2016 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
270-10	Intelligent Transit System Study - 91/605 Corridor Phase II	\$ 30,000	\$ 23,248	\$ 6,752	\$ 24,623
270-12	Corridor Study (Phase V)	40,000	25,000	15,000	32,839
370-01	Railroad Crossing Pavement Lights (9533)	143,000	-	143,000	104,089
440-25	Gardendale Street Improvements 9433	18,750	19,941	(1,191)	-
440-26	Orange Parkwa Improvements 9532	-	-	-	156,156
440-27	Arterial Street Resurfacing 9530	-	-	-	56,032
440-28	Arterial Street Resurfacing - 2017	415,000	-	415,000	449,297
440-29	Century Boulevard Medians 9633	265,000	13,942	251,058	290,993
440-30	LA River Bridge Repairs (9233)	-	-	-	115,000
440-31	Arterial Street Resurfacing (9730)	425,000	90,500	334,500	
450-02	Paramount Urban Renovation (9535)	440,000	440,000	-	-
470-05	Pavement Management Plan	20,000	13,646	6,354	-
480-06	Pro C Administration	115,000	92,191	22,809	86,590
	Total expenditures	<u>\$ 1,911,750</u>	<u>\$ 718,468</u>	<u>\$ 1,193,282</u>	<u>\$ 1,315,619</u>

See accompanying independent auditor's report.

CITY OF PARAMOUNT
PROPOSITION C LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

June 30, 2017

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 7/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2017</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report.

CITY OF PARAMOUNT
MEASURE R LOCAL RETURN FUND
BALANCE SHEETS
JUNE 30

	2017	2016
ASSETS		
Cash and investments	\$ 282,967	\$ 267,570
Interest receivable	402	272
Total assets	\$ 283,369	\$ 267,842
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ 3,127
Total liabilities	-	3,127
Fund Balance		
Restricted	283,369	264,715
Total fund balance	283,369	264,715
Total liabilities and fund balance	\$ 283,369	\$ 267,842

The accompanying notes are an integral part of the financial statements.

CITY OF PARAMOUNT

MEASURE R LOCAL RETURN FUND

**STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**

For the Fiscal Years Ended June 30

	<u>2017</u>	<u>2016</u>
REVENUES		
Measure R	\$ 627,928	\$ 618,550
Interest income	<u>1,400</u>	<u>1,062</u>
Total revenues	<u>629,328</u>	<u>619,612</u>
EXPENDITURES		
Various projects	<u>610,674</u>	<u>530,917</u>
Total expenditures	<u>610,674</u>	<u>530,917</u>
Excess of revenues over expenditures	18,654	88,695
Fund balance at beginning of year	<u>264,715</u>	<u>176,020</u>
Fund balance at end of year	<u>\$ 283,369</u>	<u>\$ 264,715</u>

The accompanying notes are an integral part of the financial statements

CITY OF PARAMOUNT

MEASURE R LOCAL RETURN FUND

**SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET**

For the Fiscal Year Ended June 30, 2017
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2016)

Project Code	Project Name	2017			2016 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	Resurfacing improvements on various neighborhood streets (9631)	\$ 505,000	\$ 541,783	\$ (36,783)	\$ 426,044
1.05	Century Boulevard Medians (9633)	-	-	-	37,777
8.10	Administration	75,000	68,891	6,109	67,096
	Total expenditures	<u>\$ 580,000</u>	<u>\$ 610,674</u>	<u>\$ (30,674)</u>	<u>\$ 530,917</u>

See accompanying independent auditor's report.

CITY OF PARAMOUNT

MEASURE R LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

June 30, 2017

<u>Date</u> <u>Acquired</u>	<u>Description</u>	<u>Balance</u> <u>7/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2017</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

CITY OF PARAMOUNT

TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
(PURSUANT TO PUBLIC UTILITIES CODE SECTION 99234)

BALANCE SHEETS

JUNE 30

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and investment	\$ -	\$ -
Due from metro	3,054	2,923
Interest receivable	<u>-</u>	<u>11</u>
Total assets	<u>\$ 3,054</u>	<u>\$ 2,934</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Due to other funds	\$ <u>3,054</u>	\$ <u>2,934</u>
Total liabilities	<u>3,054</u>	<u>2,934</u>
 Fund Balance		
Reserved	<u>-</u>	<u>-</u>
Total fund balance	<u>-</u>	<u>-</u>
 Total liabilities and fund balance	 <u>\$ 3,054</u>	 <u>\$ 2,934</u>

The accompanying notes are an integral part of the financial statements.

CITY OF PARAMOUNT

TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND

**STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**

For the Fiscal Years Ended June 30

	<u>2017</u>	<u>2016</u>
REVENUES		
TDA 3 revenue	\$ 36,648	\$ 35,084
Interest income	<u>3</u>	<u>27</u>
Total revenues	<u>36,651</u>	<u>35,111</u>
EXPENDITURES		
Sidewalk construction	<u>36,651</u>	<u>35,111</u>
Total expenditures	<u>36,651</u>	<u>35,111</u>
Excess of revenues over expenditures	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF PARAMOUNT

TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
SUPPLEMENTARY INFORMATION

SCHEDULE OF TRANSPORTATION DEVELOPMENT ACT
ALLOCATION FOR SPECIFIC PROJECTS
For the Fiscal Year Ended June 30, 2017

<u>Project Description</u>	<u>Program Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended Allocations</u>	<u>Project Status</u>
Local allocations					
Annual sidewalk program	2016-17	\$ 36,648	\$ 36,648	\$ -	Complete
TDA inteterest income	2016-17	3	3	-	
Total		<u>\$ 36,651</u>	<u>\$ 36,651</u>	-	
Fund balance at beginning of year				-	
Fund balance at end of year				<u>\$ -</u>	

See accompanying independent auditor's report.

CITY OF PARAMOUNT

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The operations of the Proposition A Local Return Fund (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF) and 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.

Transportation Development Act Article 3 Fund (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

PALRF, PCLRF, MRLRF, and TDAA3F are accounted for using the modified accrual basis of accounting whereby revenues are recognized when they become both measurable and available to finance expenditures of the current period and expenditures are generally recognized when the related fund liabilities are incurred.

Special Revenue funds are reported on 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. Statement of revenue, expenditures and changes in fund balance for Special Revenue Funds generally present increase (revenue 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.

CITY OF PARAMOUNT

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2017 and 2016
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurement

In accordance with GASB Statement No. 72, Fair Value measurement and Application, which became effective for the fiscal year ended June 30, 2016, 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 investment at fair value and recognizes unrealized gain (loss) on investments.

Refer to city's 2017 Comprehensive Annual Financial Report for detailed disclosures regarding the city's investments policy and fair value measurement.

Fund Balance Reporting

Governmental Accounting Standard 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 extent to which a government is bound to observe constraints imposed upon the use of 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 purpose, 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 balance are restricted for projects approved by LACMTA

Information regarding the fund balance reporting policy adopted by the city is described in note 1 to 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 their compliance with the Proposition A and Proposition C Local Return Program Guidelines, Measure R Local Return Program Guidelines, and Transportation Development Act Article 3 and the Los Angeles County Metropolitan Transportation Authority Funding and Allocation Guidelines for Transportation Development Act Article 3 Bicycle and Pedestrian Funds.

CITY OF PARAMOUNT

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2017 and 2016
(Continued)

NOTE 3 – PROPOSITION A AND PROPOSITION C LOCAL RETURN COMPLIANCE REQUIREMENTS

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.

NOTE 4 – MEASURE R LOCAL RETURN COMPLIANCE REQUIREMENTS

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.

NOTE 6 – CASH AND INVESTMENTS

The PALRF, PCLRF, MRLRF and TDAA3F cash and investment 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 7 – PROJECT GENERATED REVENUE

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

PALRF Project generated revenue:

	2017	2016
Shuttle Fares	\$ 74,679	\$ 88,458
Taxi vouchers	3,336	3,476
College Transit	3,155	3,990
Total payment requested	\$ 81,170	\$ 95,924

CITY OF PARAMOUNT

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2017 and 2016
(Continued)

NOTE 8- OTHER REVENUE

During the fiscal years ended June 30, 2014, 2015, and 2016, the city incurred expenditures for the Corridor Study Phase (V) project, which included expenditures for the I 710 South Early Action Projects. After the fiscal year ended June 30, 2015, the city obtained a cost reimbursement funding agreement with the LACMTA (FA.MR.306.13), to fund the city’s efforts toward the I 710 South Early Action Projects. The city obtained approval from LACMTA to use the funds under this new agreement to reimburse the Proposition C Local Return Fund for expenditures paid for the Corridor Study Phase (V) project in prior years. During the fiscal year ended June 30, 2017, the city began receiving the grant funds from LACMTA and recognized \$31,440 of other revenue to the Proposition C Local Return Fund.

NOTE 9 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION

The revenue allocation for the years ended June 30, 2017 and 2016 consisted of the following:

	2017	2016
FY 2015-16 allocation	\$ -	\$ 35,084
FY 2016-17 allocation	36,648	-
Total payment requested	<u>\$ 36,648</u>	<u>\$ 35,084</u>

NOTE 10 – TRANSPORTATION DEVELOPMENT ACT FUNDS RESERVED

In accordance with TDA Article 3 (SB821) Guidelines, funds not 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 Metro. As of June 30, 2017, and 2016, the City has no funds on reserve as follows:

	2017	2016
FY 2015-16 allocation	\$ -	\$ -
FY 2016-17 allocation	-	-
Available reserve balance	<u>\$ -</u>	<u>\$ -</u>

CITY OF PARAMOUNT

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2017 and 2016
(Continued)

NOTE 11 – SUBSEQUENT EVENTS

The City has evaluated events or transactions that occurred subsequent to June 30, 2017 through October 30, 2017, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined no subsequent matters require disclosure or adjustment to the accompanying financial statements.



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

**Independent Auditor's Report 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 Paramount, California and the
Los Angeles County Metropolitan Transit Authority

We have audited, 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, the financial statements of the Proposition A Local Return Fund (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), and Transportation Development Act Article 3 (TDAA3F) Fund of the City of Paramount, California (City), as of and for the year ended June 30, 2017 and the related notes to the financial statements, and have issued our report thereon dated October 30, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's local return funds and TDAA3F 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 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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

Los Angeles, California
October 30, 2017

COMPLIANCE SECTION



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

Independent Auditor's Report on Compliance

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

Report on Compliance

We have audited the compliance of the City of Paramount, California (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 the 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 those guidelines.

Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit. We conducted our audit of compliance in accordance with 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 referred to in the preceding paragraph. Those standards and the Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a local return program occurred and the transportation development Act Article 3. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination of City's compliance with those requirements.

Opinion on Each Local Return Program and Transportation Development Act Article 3

In our opinion, the City of Paramount complied, in all material respects, with the compliance requirements referred to above that apply to Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, and Transportation Development Act Article 3 (TDAA3F) Fund for the year ended June 30, 2017.



Report on Internal Control over Compliance

Management of the City of Paramount is responsible for establishing and maintaining effective internal control over compliance with the Requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the Requirements that could have a direct and material effect on the Local Return programs and the TDAA3F to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Requirements, but not for the purpose of expressing 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 under the Requirements on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance under the Requirements 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 we consider to be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guidelines. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script, reading "Simpson & Simpson".

Los Angeles, California
October 30, 2017

CITY OF PARAMOUNT
COMPLIANCE MATRIX
Year Ended June 30, 2017

Compliance Requirement	In Compliance		Questioned Costs	If no, provide details and management response.	
	Yes	No			
A. Proposition A and Proposition C Local Return Funds					
1.	Timely use of funds.	X		None	
2.	Expenditures were approved before being incurred.	X		None	
3.	Funds were used on approved projects only and expenditures were supported and allowable per Guidelines.	X		None	
4.	Expenditures did not exceed 25% of Metro's approved budget.	X		None	
5.	Administrative expenses were within the 20% cap.	X		None	
6.	All on-going and carryover projects were reported in Form B.	X		None	
7.	Annual Project Summary Report (Form B) was submitted on time.	X		None	
8.	Annual Expenditure Report (Form C) was submitted on time.	X		None	
9.	Cash or cash equivalents were maintained.	X		None	
10.	Accounting procedures, record keeping and documentation were adequate.	X		None	
11.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X		None	

CITY OF PARAMOUNT
COMPLIANCE MATRIX
Year Ended June 30, 2017
(Continued)

Compliance Requirement	In Compliance		Questioned Costs	If no, provide details and management response.	
	Yes	No			
B. Measure R Local Return Fund					
1.	Timely use of funds.	X		None	
2.	Expenditures were approved before being incurred.	X		None	
3.	Funds were used on approved projects only and expenditures were supported and allowable per Guidelines.	X		None	
4.	Fund were not substituted for property tax	X		None	
5.	Administrative expenses are within the 20% cap.	X		None	
6.	Form One (Expenditure Plan) was submitted on time.	X		None	
7.	Expenditure Report (Form Two) was submitted on time.	X		None	
8.	Cash or cash equivalents were maintained.	X		None	
9.	Accounting procedures, record keeping and documentation were adequate.	X		None	
10.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X		None	
11.	Funds were not used to supplant existing local revenue being used for transportation purpose	X		None	

CITY OF PARAMOUNT
COMPLIANCE MATRIX
 Year Ended June 30, 2017
 (Continued)

Compliance Requirement	In Compliance		Questioned Costs	If no, provide details and management response.
	Yes	No		
C. Transportation Development Act Article 3 Fund				
1.	Timely use of funds.	X		None
2.	Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.	X		None

CITY OF PARAMOUNT

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
June 30, 2017

No findings were noted.

EXIT CONFERENCE

CITY OF PARAMOUNT

**PROPOSITION A, PROPOSITION C, MEASURE R LOCAL RETURN FUNDS, AND
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
EXIT CONFERENCE**

June 30, 2017

An exit conference was held on October 31, 2017 at the City of Paramount. Those in attendance were:

Simpson & Simpson Representative:

Joseph Simpson, Audit Supervisor

Terry Bian, Auditor

City's Representative:

Clyde Alexander – Accounting Manager

Karina Lam Liu – Finance Director

Jamie de Guzman- Senior Accountant

Matters Discussed:

Results of the audit disclosed no significant financial and compliance issues.

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

Clyde Alexander – Senior Accountant

Karina Lam Liu – Finance Director

Jamie de Guzman- Senior Accountant

Simpson & Simpson, LLP
633 West 5th Street, Suite 3320
Los Angeles, CA 90071

RE: CITY OF PARAMOUNT ANNUAL FINANCIAL REPORT OF THE PROPOSITION A LOCAL RETURN FUND, PROPOSITION C LOCAL RETURN FUND, MEASURE R LOCAL RETURN FUND, AND TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

I have received the annual financial report of the Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, and Transportation Development Act Article 3 Fund for the years ended June 30, 2017 and 2016 for the City of Paramount and agree with the contents of the report except as indicated below:

(Attach additional pages if necessary)

Very truly yours,

Name

Title

Date