

***CITY OF SANTA CLARITA
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
TRANSPORTATION DEVELOPMENT ACT
ARTICLE 8 FUND***

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



Metro[®]



Simpson & Simpson, LLP
Certified Public Accountants

CITY OF SANTA CLARITA
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
Supplemental 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
Supplemental 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
Supplemental 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
Supplemental Information:	
Schedule of Transportation Development Act Allocation for Specific Projects	17
Transportation Development Act Article 8 Fund:	
Basic Financial Statements:	
Balance Sheets	18
Statements of Revenues, Expenditures and Changes in Fund Balance	19
Supplemental Information:	
Schedule of Transportation Development Act Allocation for Specific Projects	20
Notes to Financial Statements	21
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>	25
COMPLIANCE SECTION	
Independent Auditor's Report On Compliance	27
Compliance Matrix	29
Schedule of Findings and Recommendations	32
EXIT CONFERENCE	33

FINANCIAL SECTION



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonllp.com

Independent Auditor's Report

To the Honorable Members of the City Council of the
City of Santa Clarita, 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), Transportation Development Act Article 3 Fund (TDAA3F) and Transportation Development Act Article 8 Fund (TDAA8F) of the City of Santa Clarita, 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 the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the PALRF, PCLRF, MRLRF, TDAA3F, and TDAA8F of the City of Santa Clarita, 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, TDAA3F, and TDAA8F and do not purport to, and do not, present fairly the financial position of the City of Santa Clarita, 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 Santa Clarita, California's PALRF, PCLRF, MRLRF, TDAA3F, and TDAA8F Fund financial statements as a whole. The accompanying supplementary information as listed in the table of contents is presented for 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 Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated December 8, 2017, on our consideration of the City'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, 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". The signature is written in black ink and is positioned above the typed name and date.

Los Angeles, California
December 8, 2017

CITY OF SANTA CLARITA

PROPOSITION A LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and investments	\$ 1,291,149	\$ 26,361
Interest receivable	284	65
Total assets	<u>\$ 1,291,433</u>	<u>\$ 26,426</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 400	\$ 26,183
Total liabilities	<u>400</u>	<u>26,183</u>
Fund Balance		
Restricted	<u>1,291,033</u>	<u>243</u>
Total fund balance	<u>1,291,033</u>	<u>243</u>
Total liabilities and fund balance	<u>\$ 1,291,433</u>	<u>\$ 26,426</u>

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

CITY OF SANTA CLARITA

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	\$ 3,890,902	\$ 3,774,849
Interest income	22,560	4,750
Unrealized (loss) gain on investments	(5,384)	162
Miscellaneous revenue	-	4,240
Total revenues	<u>3,908,078</u>	<u>3,784,001</u>
EXPENDITURES		
Various projects	<u>2,617,288</u>	<u>3,783,758</u>
Total expenditures	<u>2,617,288</u>	<u>3,783,758</u>
Excess of revenues over expenditures	1,290,790	243
Fund balance at beginning of year	<u>243</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,291,033</u>	<u>\$ 243</u>

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

CITY OF SANTA CLARITA

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			2016 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
110-15	Local and Commuter Bus Service	\$ 2,894,385	\$ 2,483,864	\$ 410,521	\$ 3,757,974
270-03	Share of assistance to the SFV/NCC Representative	9,845	-	9,845	-
390-01	Vista Canyon Metrolink Station	349,216	133,424	215,792	25,784
390-02	Vista Canyon Transit Bus transfer Station	1,002,651	-	1,002,651	-
	Total expenditures	<u>\$ 4,256,097</u>	<u>\$ 2,617,288</u>	<u>\$ 1,638,809</u>	<u>\$ 3,783,758</u>

See accompanying independent auditor's report.

CITY OF SANTA CLARITA

PROPOSITION A LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

June 30, 2017

Date Acquired	Description	Balance 7/1/2016	Additions	Deletions	Balance 6/30/2017
10/2/2001	Land for Transit Maintenance	\$ 753,372	\$ -	\$ -	\$ 753,372
6/30/2002	Land for Rail Station	655,734	-	-	655,734
6/30/2002	Building - McBean Transit	438,496	-	-	438,496
6/30/2002	Building - McBean Transit	582,534	-	-	582,534
6/30/2003	McBean Transfer Station	1,360	-	-	1,360
12/31/2005	Rail Station Parking Expansion Improvement	76,117	-	-	76,117
12/31/2005	Rail Station Parking Expansion Improvement	15,623	-	-	15,623
12/31/2005	Rail Station Parking Expansion Improvement	82,471	-	-	82,471
6/30/2006	Transit Maintenance Facility	4,677,115	-	-	4,677,115
6/30/2009	Metrolink Restroom Improvement	34,566	-	-	34,566
6/30/2010	VP Metrolink Restroom	478,494	-	-	478,494
6/30/2010	VP Metrolink Restroom	517,225	-	-	517,225
6/30/2013	SC Bus Stop Expansion	4,664	-	-	4,664
6/30/2014	McBean Park and Ride	73,268	-	-	73,268
6/30/2014	Bus Stop Improvements	38,906	-	-	38,906
	Total	\$ 8,429,945	\$ -	\$ -	\$ 8,429,945

See accompanying independent auditor's report.

CITY OF SANTA CLARITA

PROPOSITION C LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and investments	\$ 2,964,968	\$ 1,304,689
Interest receivable	<u>652</u>	<u>3,230</u>
Total assets	<u>\$ 2,965,620</u>	<u>\$ 1,307,919</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ <u>2,596</u>	\$ <u>66,889</u>
Total liabilities	<u>2,596</u>	<u>66,889</u>
Fund Balance		
Restricted	<u>2,963,024</u>	<u>1,241,030</u>
Total fund balance	<u>2,963,024</u>	<u>1,241,030</u>
Total liabilities and fund balance	<u>\$ 2,965,620</u>	<u>\$ 1,307,919</u>

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

CITY OF SANTA CLARITA

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	\$ 3,178,413	\$ 3,083,571
Interest income	25,240	12,573
Unrealized (loss) gain on investments	<u>(19,962)</u>	<u>10,547</u>
Total revenues	<u>3,183,691</u>	<u>3,106,691</u>
EXPENDITURES		
Expenditure funded by PCLRF	<u>1,461,697</u>	<u>2,949,519</u>
Total expenditures	<u>1,461,697</u>	<u>2,949,519</u>
Excess of revenues over expenditures	1,721,994	157,172
Other financing uses		
Money returned to LACMTA for Prop C Grant Finding	<u>-</u>	<u>(57,643)</u>
Excess of revenues over expenditures and other financing uses	1,721,994	99,529
Fund balance at beginning of year	<u>1,241,030</u>	<u>1,141,501</u>
Fund balance at end of year	<u>\$ 2,963,024</u>	<u>\$ 1,241,030</u>

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

CITY OF SANTA CLARITA

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)	
110-15	Local and Commuter Bus Service	\$ 3,024,082	\$ 1,304,217	\$ 1,719,865	\$ 2,832,184
400-01	ITS PH IV and Signal Synchronization	163,627	124,038	39,589	115,075
400-02	ITS PH V & Signal Synchronization (C00048)	63,409	33,442	29,967	-
480-01	Administration	1,320	-	1,320	2,260
	Total expenditures	<u>\$ 3,252,438</u>	<u>\$ 1,461,697</u>	<u>\$ 1,790,741</u>	<u>\$ 2,949,519</u>

See accompanying independent auditor's report.

CITY OF SANTA CLARITA

PROPOSITION C LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

June 30, 2017

Date Acquired	Description	Balance 7/1/2016	Additions	Deletions	Balance 6/30/2017
2/13/1992	Mint Canyon River Park Parcel	\$ 80,000	\$ -	\$ -	\$ 80,000
6/29/1998	Transit Maintenance Facility	22,271	-	-	22,271
6/29/1998	McBean Transfer Station	8,848	-	-	8,848
6/29/1999	JHML 2nd Platform - SC Passenger Amenities	52,498	-	-	52,498
6/29/1999	Transit Maintenance Facility Improvements	126,038	-	-	126,038
6/29/2000	Rail Station Parking Improvements	266,365	-	-	266,365
6/29/2000	JHML 2nd Platform - SC Passenger	102,341	-	-	102,341
6/29/2000	Transit Maintenance Station	419,662	-	-	419,662
6/29/2001	Rail Station Parking CI Program	1,331,313	-	-	1,331,313
6/29/2001	Transit Maintenance Facility - CI Program	829,138	-	-	829,138
6/29/2004	Incident Management Traveler Info	51,910	-	-	51,910
6/29/2005	07-08 Overlay Program	25,000	-	-	25,000
6/30/2008	Electronic Sign RR Crossing	48,079	-	-	48,079
6/29/2010	Golden Valley/Soledad Interchange	1,262	-	-	1,262
6/29/2010	San Fernando RD Pedestrian Facility	30,269	-	-	30,269
Total		\$ 3,394,994	\$ -	\$ -	\$ 3,394,994

See accompanying independent auditor's report.

CITY OF SANTA CLARITA
MEASURE R LOCAL RETURN FUND
BALANCE SHEETS
JUNE 30

	2017	2016
ASSETS		
Cash and investments	\$ 6,800,719	\$ 4,485,942
Interest receivable	1,496	11,105
Total assets	\$ 6,802,215	\$ 4,497,047
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 21,492	\$ 8,125
Total liabilities	21,492	8,125
 Fund Balance		
Restricted	6,780,723	4,488,922
Total fund balance	6,780,723	4,488,922
Total liabilities and fund balance	\$ 6,802,215	\$ 4,497,047

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

CITY OF SANTA CLARITA

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	\$ 2,421,136	\$ 2,349,773
Interest income	74,902	31,069
Unrealized (loss) gain on investments	<u>(54,909)</u>	<u>37,757</u>
Total revenues	<u>2,441,129</u>	<u>2,418,599</u>
 EXPENDITURES		
Various projects	<u>149,328</u>	<u>2,464,069</u>
Total expenditures	<u>149,328</u>	<u>2,464,069</u>
 Excess (deficiency) of revenues over expenditures	2,291,801	(45,470)
 Fund balance at beginning of year	<u>4,488,922</u>	<u>4,534,392</u>
 Fund balance at end of year	<u><u>\$ 6,780,723</u></u>	<u><u>\$ 4,488,922</u></u>

The accompanying notes are an integral part of the financial statements

CITY OF SANTA CLARITA

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	2014-15 Overlay & Slurry (M0102)	\$ 35	\$ -	\$ 35	\$ 2,464,069
1.05	2015-16 Federal Overlay Program (M0113)	193,770	74,403	119,367	-
1.05	2016-17 Overlay & Slurry (M0115)	2,587,499	74,925	2,512,574	-
	Total expenditures	<u>\$ 2,781,304</u>	<u>\$ 149,328</u>	<u>\$ 2,631,976</u>	<u>\$ 2,464,069</u>

See accompanying independent auditor's report.

CITY OF SANTA CLARITA
MEASURE R 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 SANTA CLARITA

**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	\$ -	\$ 196,006
Interest receivable	-	485
Due from LACMTA	<u>139,784</u>	<u>11,102</u>
Total assets	<u>\$ 139,784</u>	<u>\$ 207,593</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 13,753	\$ 90,261
Due to LACMTA	19,910	-
Due to other funds	21,894	-
Wages payable	<u>402</u>	<u>2,428</u>
Total liabilities	<u>55,959</u>	<u>92,689</u>
Fund Balance		
Restricted	<u>83,825</u>	<u>114,904</u>
Total fund balance	<u>83,825</u>	<u>114,904</u>
Total liabilities and fund balance	<u>\$ 139,784</u>	<u>\$ 207,593</u>

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

CITY OF SANTA CLARITA

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	\$ 119,875	\$ 145,733
Interest income	48	590
Unrealized (loss) gain on investments	(1,197)	1,619
Total revenues	<u>118,726</u>	<u>147,942</u>
EXPENDITURES		
Various projects	<u>149,805</u>	<u>204,713</u>
Total expenditures	<u>149,805</u>	<u>204,713</u>
(Deficiency) of revenues over expenditures	(31,079)	(56,771)
Other financing uses		
Funds returned to LACMTA	<u>-</u>	<u>(4,123)</u>
(Deficiency) of revenues over expenditures and other financing uses	(31,079)	(60,894)
Fund balance at beginning of year	<u>114,904</u>	<u>175,798</u>
Fund balance at end of year	<u>\$ 83,825</u>	<u>\$ 114,904</u>

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

CITY OF SANTA CLARITA

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					
Citywide Way Finding Sign	2017	\$ 41,286	\$ 9,736	\$ 31,550	Ongoing
Trall Fence Replacement	2017	60,000	60,000	-	Ongoing
2015-16 side walk Repair	2017	54,173	54,173	-	Ongoing
2016-17 Access Ramp Program	2017	40,115	-	40,115	Ongoing
Railroad ave class 1 bike trail	2016	56,810	23,591	33,219	Ongoing
San Canyon Trail Phase III	2016	2,305	2,305	-	Ongoing
Total		<u>\$ 254,689</u>	<u>\$ 149,805</u>	104,884	
Less Fund Balance Carry Forward				(114,904)	
Unexpended interest accumulated to date				(1,150)	
Fund returned to LACMTA				(19,909)	
Fund balance at beginning of year				<u>114,904</u>	
Fund balance at end of year				<u>\$ 83,825</u> *	

* The City has encumbered the remaining fund balance of \$83,825 for Sidewalk Repairs as of June 30, 2017.

See accompanying independent auditor's report.

CITY OF SANTA CLARITA

**TRANSPORTATION DEVELOPMENT ACT ARTICLE 8 FUND
(PURSUANT TO PUBLIC UTILITIES CODE SECTION 99234)**

BALANCE SHEETS

JUNE 30

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and investment	\$ 5,923,478	\$ 9,246,522
Interest receivable	1,304	22,891
Total assets	<u>\$ 5,924,782</u>	<u>\$ 9,269,413</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 227,874	\$ 1,426,326
Due to LACMTA	95,547	-
Wages payable	-	3,323
Total liabilities	<u>323,421</u>	<u>1,429,649</u>
Fund Balance		
Restricted	<u>5,601,361</u>	<u>7,839,764</u>
Total fund balance	<u>5,601,361</u>	<u>7,839,764</u>
Total liabilities and fund balance	<u>\$ 5,924,782</u>	<u>\$ 9,269,413</u>

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

CITY OF SANTA CLARITA

TRANSPORTATION DEVELOPMENT ACT ARTICLE 8 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 8	\$ 5,614,065	\$ 8,979,414
Interest income	42,572	53,538
Unrealized (loss) gain on investments	(80,443)	73,906
Total revenues	<u>5,576,194</u>	<u>9,106,858</u>
EXPENDITURES		
Various projects	<u>7,805,867</u>	<u>7,469,325</u>
Total expenditures	<u>7,805,867</u>	<u>7,469,325</u>
(Deficiency) excess of revenues over expenditures	(2,229,673)	1,637,533
Other financing uses		
Funds returned to LACMTA	-	(1,264,388)
Transfer to general fund	(8,730)	-
	<u>(8,730)</u>	<u>(1,264,388)</u>
(Deficiency) excess of revenues over expenditures and other financing uses	(2,238,403)	373,145
Fund balance at beginning of year	<u>7,839,764</u>	<u>7,466,619</u>
Fund balance at end of year	\$ <u><u>5,601,361</u></u>	\$ <u><u>7,839,764</u></u>

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

CITY OF SANTA CLARITA

TRANSPORTATION DEVELOPMENT ACT ARTICLE 8 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					
2013-14 Hwy Safety Program	2014	\$ 100,900	\$ -	\$ 100,900	Ongoing
Soledad Canyon Road and Ruether Ave	2017	38,600	-	38,600	Ongoing
2012-13 Fed Overlay Program	2013	3,090	3,090	-	Completed
2014-15 Overlay & Slurry	2015	19,131	15,282	3,849	Ongoing
2015-16 Overlay Program	2016	4,831,081	4,819,278	11,803	Ongoing
Sand Canyon Road and VP Guardrails	2015	4,412	-	4,412	Completed
2015-16 Circular Improvement	2016	87,500	87,500	-	Completed
2016-17 Circurlar Improvement	2017	27,519	27,517	2	Ongoing
Eastbound Copper Hill Dr	2013	20,000	18,831	1,169	Ongoing
2013-14 Circulation Program	2014	134,933	134,933	-	Ongoing
2016-17 Circulation Improvement	2017	80,000	-	80,000	Ongoing
Southbound Sierra Highway	2016	85,000	81,275	3,725	Ongoing
2016-17 Overlay Program	2017	5,660,839	547,871	5,112,968	Ongoing
2015-16 Fed Overlay Program	2016	2,244,699	1,970,913	273,786	Ongoing
Lost Cyn Bridge	2013	381	232	149	Ongoing
Sierra Hwy Over SC River	2016	165,231	79,826	85,405	Ongoing
Sidewalk Gap Closer	2013	20,000	19,319	681	Ongoing
2016-17 Hwy Safety Improvement	2017	25,000	-	25,000	Ongoing
	Total	\$ <u>13,548,316</u>	\$ <u>7,805,867</u>	5,742,449	
Fund balance carried forward				(7,839,764)	
				-	
Unexpended interest accumulated to date				(37,871)	
Fund returned to LACMTA				(103,217)	
Fund balance at beginning of year				7,839,764	
LACMTA - TDA Article 3 Reserve Account				-	
Fund balance at end of year				\$ <u>5,601,361</u> *	

* The city encumbered the remaining fund balance of \$ 5,601,361 as of June 30, 2017.

See accompanying independent auditor's report.

CITY OF SANTA CLARITA

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) and Proposition C Local Return Funds (PCLRF), Measure R Local Return Fund (MRLRF), Transportation Development Act Article 3 Fund (TDAA3F), and Transportation Development Act Article 8 Fund (TDAA8F) 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 represents 15% of the 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) and Transportation Development Act Article 8 Fund (TDAA8F) are Special Revenue Funds that account for the City's share of the Transportation Development Act Article 3 and 8 allocations which are legally restricted for specific purposes.

Basis of Accounting and Measurement Focus

PALRF, PCLRF, MRLRF, TDAA3F and TDAA8F 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 a spending or “financial flow” measurement focus. This means that generally only current assets, current liabilities and deferred inflows and outflows of resources are included on their balance sheets. Statements of revenues, expenditures and changes in fund balances for Special Revenue Funds generally present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Budgets and Budgetary Accounting

The budgeted amounts presented in this report for comparison to the actual amounts are presented in accordance with accounting principles generally accepted in the United States of America.

CITY OF SANTA CLARITA

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 investments at fair value and recognizes unrealized gain (loss) on investments.

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

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, TDAA3F, and TDAA8F report the following fund balance classification as of June 30, 2017:

- Restricted – Amounts that are constrained for specific purposes, which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation. The use of the Funds' remaining fund balances are restricted for projects approved by LACMTA.

Information regarding the fund balance reporting policy adopted by the City is described in 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, TDAA3F, and TDAA8F 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 & 8 and the Los Angeles County Metropolitan Transportation Authority Funding, and Allocation Guidelines for Transportation Development Act Article 3 Bicycle and Pedestrian Funds, and Allocation Guidelines for Transportation Development Act Article 8 transit and paratransit programs to fulfill unmet transit needs in areas outside the service area of LACMTA operations.

CITY OF SANTA CLARITA

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.

NOTE 5 – TRANSPORTATION DEVELOPMENT ACT COMPLIANCE REQUIREMENTS

In accordance with Public Utilities Code Section 99234 and 99400 (a), funds received pursuant to this Code's section may only be used for activities relating to pedestrians and bicycle facilities, transit and paratransit programs to fulfill unmet transit needs in areas outside the service area of LACMTA operations. See accompanying Compliance Matrix.

NOTE 6 – CASH AND INVESTMENTS

The PALRF, PCLRF, MRLRF, TDAA3F, and TDAA8F cash balances were pooled with various other City funds for deposit and investment purposes. The share of each fund in the pooled cash account was separately maintained and interest income was apportioned to the participating funds based on the relationship of their average quarterly balances to the total of the pooled cash and investments.

NOTE 7 – PROPOSITION A DISCRETIONARY INCENTIVE GRANT

The Proposition A Discretionary Incentive Grant amounting to \$806,544 for the year ended June 30, 2017, represent additional funds received from Metro for participating in the Voluntary NTD Program.

The Proposition A Discretionary Incentive Grant was recorded under Transit System Fund.

CITY OF SANTA CLARITA

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

NOTE 8 – 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 2014-15 allocation	\$ -	\$ 12,502
FY 2015-16 allocation	-	133,231
FY 2016-17 allocation	119,875	-
Total payment requested	\$ 119,875	\$ 145,733

NOTE 9 – 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 funds on reserve as follows:

	2017	2016
FY 2015-16 allocation	\$ -	\$ -
FY 2016-17 allocation	25,502	-
Available reserve balance	\$ 25,502	\$ -

For fiscal year 2016-17, any TDA Article 3 funds left on reserve for FY 2012-13 or prior, are subject to lapse if not claimed by the City by June 30, 2017. There were no funds that lapsed in FY 2016-17.

NOTE 10 – SUBSEQUENT EVENTS

The City has evaluated events or transactions that occurred subsequent to June 30, 2017, through December 8, 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
BRANARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonllp.com

**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 Santa Clarita, 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), Transportation Development Act Article 3 Fund (TDAA3F), and Transportation Development Act Article 8 Fund (TDAA8F) of the City of Santa Clarita, 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 December 8, 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's local return funds, TDAA3F and TDAA8F 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 any 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 of the Proposition A Local Return Fund (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), Transportation Development Act Article 3 Fund (TDAA3F), and Transportation Development Act Article 8 Fund (TDAA8F) 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
December 8, 2017

COMPLIANCE SECTION



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonllp.com

Independent Auditor's Report On Compliance

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

Report on Compliance

We have audited the compliance of the City of Santa Clarita, 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 (Guidelines) and Transportation Development Act Article 8 Funds (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 and the Transportation Development Act Article 3 & 8 occurred. 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, Transportation Development Act Article 3 and Transportation Development Act Article 8

In our opinion, the City of Santa Clarita 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, Transportation Development Act Article 3 (TDAA3F), and Transportation Development Act Article 8 (TDAA8F) Fund for the year ended June 30, 2017.





Report on Internal Control Over Compliance

Management of the City of Santa Clarita 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, the TDAA3F and the TDAA8F 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 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 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 requirement of the Guidelines. Accordingly, this report 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
December 8, 2017

CITY OF SANTA CLARITA
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 were properly credited to the PALRF and PCLRF accounts.	X		None	

CITY OF SANTA CLARITA
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.	Funds were not substituted for property tax.	X		None	
5.	Administrative expenses were within the 20% cap.	X		None	
6.	Expenditure Plan (Form One) 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 were properly credited to the Measure R account.	X		None	
11.	Funds were not used to supplant existing local revenues being used for transportation purpose.	X		None	

CITY OF SANTA CLARITA
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	
D. Transportation Development Act Article 8 Fund					
1.	Timely use of funds.	X		None	
2.	Expenditures were incurred for transit, paratransit, and local streets and roads.	X		None	

CITY OF SANTA CLARITA

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
June 30, 2017

No findings were noted.

EXIT CONFERENCE

CITY OF SANTA CLARITA

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 December 14, 2017 with the City of Santa Clarita. Those in attendance were:

Simpson & Simpson Representative:

Joseph Simpson, Audit Supervisor

City's Representative:

Lisett Bautista, Financial Analyst

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(s) for their comments prior to the issuance of the final report:

Lisett Bautista, Financial Analyst

Purevsuren Wrinkle, Financial Analyst

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

RE: CITY OF SANTA CLARITA 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, AND TRANSPORTATION DEVELOPMENT ACT ARTICLE 8 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, Transportation Development Act Article 3 Fund, and Transportation Development Act Article 8 Fund for the years ended June 30, 2017 and 2016 for the City of Santa Clarita and agree with the contents of the report except as indicated below:

(Attach additional pages if necessary)

Very truly yours,

Name

Title

Date