

***CITY OF WHITTIER
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***



Simpson & Simpson, LLP
Certified Public Accountants

CITY OF WHITTIER
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FINANCIAL SECTION



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Independent Auditor's Report

To the Honorable Members of the City Council of the
City of Whittier, 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 Fund (TDAA3F) of the City of Whittier, 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 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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





Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the PALRF, PCLRF, MRLRF, and TDAA3F of the City of Whittier, 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 Whittier, 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 Whittier, 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 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 12, 2017, on our consideration of the City of Whittier'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* and 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
December 12, 2017

CITY OF WHITTIER

PROPOSITION A LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and investments	\$ 1,737,409	\$ 1,429,451
Interest receivable	4,833	1,279
Unrealized gain (loss) on investments	<u>(3,665)</u>	<u>2,486</u>
Total assets	<u>\$ 1,738,577</u>	<u>\$ 1,433,216</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 75,580	\$ 72,291
Accrued payroll and employee benefits	<u>6,189</u>	<u>7,444</u>
Total liabilities	<u>81,769</u>	<u>79,735</u>
 Fund Balance		
Restricted	<u>1,656,808</u>	<u>1,353,481</u>
Total fund balance	<u>1,656,808</u>	<u>1,353,481</u>
 Total liabilities and fund balance	 <u>\$ 1,738,577</u>	 <u>\$ 1,433,216</u>

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

CITY OF WHITTIER

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	\$ 1,586,571	\$ 1,562,033
Project generated revenue (Note 7)	27,491	29,103
Interest income	23,549	4,763
Reimbursement from JARC Grant (Note 8)	-	283,424
Unrealized gain (loss) on investments	(6,151)	1,193
Rental income (Note 9)	17,798	18,113
Miscellaneous revenue	1,490	-
Total revenues	<u>1,650,748</u>	<u>1,898,629</u>
EXPENDITURES		
Various projects	<u>1,440,818</u>	<u>1,228,213</u>
Total expenditures	<u>1,440,818</u>	<u>1,228,213</u>
Excess of revenues over expenditures	209,930	670,416
OTHER FINANCING SOURCE		
Transfer in - PCLRF (Note 10)	<u>93,397</u>	<u>-</u>
Total other financing source	<u>93,397</u>	<u>-</u>
Excess of revenues over expenditures and other financing source	303,327	670,416
Fund balance at beginning of year	<u>1,353,481</u>	<u>683,065</u>
Fund balance at end of year	<u>\$ 1,656,808</u>	<u>\$ 1,353,481</u>

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

CITY OF WHITTIER

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)	
130-801	Dial-A-Ride In-House Maintenance *	\$ 224,660	\$ 270,323	\$ (45,663)	\$ 274,952
130-803	Dial-A-Ride Senior Citizens and the Disabled	877,259	678,548	198,711	643,298
150-102	Bus Stop Landscape Maintenance	2,000	1,710	290	1,710
160-122	Bus Stop Refurbishment *	125,000	104,575	20,425	1,268
160-171	Bus Stop Improvement Plan	66,800	66,800	-	-
170-01	Bus Bench/Shelter Maintenance	121,818	107,762	14,056	108,797
250-901	Fare Subsidy Program	13,800	-	13,800	-
270-170	Dial-A-Ride Consultant	17,000	5,038	11,962	-
310-801	Historic Transportation Depot Maintenance and Operation	98,690	99,728	(1,038)	66,052
480-01	Proposition A Administration	244,418	94,081	150,337	122,983
500-145	Light Rail Conference	4,500	4,107	393	1,139
500-803	SCAG Annual Membership	8,100	8,146	(46)	8,014
	Total expenditures	<u>\$ 1,804,045</u>	<u>\$ 1,440,818</u>	<u>\$ 363,227</u>	<u>\$ 1,228,213</u>

* These projects are partially funded by Proposition C Local Return Fund.

See accompanying independent auditor's report.

CITY OF WHITTIER

PROPOSITION A 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>
03/07	Van Ford E450 Starcraft	\$ 11,800	\$ -	\$ -	\$ 11,800
06/07	6 Bus Shelters	46,214	-	-	46,214
10/07	Truck with Power Washer	23,512	-	-	23,512
04/08	3 Dial-A-Rids Vans	49,819	-	-	49,819
01/08	Dial-A-Ride Van	11,753	-	-	11,753
02/09	2 Ford E350	52,191	-	-	52,191
03/11	2010 Braun Enervan	49,335	-	-	49,335
03/11	2010 Braun Enervan	22,500	-	-	22,500
04/11	Ford Sedan	29,997	-	-	29,997
06/11	Bus Stop Improvement	577,861	-	-	577,861
01/14	15 Bus Shelters	220,031	-	-	220,031
11/04	Bus Shelters Improvement	243,518	-	-	243,518
06/16	Bus Shelters Improvement	-	238,663	-	238,663
06/17	Bus Shelters Improvement	-	107,720	-	107,720
	Total	\$ <u>1,338,531</u>	\$ <u>346,383</u>	\$ <u>-</u>	\$ <u>1,684,914</u>

See accompanying independent auditor's report.

CITY OF WHITTIER

PROPOSITION C LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and investments	\$ 3,221,854	\$ 2,850,903
Interest receivable	10,087	4,425
Unrealized gain (loss) on investments	(6,775)	7,892
Accounts receivable	28,421	25,064
Prepaid expenses (Note 11)	<u>102,145</u>	<u>121,046</u>
Total assets	<u>\$ 3,355,732</u>	<u>\$ 3,009,330</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 26,205	\$ 24,331
Accrued payroll and employee benefits	<u>1,037</u>	<u>571</u>
Total liabilities	<u>27,242</u>	<u>24,902</u>
 Fund Balance		
Restricted	<u>3,328,490</u>	<u>2,984,428</u>
Total fund balance	<u>3,328,490</u>	<u>2,984,428</u>
 Total liabilities and fund balance	 <u>\$ 3,355,732</u>	 <u>\$ 3,009,330</u>

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

CITY OF WHITTIER

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	\$ 1,316,715	\$ 1,295,651
Interest income	47,395	17,325
Unrealized gain (loss) on investment	(14,667)	4,352
Reimbursement from the City of La Habra Heights (Note 12)	20,972	7,963
Project generated revenue (Note 13)	4,312	4,607
Other revenues (Note 14)	102,593	207,129
Miscellaneous revenue	1,215	14
Total revenues	<u>1,478,535</u>	<u>1,537,041</u>
EXPENDITURES		
Various projects	<u>1,041,076</u>	<u>1,075,226</u>
Total expenditures	<u>1,041,076</u>	<u>1,075,226</u>
Excess of revenues over expenditures	437,459	461,815
OTHER FINANCING USE		
Transfer out - PALRF (Note 10)	<u>(93,397)</u>	<u>-</u>
Total other financing use	<u>(93,397)</u>	<u>-</u>
Excess of revenues over expenditures and other financing use	344,062	461,815
Fund balance at beginning of year	<u>2,984,428</u>	<u>2,522,613</u>
Fund balance at end of year	<u>\$ 3,328,490</u>	<u>\$ 2,984,428</u>

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

CITY OF WHITTIER

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		Variance	2016 Actual
		Metro Budget	Actual	Favorable (Unfavorable)	
130-802	Taxi Voucher DAR Program	\$ 90,000	\$ 59,823	\$ 30,177	\$ 58,524
130-804	La Habra Heights Dial-A-Ride	51,782	41,187	10,595	37,698
140-901	Recreation Transit	60,000	51,429	8,571	58,552
200-170	Dial-A-Ride Vehicle Purchase	97,500	-	97,500	-
230-10	Greenway Trail Transit Security	90,000	51,886	38,114	46,899
250-901	Fare Subsidy Program	19,000	12,122	6,878	14,240
270-141	Goldline Light Rail Planning Project	50,000	-	50,000	-
270-142	Greenway Trail East Project Planning	7,500	-	7,500	-
430-123	Greenway Trail Maintenance	565,000	397,509	167,491	529,274
430-140	Greenway Trail Signs and Vines Match	20,000	264	19,736	24,384
430-144	Soil Remediation	20,000	-	20,000	-
430-171	Greenway Trail Eastside Bike Trail Clean-up	40,000	23,448	16,552	-
430-901	Greenway Trail Legal Costs - ROW	10,000	-	10,000	-
430-903	Whittier Greenway Trail - East Extension Work	9,000	5,215	3,785	405
430-904	Greenway Trail Property Insurance	35,000	28,501	6,499	29,013
430-905	Greenway Trail Parking Lots Construction	300,000	97,729	202,271	3,831
480-10	Proposition C Administration	220,852	220,853	(1)	215,045
500-801	SR-91 and I-605 Needs Assessment Study	22,000	22,000	-	22,000
500-802	Accessibility Planning	42,635	29,110	13,525	35,361
	Total expenditures	1,750,269	1,041,076	709,193	1,075,226
Transfer out - PALRF (Note 10)					
430-123	Greenway Trail Maintenance	-	93,397	(93,397)	-
	Total transfer out to PALRF	-	93,397	(93,397)	-
	Total expenditures and transfer out	\$ 1,750,269	\$ 1,134,473	\$ 615,796	\$ 1,075,226

* The LACMTA budget for Greenway Trail Maintenance Project Code 430-123 of \$565,000 also applies to the transfer out to PALRF in the amount of \$93,397.

See accompanying independent auditor's report.

CITY OF WHITTIER

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>
01/06	Dial-A-Ride Van	\$ 47,585	\$ -	\$ -	\$ 47,585
03/07	Van	50,706	-	-	50,706
04/08	2 Patrol Bikes for Trail	23,301	-	-	23,301
05/08	ADA Bus Stop Improvement	-	47,189	-	47,189
03/11	2010 Braun Entervan	50,000	-	-	50,000
10/11	2011 Ford Ranger	18,397	-	-	18,397
10/11	2011 Hydro Tek Pressure	10,232	-	-	10,232
11/11	2011 Goshen GC II	7,071	-	-	7,071
11/11	2011 Supreme Senator 24	7,252	-	-	7,252
	Total	\$ 214,544	\$ 47,189	\$ -	\$ 261,733

See accompanying independent auditor's report.

CITY OF WHITTIER

PROPOSITION A DISCRETIONARY INCENTIVE FUND

BALANCE SHEETS

JUNE 30

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and investments	\$ 194,725	\$ 192,467
Interest receivable	599	268
Unrealized gain (loss) on investments	<u>(410)</u>	<u>526</u>
Total assets	<u>\$ 194,914</u>	<u>\$ 193,261</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	<u>\$ 20,750</u>	<u>\$ 20,360</u>
Total liabilities	<u>20,750</u>	<u>20,360</u>
Fund Balance		
Restricted	<u>174,164</u>	<u>172,901</u>
Total fund balance	<u>174,164</u>	<u>172,901</u>
Total liabilities and fund balance	<u>\$ 194,914</u>	<u>\$ 193,261</u>

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

CITY OF WHITTIER

PROPOSITION A DISCRETIONARY INCENTIVE 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 Discretionary Incentive (Note 15)	\$ 281,558	\$ 261,075
Interest income	2,809	1,048
Unrealized gain (loss) on investments	<u>(936)</u>	<u>232</u>
Total revenues	<u>283,431</u>	<u>262,355</u>
EXPENDITURES		
Dial-A-Ride Senior Citizen and the Disabled	<u>282,168</u>	<u>276,945</u>
Total expenditures	<u>282,168</u>	<u>276,945</u>
Excess (deficiency) of revenues over expenditures	1,263	(14,590)
Fund balance at beginning of year	<u>172,901</u>	<u>187,491</u>
Fund balance at end of year	<u>\$ 174,164</u>	<u>\$ 172,901</u>

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

CITY OF WHITTIER

MEASURE R LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and investments	\$ 4,653,871	\$ 4,229,547
Interest receivable	14,780	6,108
Unrealized gain (loss) on investments	<u>(10,283)</u>	<u>11,549</u>
Total assets	<u>\$ 4,658,368</u>	<u>\$ 4,247,204</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ <u>17,855</u>	\$ <u>52</u>
Total liabilities	<u>17,855</u>	<u>52</u>
 Fund Balance		
Restricted	<u>4,640,513</u>	<u>4,247,152</u>
Total fund balance	<u>4,640,513</u>	<u>4,247,152</u>
 Total liabilities and fund balance	 <u>\$ 4,658,368</u>	 <u>\$ 4,247,204</u>

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

CITY OF WHITTIER

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	\$ 987,253	\$ 972,336
Project reimbursement (Note 16)	-	21,901
Unrealized gain (loss) on investments	(21,832)	7,342
Interest income	69,824	24,450
Total revenues	<u>1,035,245</u>	<u>1,026,029</u>
EXPENDITURES		
Various projects	<u>641,884</u>	<u>11,509</u>
Total expenditures	<u>641,884</u>	<u>11,509</u>
Excess of revenues over expenditures	393,361	1,014,520
Fund balance at beginning of year	<u>4,247,152</u>	<u>3,232,632</u>
Fund balance at end of year	<u>\$ 4,640,513</u>	<u>\$ 4,247,152</u>

The accompanying notes are an integral part of the financial statements

CITY OF WHITTIER

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	Pavement Surface Treatment	\$ 634,944	\$ 18,527	\$ 616,417	\$ -
1.05	Janine Drive from La Serna to Santa Gertrudes Avenue Asphalt Overlay	-	-	-	4,457
1.05	Palm Avenue from Whittier Boulevard to Beverly Boulevard Reconstruction	489,465	222,263	267,202	-
1.05	Palm Avenue/Scenic Drive Reconstruction	274,000	-	274,000	6,291
1.05	Youngwood Drive Resurfacing	860,000	-	860,000	-
1.05	Mar Vista Street Resurfacing	112,406	-	112,406	-
1.05	Santa Gertrudes Avenue Resurfacing	880,000	-	880,000	-
1.05	Whittier Boulevard at Norwalk Boulevard Widen to add Right Turn Lanes	447,708	670	447,038	64
1.05	Comstock Avenue Widening	68,333	59,052	9,281	-
1.30	Beverly Boulevard Lighting and Traffic Safety Improvements	230,000	229,999	1	-
3.05	La Serna Drive Sidewalk and Bike Lanes	14,000	-	14,000	-
3.05	Whittier Greenway Trail East Extension Design	566,417	109,687	456,730	-
3.05	Whittier Greenway Trail Landscaping, Signing and Striping Maintenance	56,262	1,686	54,576	697
3.20	Greenleaf Avenue at Putnam Street and Whittier Greenway Trail Signal	49,880	-	49,880	-
3.20	Pedestrian Countdown Signals and ADA Audible Pedestrian Signals	6,000	-	6,000	-
	Total expenditures	\$ 4,689,415	\$ 641,884	\$ 4,047,531	\$ 11,509

See accompanying independent auditor's report.

CITY OF WHITTIER

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 WHITTIER

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

BALANCE SHEETS

JUNE 30

	<u>2017</u>	<u>2016</u>
ASSETS		
Interest receivable	\$ 199	\$ 128
Due from LACMTA	<u>-</u>	<u>55,141</u>
Total assets	<u>\$ 199</u>	<u>\$ 55,269</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Due to other funds	\$ <u>15,333</u>	\$ <u>70,853</u>
Total liabilities	<u>15,333</u>	<u>70,853</u>
Fund Balance		
Restricted	<u>(15,134)</u>	<u>(15,584)</u>
Total fund balance	<u>(15,134)</u>	<u>(15,584)</u>
Total liabilities and fund balance	<u>\$ 199</u>	<u>\$ 55,269</u>

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

CITY OF WHITTIER

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 (Note 17)	\$ 49,891	\$ 55,141
Interest income	893	598
Total revenues	<u>50,784</u>	<u>55,739</u>
 EXPENDITURES		
Construction of Access Ramps and Sidewalks	<u>50,334</u>	<u>137,558</u>
Total expenditures	<u>50,334</u>	<u>137,558</u>
 Excess (deficiency) of revenues over expenditures	450	(81,819)
 Fund balance at beginning of year	<u>(15,584)</u>	<u>66,235</u>
 Fund balance at end of year	\$ <u><u>(15,134)</u></u>	\$ <u><u>(15,584)</u></u>

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

CITY OF WHITTIER

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					
Construction of Access Ramps and Sidewalks	2016-17	\$ 49,891	\$ 50,334	\$ (443)	Complete
	Total	<u>\$ 49,891</u>	<u>\$ 50,334</u>	(443)	
Unexpended interest accumulated to date				893	
Fund balance at beginning of year				<u>(15,584)</u>	
Fund balance at end of year				<u>\$ (15,134)</u>	

See accompanying independent auditor's report.

CITY OF WHITTIER

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), and Transportation Development Act Article 3 Fund (TDAA3F) 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) 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 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 WHITTIER

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 categorized 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 recognized 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, and TDAA3F 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 of the City's Comprehensive Annual Financial Report.

Reclassification

Certain fiscal year 2016 items have been reclassified to conform with 2017 financial statement presentations for the local return funds. The reclassifications had no effect on the changes in fund balances.

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, 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 WHITTIER

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, 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 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 balances to the total of the pooled cash and investments.

NOTE 7 – PROJECT GENERATED REVENUE - PALRF

Project generated revenue for the years ended June 30, 2017 and 2016 amounted to \$27,491 and \$29,103 respectively. These revenues consisted of Dial-A-Ride service fees.

NOTE 8 – REIMBURSEMENT FROM JARC GRANT – PALRF

Reimbursement in the amount of \$283,424 was received from the JARC grant to help fund the expenditures incurred on the City's Project Code 160-121, Bus Stop Improvement Plan in fiscal year ended June 30, 2016.

NOTE 9 – RENTAL INCOME – PALRF

Rental Income are amounts received from San Gabriel Valley Tribune for rental of the ground floor of the building, commonly known as, the Whittier Depot in the amounts of \$ 17,798 and \$18,113 for the years ended June 30, 2017 and June 30, 2016, respectively.

CITY OF WHITTIER

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

NOTE 10 – TRANSFER IN/OUT – PALRF AND PCLRF

In fiscal year 2016-17, transfers were made from PCLRF to PALRF in the amounts of \$3,397 and \$90,000 for a total amount of \$93,397 to provide and subsidize funding for PALRF’s Project Code 130-801, Dial-A-Ride In-House Maintenance, and Project Code 160-122, Bus Stop Refurbishment, respectively.

NOTE 11 – PREPAID EXPENSES – PCLRF

The City previously purchased an insurance policy effective April 14, 2012 to April 14, 2022 in the amount of \$209,004. This insurance policy provides protection against third-party environment impairment claims for bodily injury, property damage, and cleanup costs arising from an event or stemming from a covered location. Total amount of prepaid expenses for the years ended June 30, 2017 and June 30, 2016 were \$102,145 and \$121,046, respectively.

NOTE 12 – REIMBURSEMENT FROM CITY OF LA HABRA HEIGHTS – PCLRF

On May 12, 2011, the City entered into a Memorandum of Understanding (MOU) agreement with the City of La Habra Heights (Joint Agency) to operate coordinated specialized Dial-A-Ride transportation services to eligible recipients of the program. The City was to receive all revenues reported on the prior year National Transit Database (NTD) Report entitled, “The City of Whittier-Paratransit Program, Demand Response Model”. The City received revenues in the amounts of \$20,972 and \$7,963 for the years ended June 30, 2017 and 2016, respectively.

NOTE 13 – PROJECT GENERATED REVENUE - PCLRF

The project generated revenues for PCLRF for the years ended June 30, 2017 and 2016 amounted to \$4,312 and \$4,607, respectively. These revenues consisted of recreational fare and Dial-A-Ride fares.

CITY OF WHITTIER

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

NOTE 14 – OTHER REVENUES - PCLRF

Other revenues for the years ended June 30, 2017 and 2016 consisted of the following:

	2017	2016
Rental Income*	\$ 102,593	\$ 117,129
Sale of Property**	-	65,000
County of Los Angeles***	-	25,000
Total	<u>\$ 102,593</u>	<u>\$ 207,129</u>

* Rental Income for PCLRF consisted of revenues received from Cal Domestic water for easement which operates a sophisticated water system with high efficiency pumping plants, advanced water treatment facilities which is owned by the City.

** Sale of Property of \$65,000 was proceeds received from Rubicelio Salgado in exchange for excess City property located at 12630 East Whittier Boulevard in fiscal year ended June 30, 2016.

*** Revenues of \$25,000 was received from the County of Los Angeles for the Whittier Greenway Trail Signage & Enhancement Landscaping project for the purpose of acquiring and developing facilities and open space for public recreations in fiscal year ended June 30, 2016.

NOTE 15 – PROPOSITION A DISCRETIONARY INCENTIVE GRANT (PADIG)

The Proposition A Discretionary Incentive Grant amounting to \$281,558 and \$261,075 for the years ended June 30, 2017 and 2016, respectively, represents additional funds received from Metro for participating in the sub-regional paratransit services program.

The Proposition A Discretionary Incentive Grants were recorded under a separate PADIG Fund.

Note 16 – PROJECT REIMBURSEMENT – MRLRF

Project reimbursement in the amount of \$21,901 for the year ended June 30, 2016 was received from the federal government as federal aid to assist in funding the Measure R Project Code 1.05, Janine Drive from La Serna Drive to Santa Gertrudes Avenue Asphalt Overlay.

NOTE 17 – 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	\$ -	\$ 55,141
FY 2016-17 allocation	49,891	-
Total payment requested	<u>\$ 49,891</u>	<u>\$ 55,141</u>

CITY OF WHITTIER

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

NOTE 18 – 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 2016-17 allocation	\$ <u>7,719</u>	\$ <u>-</u>
Available reserve balance	\$ <u>7,719</u>	\$ <u>-</u>

NOTE 19 – SUBSEQUENT EVENTS

The City has evaluated events or transactions that occurred subsequent to June 30, 2017 through December 12, 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

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**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 Whittier, 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 Fund (TDAA3F) of the City of Whittier, 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 12, 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 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 is 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 12, 2017

COMPLIANCE SECTION



SIMPSON & SIMPSON
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Independent Auditor's Report on Compliance

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

Report on Compliance

We have audited the compliance of the City of Whittier, 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 and the Transportation Development Act Article 3 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. Our audit does not provide a legal determination of the City's compliance with those requirements.

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

In our opinion, except as noted in the Compliance Matrix and the Schedule of Findings and Recommendations, the City of Whittier 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 Fund (TDAA3F) for the year ended June 30, 2017.





Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and which are described in the accompanying Schedule of Findings and Recommendations as Finding #2017-001 and #2017-002. Our opinion on each local return program 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 Recommendations. 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 of Whittier 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 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 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 deficiencies, significant deficiencies, or material weakness. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Recommendations as Finding #2017-002.

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Recommendations. We did not audit the City's response and, accordingly, we express no opinion on the response.



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

Simpson & Simpson

Los Angeles, California
December 12, 2017

CITY OF WHITTIER

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) and listing of Recreational Transit Services, if applicable, were 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	See Finding #2017-001 on the Schedule of Findings and Recommendations.
11. Revenues received including allocations, project generated revenues, and interest income were properly credited to the PALRF and PCLRF accounts.	X		None	

CITY OF WHITTIER
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	See Finding #2017-002 on the Schedule of Findings and Recommendations.
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 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 WHITTIER
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 WHITTIER

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

June 30, 2017

PALRF: Finding #2017-001

Compliance Reference	According to Proposition A and C Local Return Guidelines, Section II, “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance” and Section V, “It is jurisdictions’ responsibility to maintain proper accounting records and documentation...”
Condition	To support the propriety of expenditures being charged to the Proposition A Local Return Fund, non-payroll expenditures should be supported by properly executed contracts, invoices, and vouchers, or other official documentation evidencing in proper detail the nature of the charges. Although payments to vendors were properly supported by invoices and cancelled checks, the payments to ND Construction in the total amount of \$103,476 under PALRF were based on an expired contract agreement and were charged to Bus Stop Refurbishment Project Code 160-122, an approved project. No amendments to the contract were issued since August 14, 2013.
Cause	The City believed that it does not require for contracts to be approved once funds are appropriated.
Effect	No documentation to support that both parties agree to extend the terms of the agreement indicates a weakness in the City’s internal control.
Recommendation	We recommend that the City establish controls to ensure that the costs charged to the Local Return funds are adequately supported by contracts, invoices, canceled checks or similar documentation. We recommend that the City update the contract annually and issue an extension or amendment to provide proper documentation that both parties, mutually agree to the terms and conditions of the contract, including but not limited to, level of service, type of service, and rates.
Management’s Response	The City believed that the contract with ND Construction did not expire. It is the City’s understanding that it is not uncommon for large projects to extend over multiple years due to various circumstances and the extension of contracts does not need approval once funds are appropriated.
Auditor’s Rejoinder	A contract extension is necessary to provide proper supporting documentation that both the City and ND Construction mutually agree to the terms and conditions of the original contract. The representation by the City’s management that the contract extension with ND Construction is not required since funds have been appropriated for the services to be provided does not resolve the finding.

CITY OF WHITTIER

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

June 30, 2017

(Continued)

MRLRF: Finding #2017-002

Compliance Reference	According to Measure R Local Return Guidelines, Section B.VII.A, Financial and Compliance Provisions, “The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines: Verification that funds were expended with Metro’s approval.”
Condition	<p>The City incurred expenditures prior to receiving approval from LACMTA for MRLRF’s Project Code 1.05 Comstock Avenue Widening Project in the amount of \$59,052. However, the project was subsequently approved by LACMTA on December 12, 2017.</p> <p>This is a repeat finding from the prior fiscal year.</p>
Cause	The City staff believed that prior year’s budget approval would be carried forward in the fiscal year 2016-17 and therefore, did not include the request for the project’s approval in Form One submitted to LACMTA.
Effect	The City did not comply with the Guidelines when expenditures for MRLRF project are incurred without LACMTA’s approval.
Recommendation	We recommend that the City establish controls to ensure that it obtains approval from LACMTA prior to implementing Measure R Local Return projects. Also, we recommend that the Form One is properly prepared by the City and includes all new and ongoing projects.
Management’s Response	The City program staff will ensure all projects for the upcoming year are included in filing of Form One.
Finding Corrected During Audit	LACMTA Program Manager granted a retroactive approval on MRLRF’s Project Code 1.05, Comstock Avenue Widening Project, on December 12, 2017.

EXIT CONFERENCE

CITY OF WHITTIER

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 20, 2017 via telephone conference. Those in attendance were:

Simpson & Simpson Representative:

Elizabeth Mendoza, Senior Auditor

City's Representative:

Rod Hill, Director of Administrative Services/City Controller/City Treasurer

Monica Lo, Assistant Director of Administrative Services

Matters Discussed:

Results of the audit disclosed one (1) significant control deficiency and two (2) non-compliance issues with LACMTA's Guidelines.

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

Monica Lo, Assistant Director of Administrative Services

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

RE: CITY OF WHITTIER 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 Whittier and agree with the contents of the report except as indicated below:

(Attach additional pages if necessary)

Very truly yours,

Name

Title

Date