



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

**City of La Puente  
Annual Financial Report of its**

**Proposition A Local Return Fund  
Proposition C Local Return Fund  
Measure R Local Return Fund  
Transportation Development Act Article 3 Fund**

**As of and for the Years Ended June 30, 2018 and 2017**

**and**

**Measure M Local Return Fund**

**As of and for the Year Ended June 30, 2018  
with Report of Independent Auditors**

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**FINANCIAL SECTION**

## **Report of Independent Auditors**

**To the Honorable Members of the City Council of the  
City of La Puente, California and the  
Los Angeles County Metropolitan Transportation Authority**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of La Puente, California (the City) which comprise the Funds' balance sheets as of June 30, 2018 and 2017, and the related statements of revenues, expenditures and changes in fund balances for the years then ended, and the accompanying financial statements of the City's Measure M Local Return Fund (the Fund) which comprise the Fund's balance sheet as of June 30, 2018, and the related statement of revenues, expenditures and changes in fund balance for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

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



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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund and the Transportation Development Act Article 3 Fund as of June 30, 2018 and 2017 and the Measure M Local Return Fund as of June 30, 2018, of the City of La Puente, California, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 2, the financial statements present only the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund of the City of La Puente, California, and do not purport to, and do not present fairly the financial position of the City as of June 30, 2018 and 2017, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Supplementary Information***

Our audits were conducted for the purpose of forming opinions on each of the Funds' financial statements as a whole. The supplementary information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information identified in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the Funds' basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the Funds' basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the Funds' basic financial statements or to the Funds' basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to each of the Funds' basic financial statements as a whole.



### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2018 on our consideration of the City's internal control over the Funds' financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over the Funds' financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over the Funds' financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over the Funds' financial reporting and compliance.

*Vasquez & Company LLP*

**Glendale, California  
December 19, 2018**

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

		June 30	
		2018	2017
<b>ASSETS</b>			
Cash and investments	\$	649,742	\$ 652,992
<b>Total assets</b>	<b>\$</b>	<b>649,742</b>	<b>\$ 652,992</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$	73,058	\$ 103,706
<b>Total liabilities</b>		<b>73,058</b>	<b>103,706</b>
<b>Fund balance</b>			
Restricted		576,684	549,286
<b>Total fund balance</b>		<b>576,684</b>	<b>549,286</b>
<b>Total liabilities and fund balance</b>	<b>\$</b>	<b>649,742</b>	<b>\$ 652,992</b>

*See notes to Funds financial statements.*



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

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	Years ended June 30	
	2018	2017
<b>Revenues</b>		
Proposition A	\$ 755,849	\$ 742,485
Interest income	9,074	9,972
Project generated revenues	133,564	138,820
<b>Total revenues</b>	<b>898,487</b>	891,277
<b>Expenditures</b>		
Various projects	871,089	1,088,988
<b>Total expenditures</b>	<b>871,089</b>	1,088,988
Excess (deficiency) of revenues over expenditures	<b>27,398</b>	(197,711)
<b>Other financing source</b>		
Transfer in from General Fund	-	6,353
<b>Total other financing source</b>	<b>-</b>	6,353
Change in fund balance	<b>27,398</b>	(191,358)
Fund balance at beginning of year	<b>549,286</b>	740,644
Fund balance at end of year	<b>\$ 576,684</b>	\$ 549,286

*See notes to Funds financial statements.*

City of La Puente  
Proposition A Local Return Fund  
Supplementary Information  
Schedule of Expenditures – Actual and LACMTA Approved Project Budget  
Year ended June 30, 2018  
(With Comparative Actuals for 2017)

Project Code	Project Name	2018			2017 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
110-01	Fixed Route Transit	\$ 401,400	\$ 419,256	\$ (17,856)	\$ 398,168
130-01	Special Service Paratransit	120,000	112,047	7,953	97,799
140-01	Recreation Transportation	5,200	1,525	3,675	3,203
150-01	Bus Shelter Replacement	-	-	-	221,067
170-01	Bus Shelter Maintenance	132,000	38,466	93,534	31,586
250-01	User Side Subsidy	138,500	130,445	8,055	134,263
270-01	SGVCOG Membership	9,500	9,456	44	9,250
280-01	Transit Marketing	5,700	4,162	1,538	5,031
480-01	Administration - Proposition A	192,400	155,732	36,668	188,621
	<b>Total expenditures</b>	<u>\$ 1,004,700</u>	<u>\$ 871,089</u>	<u>\$ 133,611</u>	<u>\$ 1,088,988</u>

*See report of independent auditors.*

**City of La Puente**  
**Proposition A Local Return Fund**  
**Supplementary Information**  
**Schedule of Capital Assets**  
**Year ended June 30, 2018**

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<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
1984-87	Parking Lots	\$ 425,363	\$ -	\$ -	\$ 425,363
1987	Cash Register	1,609	-	-	1,609
1987	Cash Register	826	-	-	826
2002	Equipment	708	-	-	708
2002	3 Transit Vehicles	51,114	-	-	51,114
2005	Parking Lot Expansion - Glendora Ave	216,096	-	-	216,096
2006	Bus Shelters	74,099	-	-	74,099
2007	Bus Shelters	101,086	-	-	101,086
<b>Total</b>		<b>\$ 870,901</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 870,901</b>

*See report of independent auditors.*

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

		June 30	
		2018	2017
<b>ASSETS</b>			
Cash and investments	\$	1,098,440	\$ 1,120,252
<b>Total assets</b>	<b>\$</b>	<b>1,098,440</b>	<b>\$ 1,120,252</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$	-	\$ 498,967
Retention payable		-	75,518
<b>Total liabilities</b>		-	574,485
<b>Fund balance</b>			
Restricted		1,098,440	545,767
<b>Total fund balance</b>		<b>1,098,440</b>	<b>545,767</b>
<b>Total liabilities and fund balance</b>	<b>\$</b>	<b>1,098,440</b>	<b>\$ 1,120,252</b>

*See notes to Funds financial statements.*

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

	<b>Years ended June 30</b>	
	<b>2018</b>	<b>2017</b>
<b>Revenues</b>		
Proposition C	\$ 624,304	\$ 618,491
Interest income	13,861	14,382
Project reimbursement	-	30,014
<b>Total revenues</b>	<b>638,165</b>	<b>662,887</b>
<b>Expenditures</b>		
Various projects	85,492	1,058,590
<b>Total expenditures</b>	<b>85,492</b>	<b>1,058,590</b>
Excess (deficiency) of revenues over expenditures	<b>552,673</b>	<b>(395,703)</b>
<b>Other financing source</b>		
Transfer in from General Fund	-	96,424
<b>Total other financing source</b>	<b>-</b>	<b>96,424</b>
Change in fund balance	<b>552,673</b>	<b>(299,279)</b>
Fund balance at beginning of year	<b>545,767</b>	<b>845,046</b>
Fund balance at end of year	<b>\$ 1,098,440</b>	<b>\$ 545,767</b>

*See notes to Funds financial statements.*

**City of La Puente**  
**Proposition C Local Return Fund**  
**Supplementary Information**  
**Schedule of Expenditures – Actual and LACMTA Approved Project Budget**  
**Year ended June 30, 2018**  
**(With Comparative Actuals for 2017)**

Project Code	Project Name	2018		Variance Positive (Negative)	2017 Actual
		LACMTA Budget	Actual		
440-10	Street Improvements at Del Valle and Dora Guzman	\$ -	\$ -	\$ -	540,228
440-10	Temple Ave Street Improvement Project	67,000	61,303	5,697	-
440-11	FY 16-17 Major Street Improvements Old Valley/Orange	275,000	8,791	266,209	518,362
440-12	Traffic Signal Improvements - Hacienda/Fairgrove	100,000	-	100,000	-
450-01	Valley Boulevard CMP Improvements	-	12,250 *	(12,250)	-
470-01	Pavement Management System (PMS)	25,000	3,148	21,852	-
<b>Total expenditures</b>		<b>\$ 467,000</b>	<b>\$ 85,492</b>	<b>\$ 381,508</b>	<b>\$ 1,058,590</b>

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

*See report of independent auditors.*

**City of La Puente  
Proposition C Local Return Fund  
Supplementary Information  
Schedule of Capital Assets  
Year ended June 30, 2018**

<b>Date Acquired</b>	<b>Description</b>	<b>Balance July 1, 2017</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2018</b>
1999	Electronic Sign	\$ 593	-	-	\$ 593
2002-2003	Temple Avenue Resurfacing - Phase 3	76,574	-	-	76,574
2002-2003	Temple Avenue Reconstruction - Stimson Avenue	381,228	-	-	381,228
2005	Hacienda Restructuring/Reconstruction	40,573	-	-	40,573
2005	Traffic Stop - Glendora Avenue Hill	178,985	-	-	178,985
2006	Traffic Signal - Glendora Avenue Hill	12,525	-	-	12,525
2007	Central Street Reconstruction	239,640	-	-	239,640
2010	Bus Pad - Orange and Amar	9,475	-	-	9,475
2010	Bus Pad - Hacienda and Amar	18,460	-	-	18,460
2010	Main Street Reconstruction	136,601	-	-	136,601
2010	Bus Pad - Old Valley Road	16,933	-	-	16,933
2010	Glendora Ave Reconstruction	91,082	-	-	91,082
2010	Hacienda Boulevard Improvement Project	233,982	-	-	233,982
2011	Temple, Dora Guzman, Del Valle	195,263	-	-	195,263
2014	Valley Boulevard Improvement	6,493	-	-	6,493
2014	Amar Road Storm Drain	1,529,144	-	-	1,529,144
2014	Temple and Glendora	138,792	-	-	138,792
2014	Street Improvements at Various Streets	138,500	-	-	138,500
2014	Pavement Management System	33,244	-	-	33,244
<b>Total</b>		<b>\$ 3,478,087</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,478,087</b>

*See report of independent auditors.*

**City of La Puente  
Measure R Local Return Fund  
Balance Sheets**

		June 30	
		2018	2017
<b>ASSETS</b>			
Cash and investments	\$	477,082	\$ 919,833
<b>Total assets</b>	<b>\$</b>	<b>477,082</b>	<b>\$ 919,833</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$	230	\$ 25,317
Retention payable		5,272	-
<b>Total liabilities</b>		<b>5,502</b>	<b>25,317</b>
<b>Fund balance</b>			
Restricted		471,580	894,516
<b>Total fund balance</b>		<b>471,580</b>	<b>894,516</b>
<b>Total liabilities and fund balance</b>	<b>\$</b>	<b>477,082</b>	<b>\$ 919,833</b>

*See notes to Funds financial statements.*



**City of La Puente**  
**Measure R Local Return Fund**

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

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	Years ended June 30	
	2018	2017
<b>Revenues</b>		
Measure R	\$ 469,584	\$ 462,015
Interest income	10,094	10,322
<b>Total revenues</b>	<b>479,678</b>	<b>472,337</b>
<b>Expenditures</b>		
Various projects	902,614	115,812
<b>Total expenditures</b>	<b>902,614</b>	<b>115,812</b>
Excess (deficiency) of revenues over expenditures	<b>(422,936)</b>	356,525
<b>Other financing source</b>		
Transfer in from General Fund	-	30,950
<b>Total other financing source</b>	<b>-</b>	<b>30,950</b>
Change in fund balance	<b>(422,936)</b>	387,475
Fund balance at beginning of year	<b>894,516</b>	507,041
Fund balance at end of year	<b>\$ 471,580</b>	<b>\$ 894,516</b>

*See notes to Funds financial statements.*

**City of La Puente**  
**Measure R Local Return Fund**  
**Supplementary Information**  
**Schedule of Expenditures – Actual and LACMTA Approved Project Budget**  
**Year ended June 30, 2018**  
**(With Comparative Actuals for 2017)**

Project Code	Project Name	2018			2017 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
01-002	Local Street Improvements - Various Locations	\$ 465,000	\$ 408,801	\$ 56,199	\$ 69,600
01-003	Rule 20A Undergrounding	12,000	1,320	10,680	1,985
01-004	Local Street Improvements	425,000	-	425,000	-
01-005	Valley Blvd Sound Wall - Phase III - Industry Loan Pymt	208,000	208,731	(731)	-
02-002	LP-3 Traffic Signals - Various Locations	120,000	223,188	(103,188)	44,227
03-003	ADA Transition Plan	72,000	57,425	14,575	-
07-002	Pavement Management Program	25,000	3,149	21,851	-
<b>Total expenditures</b>		<b>\$ 1,327,000</b>	<b>\$ 902,614</b>	<b>\$ 424,386</b>	<b>\$ 115,812</b>

*See report of independent auditors.*

**City of La Puente**  
**Measure R Local Return Fund**  
**Supplementary Information**  
**Schedule of Capital Assets**  
**Year ended June 30, 2018**

<b>Date Acquired</b>	<b>Description</b>	<b>Balance July 1, 2017</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2018</b>
2010	Street Rehabilitation	\$ 122,229	\$ -	\$ -	\$ 122,229
2010	Valley Boulevard Improvements	74,315	-	-	74,315
2011	Traffic Signs and Striping	4,337	-	-	4,337
2011	Old Valley Boulevard Improvements	155,910	-	-	155,910
2013	Valley Boulevard Improvements - PH II	126,845	-	-	126,845
2013	Traffic Signals LP-3	44,693	-	-	44,693
2013	Amar/Tanopah	33,260	-	-	33,260
2014	Valley Blvd Improvements	6,000	-	-	6,000
2014	Local Street Improvements	364,643	-	-	364,643
2014	Pavement Management System	2,740	-	-	2,740
<b>Total</b>		<b>\$ 934,972</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 934,972</b>

*See report of independent auditors.*

**City of La Puente**  
**Measure M Local Return Fund**  
**Balance Sheet**  
**June 30, 2018**

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**ASSETS**

Cash and investments		\$	428,919
			<u>428,919</u>
<b>Total assets</b>		<b>\$</b>	<b><u>428,919</u></b>

**LIABILITIES AND FUND BALANCE**

<b>Liabilities</b>			
Accounts payable		\$	-
			<u>-</u>
<b>Total liabilities</b>			<b><u>-</u></b>

<b>Fund balance</b>			
Restricted			428,919
			<u>428,919</u>
<b>Total fund balance</b>			<b><u>428,919</u></b>
<b>Total liabilities and fund balance</b>		<b>\$</b>	<b><u>428,919</u></b>

*See notes to Funds financial statements.*

**City of La Puente**  
**Measure M Local Return Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Year ended June 30, 2018**

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<b>Revenues</b>	
Measure M	\$ 425,550
Interest income	3,369
<b>Total revenues</b>	<u>428,919</u>
 <b>Expenditures</b>	
Various projects	-
<b>Total expenditures</b>	<u>-</u>
 Excess of revenues over expenditures	 428,919
 Fund balance at beginning of year	 <u>-</u>
 Fund balance at end of year	 <u>\$ 428,919</u>

*See notes to Funds financial statements.*

City of La Puente  
Measure M Local Return Fund  
Supplementary Information

Schedule of Expenditures – Actual and LACMTA Approved Project Budget  
Year ended June 30, 2018

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Project Code	Project Name	LACMTA Budget	Actual	Variance Positive (Negative)
01-001	LSI - Slurry Seal - Zone 3	\$ 120,000	\$ -	\$ 120,000
	<b>Total expenditures</b>	<b>\$ 120,000</b>	<b>\$ -</b>	<b>\$ 120,000</b>

*See report of independent auditors.*

**City of La Puente**  
**Measure M Local Return Fund**  
**Supplementary Information**  
**Schedule of Capital Assets**  
**Year ended June 30, 2018**

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<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
None		\$ -	\$ -	\$ -	\$ -
	<b>Total</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*See report of independent auditors.*

**City of La Puente**  
**Transportation Development Act Article 3 Fund**  
**Pursuant to Public Utilities Code Section 99234**  
**Balance Sheets**

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		June 30	
		2018	2017
<b>ASSETS</b>			
Due from LACMTA		\$ -	\$ 1,566
	<b>Total assets</b>	\$ -	\$ 1,566
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Cash overdraft		\$ -	\$ 1,566
	<b>Total liabilities</b>	-	1,566
<b>Fund balance</b>			
Restricted		-	-
	<b>Total fund balance</b>	-	-
	<b>Total liabilities and fund balance</b>	\$ -	\$ 1,566

*See notes to Funds financial statements.*



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

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		Years ended June 30	
		2018	2017
<b>Revenues</b>			
Intergovernmental Allocations:			
Article 3	\$	-	\$ 50,000
<b>Total revenues</b>		-	50,000
 <b>Expenditures</b>			
Major Street Resurface/Improvement		-	50,000
<b>Total expenditures</b>		-	50,000
Excess of revenues over expenditures		-	-
Fund balance at beginning of year		-	-
Fund balance at end of year	\$	-	-

*See notes to Funds financial statements.*

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Fund Accounting**

The operations of the Proposition A Local Return Fund (PALRF), the Proposition C Local Return Fund (PCLRF), the Measure R Local Return Fund (MRLRF), the Measure M Local Return Fund (MMLRF) and the Transportation Development Act Article 3 Fund (TDAA3F) (collectively, the Funds) are accounted for in separate sets of self-balancing accounts that comprise their assets, liabilities, fund balance, revenues and expenditures.

PALRF and PCLRF represent 25% and 20%, respectively, of the ½ cent Proposition A and ½ cent Proposition C sales taxes which are distributed to the jurisdictions within Los Angeles County based on population and must be used exclusively for transportation related programs and projects.

MRLRF is derived from 15% of the county-wide ½ cent Measure R sales tax which is distributed to the jurisdictions within Los Angeles County based on a per capita basis and must be used exclusively for transportation purposes.

MMLRF is derived from 17% of the county-wide ½ cent Measure M sales tax which is distributed to the jurisdictions within Los Angeles County based on a per capita basis and must be used exclusively for transportation purposes.

TDAA3F is a Special Revenue Fund that accounts for the City's share of the Transportation Development Act Article 3 allocations which are legally restricted for specific purposes.

**Basis of Accounting and Measurement Focus**

The PALRF, PCLRF, MRLRF, MMLRF and TDAA3F are reported as Special Revenue Funds of the City and are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become "susceptible to accrual", that is, measurable and available to finance expenditures of the current period. Expenditures are recorded when the liability is incurred.

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

**Budgets and Budgetary Accounting**

The budgeted amounts presented in this report for comparison to the actual amounts are based on budgets approved by LACMTA and are presented in accordance with accounting principles generally accepted in the United States of America.

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Measurement**

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, the City categorizes its fair value measurement within the fair value hierarchy that is based on the valuation inputs used to measure the fair value of the investment. Level 1 inputs are quoted prices in active markets for identical investments; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Accordingly, the City reports its investments at fair value and recognizes unrealized gain (loss) on investments.

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

**Fund Balance Reporting**

Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes the fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The PALRF, PCLRF, MRLRF, MMLRF and TDAA3F report the following fund balance classification as of June 30, 2018 and 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 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, MMLRF and TDAA3F, and do not purport to, and do not present fairly the City's financial position as of June 30, 2018 and 2017, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

The Proposition A Ordinance requires that Local Return (LR) funds be used exclusively to benefit public transit. Expenditures related to fixed route and paratransit services, Transportation Demand Management, Transportation Systems Management and fare subsidy programs that exclusively benefit transit are all eligible uses of Proposition A LR funds. Proposition A LR funds may also be traded with other Jurisdictions in exchange for general or other funds.

The Proposition C Ordinance directs that LR funds also be used to benefit public transit, as described above, but provides an expanded list of eligible project expenditures including Congestion Management Programs, bikeways and bike lanes, street improvements supporting public transit service, and Pavement Management System projects. Proposition C LR funds cannot be traded.

Proposition A and Proposition C LR funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated.

In accordance with *Proposition A and Proposition C Local Return Program Guidelines*, funds received pursuant to these guidelines may only be used for Proposition A and Proposition C Local Return approved programs. See accompanying Compliance Matrix.

**NOTE 4      MEASURE R LOCAL RETURN COMPLIANCE REQUIREMENTS**

The Measure R Ordinance specifies that LR funds be used exclusively for transportation purposes.

Measure R LR funds must be expended within five years of the first day of the fiscal year in which funds were originally allocated or received.

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

**NOTE 5      MEASURE M LOCAL RETURN COMPLIANCE REQUIREMENTS**

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

Measure M LR funds must be expended within five years of the first day of the fiscal year in which funds were originally allocated or received.

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

**NOTE 6      TRANSPORTATION DEVELOPMENT ACT COMPLIANCE REQUIREMENTS**

In accordance with *Public Utilities Code Section 99234*, funds received pursuant to this Code's section may only be used for activities relating to pedestrians and bicycle facilities. See accompanying Compliance Matrix.

**NOTE 7      CASH AND INVESTMENTS**

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

Please refer to the City's Comprehensive Annual Financial Report (CAFR) for a full description of risks relating to cash and investments.

**NOTE 8      PROJECT GENERATED REVENUES**

Project generated revenues under PALRF for the years ended June 30, 2018 and 2017 consisted of the following:

		2018		2017
Transit bus passes	\$	92,694	\$	95,470
Shuttle fares		39,858		42,451
Dial-A-Ride fares		1,012		899
Total project generated revenues	\$	133,564	\$	138,820

**NOTE 9      PROJECT REIMBURSEMENTS – PCLRF**

During the fiscal year 2016/17, the City received a reimbursement amounting to \$28,059 from Surface Transportation Program – Local (STPL), a Federal Grant, for the Temple Avenue Project. The project was being funded by both PCLRF and STPL and was completed in FY 2015. In addition, the City received \$1,955 from Southern California Edison as a refund of the amount paid in excess of the actual costs of the relocation of equipment for the same project.

**NOTE 10     TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND REVENUE ALLOCATION**

The revenue allocations for the years ended June 30, 2018 and 2017 consisted of the following:

		2018		2017
FY 2014/15 allocation	\$	-	\$	5,409
FY 2015/16 allocation		-		25,801
FY 2016/17 allocation		-		18,790
Total allocation	\$	-	\$	50,000

**NOTE 11      TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUNDS RESERVED**

In accordance with TDA Article 3 (SB821) Guidelines, funds which will not be spent during the fiscal year have been placed on reserve in the Local Transportation Fund (LTF) account with the County Auditor-Controller to be drawn down whenever the funds become eligible for a specific project and an approved drawdown request is received by LACMTA. As of June 30, 2018 and 2017, the City has funds on reserve as follows:

		<u>2018</u>		<u>2017</u>
FY 2016/17 allocation	\$	<u>8,179</u>	\$	8,179
FY 2017/18 allocation		<u>26,398</u>		-
Total reserve	\$	<u><u>34,577</u></u>	\$	<u><u>8,179</u></u>

For FY 2017/18, any TDA Article 3 funds left on reserve for FY 2013/14 or prior, are subject to lapse if not claimed by the City by June 30, 2018. There were no funds that lapsed in FY 2017/18.

**NOTE 12      SUBSEQUENT EVENTS**

The City has evaluated subsequent events through December 19, 2018, the date the financial statements were available to be issued, and concluded no events have occurred that require disclosure or adjustments to the financial statements.

**Report of Independent Auditors on Internal Control over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

**To the Honorable Members of the City Council of the  
City of Puente, California and the  
Los Angeles County Metropolitan Transportation Authority**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of La Puente, California (the City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated December 19, 2018.

**Internal Control over Financial Reporting**

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

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

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



## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

A handwritten signature in black ink that reads "Vaqueria &amp; Company LLP".

**Glendale, California  
December 19, 2018**



**COMPLIANCE SECTION**

## **Report of Independent Auditors on Compliance**

**To the Members of the City Council of the  
City of La Puente, California and the  
Los Angeles County Metropolitan Transportation Authority**

### **Report on Compliance**

We have audited the compliance of the City of La Puente, California (the City) with the Proposition A and Proposition C Local Return Guidelines, Measure R Local Return Guidelines, Measure M Local Return Guidelines, Transportation Development Act Article 3, and the Los Angeles County Metropolitan Transportation Authority's Funding and Allocation Guidelines for Transportation Development Act Article 3 Bicycle and Pedestrian Funds (collectively, the Guidelines) for the year ended June 30, 2018.

#### ***Management's Responsibility***

Management is responsible for the City's compliance with the Guidelines.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on the City's compliance with the Guidelines based on our audit. We conducted our audit of compliance in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the Guidelines. Those standards and the Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the Proposition A Local Return Program, Proposition C Local Return Program, Measure R Local Return Program, Measure M Local Return Program and Transportation Development Act Article 3 Program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the Guidelines. However, our audit does not provide a legal determination of the City's compliance with the Guidelines.

#### ***Opinion***

In our opinion, the City of La Puente, California complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2018.



### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance with the requirements, which is described in the accompanying Schedule of Findings and Questioned Costs as Finding #2018-001. Our opinion is not modified with respect to this matter.

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

### **Report on Internal Control over Compliance**

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

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

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

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

A handwritten signature in black ink that reads "Vaquez &amp; Company LLP".

**Glendale, California  
December 19, 2018**

**City of La Puente  
Compliance Matrix  
Year ended June 30, 2018**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
<b>A. Proposition A and Proposition C Local Return Funds</b>					
1. Uses the State Controller's Uniform System of Accounts and Records.	X				
2. Timely use of funds.	X				
3. Funds expended were approved and have not been substituted for property tax.		X			See Finding #2018-001
4. Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A)	X				
5. Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	X				
6. All on-going and carryover projects were reported in Form B.	X				
7. Annual Project Summary Report (Form B) was submitted timely.	X				
8. Annual Expenditure Report (Form C) was submitted timely.	X				
9. Cash or cash equivalents are maintained.	X				
10. Accounting procedures, record keeping and documentation are adequate.	X				
11. Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	X				
12. Local Return Account is credited for reimbursable expenditures.			X		
13. Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.			X		
14. Assurances and Understandings form was on file.	X				
15. Recreational Transit Form was submitted timely.	X				

*See report of independent auditors on compliance.*

**City of La Puente  
Compliance Matrix  
Year ended June 30, 2018**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
<b>B. Measure R Local Return Fund</b>					
1. Funds were expended for transportation purposes.	X				
2. Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	X				
3. Signed Assurances and Understandings on file.	X				
4. Separate Measure R Local Return Account was established.	X				
5. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X				
6. Funds were expended with LACMTA's approval.	X				
7. Expenditure Plan (Form One) was submitted timely.	X				
8. Expenditure Report (Form Two) was submitted timely.	X				
9. Timely use of funds.	X				
10. Administrative expenses are within the 20% cap.			X		No administrative expenses were charged to MRLRF.
11. Fund exchanges were approved by LACMTA.			X		
12. A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.			X		
13. Recreational transit form was submitted timely.			X		

*See report of independent auditors on compliance.*

**City of La Puente  
Compliance Matrix  
Year ended June 30, 2018**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
<b>C. Measure M Local Return Fund</b>					
1. Funds were expended for transportation purposes.			X		There were no expenditures in FY 2017/18.
2. Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a fund shortfall.			X		There were no expenditures in FY 2017/18.
3. Signed Assurances and Understandings on file.	X				
4. Separate Measure M Local Return Account was established.	X				
5. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	X				
6. Funds were expended with LACMTA's approval.			X		There were no expenditures in FY 2017/18.
7. Expenditure Plan (Form M-One) was submitted timely.			X		There were no expenditures in FY 2017/18.
8. Expenditure Report (Form M-Two) was submitted timely.	X				
9. Timely use of funds.	X				
10. Administrative expenses are within the 20% cap.			X		There were no expenditures in FY 2017/18.
11. Fund exchanges were approved by LACMTA.			X		
12. A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.			X		
13. Recreational transit form was submitted timely.			X		

*See report of independent auditors on compliance.*

**City of La Puente  
Compliance Matrix  
Year ended June 30, 2018**

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Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
<b>D. Transportation Development Act Article 3 Fund</b>					
1. Timely use of funds.	X				
2. Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.			X		There were no expenditures in FY 2017/18.

*See report of independent auditors on compliance.*

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**



**City of La Puente**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2018**

**PCLRF: Finding #2018-001**

<b>Compliance Reference</b>	Section I(C) of the Proposition A and C Local Return Guidelines states that. “ Jurisdictions shall submit for approval a Project Description Form (Form A) prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects.”
<b>Condition</b>	<p>The City claimed expenditures for project code 450-01, Valley Boulevard CMP Improvements, totaling \$12,250, with no prior approval from LACMTA.</p> <p>Although we found the expenditures to be eligible for Local Return funding, this project had no prior approval from LACMTA.</p> <p>LACMTA Program Manager subsequently granted a retroactive approval of the said project on August 30, 2018.</p>
<b>Cause</b>	Due to staff changes in the Administrative Services Department, the Form A was not submitted for approval to LACMTA in a timely manner.
<b>Effect</b>	Proposition C Local Return Funds were expended towards project expenditures without prior approval by LACMTA.
<b>Recommendation</b>	We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on any Local Return-funded projects.
<b>Management’s Response</b>	City staff agrees with the finding and has put a procedure in place to verify that LACMTA approval has been obtained prior to the expenditure of funds. Under this procedure a designated staff member will review and complete all necessary documents for submission to LACMTA. A mid-year review will also take place and any forms will be updated as needed.
<b>Finding Corrected During the Audit</b>	LACMTA Program Manager granted retroactive approval of the said project on August 30, 2018. No additional follow up is required.

**EXIT CONFERENCE**

An exit conference was held on December 19, 2018 with the City of La Puente representative. Those in attendance were:

Vasquez and Company LLP representative:  
Marialyn Salvador – Audit Senior Manager

City of La Puente representative:  
Troy Grunklee – Finance Manager

Matters discussed:

Results of the audit disclosed an instance of noncompliance with LACMTA Guidelines.

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

Troy Grunklee – Finance Manager



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

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