



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

**City of Baldwin Park  
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, 2017 and 2016  
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 Baldwin Park, 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, Proposition C Local Return Fund, Measure R Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds), of the City of Baldwin Park, California (the City) which comprise the Funds' balance sheets as of June 30, 2017 and 2016, and the related statements of revenues, expenditures and changes in fund balances for the years then ended, and the related notes to the financial statements.

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

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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 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 of the City of Baldwin Park, California, as of June 30, 2017 and 2016, 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.

## **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 15, 2017 on our consideration of the City's internal control over the Funds' financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over the Funds' financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over the Funds' financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over the Funds' financial reporting and compliance.

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

**Los Angeles, California  
December 15, 2017**

**City of Baldwin Park  
Proposition A Local Return Fund  
Balance Sheets**

		June 30	
		2017	2016
<b>ASSETS</b>			
Cash and investments	\$	596,724	\$ 314,443
Accounts receivable		-	40
Interest receivable		604	204
<b>Total assets</b>	<b>\$</b>	<b>597,328</b>	<b>\$ 314,687</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$	152,190	\$ 12,774
Accrued payroll and employee benefits		1,823	4,067
<b>Total liabilities</b>		<b>154,013</b>	<b>16,841</b>
<b>Fund balance</b>			
Restricted		443,315	297,846
<b>Total fund balance</b>		<b>443,315</b>	<b>297,846</b>
<b>Total liabilities and fund balance</b>	<b>\$</b>	<b>597,328</b>	<b>\$ 314,687</b>

*See notes to Funds financial statements.*

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

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	Years ended June 30	
	2017	2016
<b>Revenues</b>		
Proposition A	\$ 1,405,904	\$ 1,384,725
Proposition A Discretionary Incentive Program Grant	-	268,731
Interest income	2,663	1,630
Project generated revenues	48,869	30,352
Other revenues	22,443	4,772
<b>Total revenues</b>	<b>1,479,879</b>	<b>1,690,210</b>
<b>Expenditures</b>		
Various projects	1,334,410	2,336,264
<b>Total expenditures</b>	<b>1,334,410</b>	<b>2,336,264</b>
Excess (deficiency) of revenues over expenditures	145,469	(646,054)
Fund balance at beginning of year	297,846	943,900
Fund balance at end of year	\$ 443,315	\$ 297,846

*See notes to Funds financial statements.*

**City of Baldwin Park**  
**Proposition A Local Return Fund**  
**Supplementary Information**  
**Schedule of Expenditures – Actual and LACMTA Approved Project Budget**  
**Year ended June 30, 2017**  
**(With Comparative Actuals for 2016)**

Project Code	Project Name	2017			2016 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
110-01	Fixed Route Shuttle Service	\$ 750,000	\$ 923,100	\$ (173,100) <sup>a</sup>	\$ 700,992
120-02	Dial-A-Ride Services	230,000	182,217	47,783	114,921
140-01	Recreational Transit	35,000	40,352	(5,352)	38,559
200-01	Transit Buses	-	57,524	(57,524) *	1,027,266
480-01	General Administration Prop C	180,000	131,217	48,783	454,526
<b>Total expenditures</b>		<b>\$ 1,195,000</b>	<b>\$ 1,334,410</b>	<b>\$ (139,410)</b>	<b>\$ 2,336,264</b>

<sup>a</sup> The actual variance after considering other funding sources is calculated as follows:

LACMTA Budget		\$ 750,000
Total expenditures	\$ 923,100	
Less: Farebox revenue	<u>24,291</u>	
PALRF expenditures		<u>898,809</u>
Actual Variance Positive (Negative)		<u>\$ (148,809)</u>

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

*See report of independent auditors.*



**City of Baldwin Park**  
**Proposition A Local Return Fund**  
**Supplementary Information**  
**Schedule of Capital Assets**  
**Year ended June 30, 2017**

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
12/1982	Park and Ride Lot	\$ 260,000	\$ -	\$ -	\$ 260,000
01/1984	1984 Ford Press Van	22,670	-	-	22,670
12/1988	Motorola Trunk Portable Radio	1,059	-	-	1,059
12/1990	HP Laser Jet II Printer	1,703	-	-	1,703
06/1993	Bus Pad - Puente Ave	26,675	-	-	26,675
06/1993	Commuter Rail	1,192,269	-	-	1,192,269
02/1996	Computer 486 W117" Monitor	1,650	-	-	1,650
02/1996	HP 4P Printer	1,012	-	-	1,012
05/2001	Intec Camera System - Rearview	2,268	-	-	2,268
08/2001	Power Pressure Washer	11,217	-	-	11,217
04/2002	Ice Machine	2,305	-	-	2,305
12/2002	(5) Transit Buses	1,077,500	-	-	1,077,500
12/2004	Additional Cost for Buses	101,809	-	-	101,809
04/2016	(5) El Dorado EZ Rider II Max White CNG Buses	1,027,266	-	-	1,027,266
	<b>Total</b>	<b>\$ 3,729,403</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,729,403</b>

*See report of independent auditors.*

**City of Baldwin Park  
Proposition C Local Return Fund  
Balance Sheets**

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		June 30	
		2017	2016
<b>ASSETS</b>			
Cash and investments	\$	3,161,361	\$ 2,776,130
Interest receivable		2,770	1,876
<b>Total assets</b>	<b>\$</b>	<b><u>3,164,131</u></b>	<b><u>\$ 2,778,006</u></b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$	5,324	\$ 40,218
Accrued payroll and employee benefits		13,707	16,254
<b>Total liabilities</b>		<b><u>19,031</u></b>	<b><u>56,472</u></b>
<b>Fund balance</b>			
Restricted		<u>3,145,100</u>	<u>2,721,534</u>
<b>Total fund balance</b>		<b><u>3,145,100</u></b>	<b><u>2,721,534</u></b>
<b>Total liabilities and fund balance</b>	<b>\$</b>	<b><u>3,164,131</u></b>	<b><u>\$ 2,778,006</u></b>

*See notes to Funds financial statements.*

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

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	Years ended June 30	
	2017	2016
<b>Revenues</b>		
Proposition C	\$ 1,169,922	\$ 1,151,695
Interest income	13,035	5,472
<b>Total revenues</b>	<b>1,182,957</b>	<b>1,157,167</b>
<b>Expenditures</b>		
Various projects	759,391	543,913
<b>Total expenditures</b>	<b>759,391</b>	<b>543,913</b>
Excess of revenues over expenditures	423,566	613,254
Fund balance at beginning of year	2,721,534	2,108,280
Fund balance at end of year	\$ 3,145,100	\$ 2,721,534

*See notes to Funds financial statements.*

**City of Baldwin Park**  
**Proposition C Local Return Fund**  
**Supplementary Information**  
**Schedule of Expenditures – Actual and LACMTA Approved Project Budget**  
**Year ended June 30, 2017**  
**(With Comparative Actuals for 2016)**

Project Code	Project Name	2017			2016 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
150-01	Bus Shelter Improvements	\$ 334,000	\$ -	\$ 334,000	\$ 30,052
170-01	Landscaping at Metrolink	80,000	62,692	17,308	70,260
170-02	Bus Shelter Maintenance	90,000	78,628	11,372	61,168
180-01	Purchase of a Pressure Washer for Bus Shelter Maintenance	400,000	-	400,000	-
230-02	Park/Ride Lot - Utilities	15,000	3,897	11,103	3,236
230-03	Landscaping I-10, Puente Ave, Baldwin Park Blvd	42,000	49,345	(7,345)	28,543
230-04	Graffiti Abatement at Metro Station	60,000	70,569	(10,569)	40,716
300-01	Baldwin Park Transit Center Parking Structure et al	45,000	60,149	(15,149)	-
410-01	Two Traffic Signals at Los Angeles St and La Rica Ave and Baldwin Park Blvd and Ohio St	-	-	-	203,110
430-01	San Gabriel River Commuter Bikeway Project	315,000	-	315,000	-
450-02	Corak Ave Storm Drain Project	-	285,240	(285,240) *	-
480-02	General Administration Prop C	505,240	148,871	356,369	106,828
	<b>Total expenditures</b>	<b>\$ 1,886,240</b>	<b>\$ 759,391</b>	<b>\$ 1,126,849</b>	<b>\$ 543,913</b>

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

*See report of independent auditors.*

**City of Baldwin Park**  
**Proposition C Local Return Fund**  
**Supplementary Information**  
**Schedule of Capital Assets**  
**Year ended June 30, 2017**

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<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
1992-93	Commuter Rail	\$ 206,000	\$ -	\$ -	\$ 206,000
1992-93	Computer	2,246	-	-	2,246
1999-00	Airless Paint Sprayer	3,895	-	-	3,895
2001-02	Paint Sprayer	3,779	-	-	3,779
2003-04	5 Gallon Shaker	5,950	-	-	5,950
2013-14	Transit Center	2,722,776	-	-	2,722,776
	<b>Total</b>	<b>\$ 2,944,646</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,944,646</b>

*See report of independent auditors.*

**City of Baldwin Park  
Measure R Local Return Fund  
Balance Sheets**

		June 30	
		2017	2016
<b>ASSETS</b>			
Cash and investments	\$	1,733,510	\$ 2,237,816
Interest receivable		2,238	1,665
<b>Total assets</b>	<b>\$</b>	<b><u>1,735,748</u></b>	<b><u>\$ 2,239,481</u></b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$	47,452	\$ 53,710
Accrued payroll and employee benefits		7,711	11,938
<b>Total liabilities</b>		<b><u>55,163</u></b>	<b><u>65,648</u></b>
<b>Fund balance</b>			
Restricted		1,680,585	2,173,833
<b>Total fund balance</b>		<b><u>1,680,585</u></b>	<b><u>2,173,833</u></b>
<b>Total liabilities and fund balance</b>	<b>\$</b>	<b><u>1,735,748</u></b>	<b><u>\$ 2,239,481</u></b>

*See notes to Funds financial statements.*

**City of Baldwin Park**  
**Measure R Local Return Fund**

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

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		Years ended June 30	
		2017	2016
<b>Revenues</b>			
Measure R	\$	874,832	\$ 861,966
Interest income		10,270	5,524
Other revenue		-	475
<b>Total revenues</b>		<b>885,102</b>	<b>867,965</b>
<b>Expenditures</b>			
Various projects		1,378,350	1,208,845
<b>Total expenditures</b>		<b>1,378,350</b>	<b>1,208,845</b>
Deficiency of revenues over expenditures		(493,248)	(340,880)
Fund balance at beginning of year		2,173,833	2,514,713
Fund balance at end of year	\$	<b>1,680,585</b>	<b>\$ 2,173,833</b>

*See notes to Funds financial statements.*

**City of Baldwin Park**  
**Measure R Local Return Fund**  
**Supplementary Information**  
**Schedule of Expenditures – Actual and LACMTA Approved Project Budget**  
**Year ended June 30, 2017**  
**(With Comparative Actuals for 2016)**

Project Code	Project Name	2017		Variance Positive (Negative)	2016 Actual
		LACMTA Budget	Actual		
01-001	Street Improvements Per New Complete Streets Policy	\$ 500,000	\$ 254,310	\$ 245,690	\$ 275,574
01-002	Maine Ave Complete Streets Project	140,000	26,817	113,183	69,611
01-004	Street Repair and Median Modifications on Bus Routes	610,000	452,888	157,112	467,133
01-005	Corak Storm Drain Street Rehabilitation	50,000	38,912	11,088	-
04-003	Transit Facility Graffiti Abatement	60,000	62,112	(2,112)	54,747
05-001	Bus Stop Repairs - Repair/Replace Damages Shelter and Benches	10,000	13,526	(3,526)	8,880
05-005	Metrolink Station Maintenance	10,000	9,887	113	6,969
05-006	Advertisement Banner Pole	50,000	5,141	44,859	-
06-003	Promote Transportation Program - Outreach Material to Public	4,000	-	4,000	-
07-001	SGVCOG Dues and TDM Related Activities Required by the CMP	4,903	16,212	(11,309)	5,345
07-002	Planning and Engineering for Eligible Projects	60,000	24,690	35,310	67,319
08-001	Administration of Projects and Programs	300,000	268,396	31,604	235,688
2-005	Synchronize Traffic Signals on Pacific Ave and on Maine Ave	15,000	40,038	(25,038)	-
2-006	Install New Traffic Signal at Los Angeles St and Hornbrook Ave	160,000	165,421	(5,421)	17,579
<b>Total expenditures</b>		<b>\$ 1,973,903</b>	<b>\$ 1,378,350</b>	<b>\$ 595,553</b>	<b>\$ 1,208,845</b>

*See report of independent auditors.*



**City of Baldwin Park**  
**Measure R Local Return Fund**  
**Supplementary Information**  
**Schedule of Capital Assets**  
**Year ended June 30, 2017**

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<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
2013-14	Transit Center	\$ 429,599	\$ -	\$ -	429,599
<b>Total</b>		<b>\$ 429,599</b>	<b>\$ -</b>	<b>\$ -</b>	<b>429,599</b>

*See report of independent auditors.*

City of Baldwin Park  
 Transportation Development Act Article 3 Fund  
 Pursuant to Public Utilities Code Section 99234  
 Balance Sheets

		June 30	
		2017	2016
<b>ASSETS</b>			
Cash	\$	3,564	\$ 4,487
Due from LACMTA		100,000	-
Interest receivable		3	-
<b>Total assets</b>	<b>\$</b>	<b>103,567</b>	<b>\$ 4,487</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Due to LACMTA	\$	-	\$ 937
<b>Total liabilities</b>		<b>-</b>	<b>937</b>
<b>Fund balance</b>			
Restricted		103,567	3,550
<b>Total fund balance</b>		<b>103,567</b>	<b>3,550</b>
<b>Total liabilities and fund balance</b>	<b>\$</b>	<b>103,567</b>	<b>\$ 4,487</b>

See notes to Funds financial statements.

**City of Baldwin Park**  
**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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	<b>Years ended June 30</b>	
	<b>2017</b>	<b>2016</b>
<b>Revenues</b>		
Intergovernmental Allocations:		
Article 3	\$ 100,000	\$ 60,000
Interest income	17	5
<b>Total revenues</b>	<b>100,017</b>	<b>60,005</b>
<b>Expenditures</b>		
Construction/Maintenance	-	65,389
<b>Total expenditures</b>	<b>-</b>	<b>65,389</b>
Excess (deficiency) of revenues over expenditures	<b>100,017</b>	<b>(5,384)</b>
Fund balance at beginning of year	<b>3,550</b>	<b>8,934</b>
Fund balance at end of year	<b>\$ 103,567</b>	<b>\$ 3,550</b>

*See notes to Funds financial statements.*

**City Baldwin Park**  
**Transportation Development Act Article 3 Fund**  
**Pursuant to Public Utilities Code Section 99234**  
**Supplementary Information**  
**Schedule of Transportation Development Act Allocation for Specific Projects**  
**Year ended June 30, 2017**

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<b>Project Description</b>	Program <u>Year</u>	Totals to Date		<u>Unexpended Allocations</u>	<u>Project Status</u>
		<u>Allocations</u>	<u>Expenditures</u>		
<b>Local Allocations:</b>					
San Gabriel River Bikeway Project	2017	\$ 50,000	\$ -	\$ 50,000	On-going
City Sidewalk Improvement with Bus Shelter Project	2017	<u>50,000</u>	<u>-</u>	<u>50,000</u>	On-going
<b>Totals</b>		<u>\$ 100,000</u>	<u>\$ -</u>	<u>100,000</u>	
Interest income				17	
Fund balance at beginning of year				<u>3,550</u>	
Fund balance at end of year				<u>\$ 103,567</u> *	

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

*See report of independent auditors.*

**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) 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 a county-wide ½ cent sales tax which is distributed to the jurisdictions within Los Angeles County based on a per capita basis and must be used exclusively for transportation purposes.

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, 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 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, 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 the City's Comprehensive Annual Financial Report.

**NOTE 2      ANNUAL FINANCIAL STATEMENTS**

The financial statements reflect only the financial position and results of operations of the PALRF, PCLRF, MRLRF and TDAA3F, and do not purport to, and do not present fairly the City's financial position as of June 30, 2017 and 2016, 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      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 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 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 7 PROPOSITION A DISCRETIONARY INCENTIVE PROGRAM GRANT**

The Proposition A Discretionary Incentive Program grant represents additional funds received from LACMTA for participating in the Voluntary NTD Program. The amounts received for the years ended June 30, 2017 and 2016 consisted of the following:

	<b>2017</b>	2016
FY 2011/12 Voluntary NTD Reporting Program Year	\$ -	\$ 137,245
FY 2012/13 Voluntary NTD Reporting Program Year	-	131,486
	\$ -	\$ 268,731

The Proposition A Discretionary Incentive Program grants were recorded under PALRF.

**NOTE 8 PROJECT GENERATED REVENUES**

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

	<b>2017</b>	2016
Farebox	\$ <b>24,291</b>	\$ -
Other licenses and permits	<b>24,578</b>	30,352
	\$ <b>48,869</b>	\$ 30,352

Farebox revenues in FY 2015/16 were netted against the expenditures for the fixed route shuttle service.



**NOTE 9 OTHER REVENUES**

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

		2017		2016
Bus shelter maintenance	\$	11,222		-
Bus shelter advertising		7,784		-
Others		3,437		4,772
	\$	22,443		4,772

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

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

		2017		2016
FY 2012/13 allocation	\$	-	\$	11,406
FY 2013/14 allocation		13,248		48,594
FY 2014/15 allocation		50,366		-
FY 2015/16 allocation		36,386		-
	\$	100,000	\$	60,000

**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, 2017 and 2016, the City has funds on reserve as follows:

		2017		2016
FY 2013/14 allocation	\$	-	\$	13,248
FY 2014/15 allocation		-		50,366
FY 2015/16 allocation		12,498		48,884
FY 2016/17 allocation		51,051		-
	\$	63,549	\$	112,498

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

**NOTE 12 SUBSEQUENT EVENTS**

The City has evaluated subsequent events through December 15, 2017, 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 Baldwin Park, 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 and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Baldwin Park, California (the City) as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated December 15, 2017.

**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, 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.

**Los Angeles, California  
December 15, 2017**

**COMPLIANCE SECTION**

## Report of Independent Auditors on Compliance

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

### Report on Compliance

We have audited the compliance of the City of Baldwin Park, California (the 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 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 the Guidelines.

#### ***Auditors' 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 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, 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 Baldwin Park, California complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2017.



### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance with the requirements, which are described in the accompanying Schedule of Findings and Questioned Costs as Findings #2017-001 through #2017-004. Our opinion is not modified with respect to these matters.

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

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

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

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

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

**Los Angeles, California  
December 15, 2017**

**City of Baldwin Park  
Compliance Matrix  
Year ended June 30, 2017**

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 #2017-001
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 on time.		X			See Finding #2017-002
8. Annual Expenditure Report (Form C) was submitted on time.	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 on time.	X				

*See report of independent auditors on compliance.*

**City of Baldwin Park  
Compliance Matrix  
Year ended June 30, 2017**

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 on time.		X			See Finding #2017-003
8. Expenditure Report (Form Two) was submitted on time.	X				
9. Timely use of funds.	X				
10. Administrative expenses are within the 20% cap.	X				
11. Fund exchanges were approved by LACMTA.			X		
12. A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.			X		
13. Recreational transit form was submitted on time.			X		
<b>C. 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			See Finding #2017-004

*See report of independent auditors on compliance.*



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**City of Baldwin Park**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2017**

**PALRF & PCLRF: Finding #2017-001**

<b>Compliance Reference</b>	Section 1(C) states that, "Jurisdiction shall submit for approval a Project Description Form 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 greater change in an approved LR project budget on all operating or capital LR projects."
<b>Condition</b>	<p>The City claimed expenditures under the following projects with no prior approval from LACMTA.</p> <ul style="list-style-type: none"> <li>a. PALRF Project code 200-01, Transit Buses, totaling to \$57,524; and</li> <li>b. PCLRF Project code 450-02, Corak Ave Storm Drain Project, totaling \$100,967.</li> </ul> <p>Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from LACMTA.</p> <p>LACMTA Program Manager subsequently granted a retroactive approval of the said projects on October 20, 2017 and July 5, 2017, respectively.</p>
<b>Cause</b>	<ul style="list-style-type: none"> <li>a. The City began spending LACMTA funds based on project guidelines while Form B was finalized. The City obtained approval from LACMTA to purchase the buses. The City submitted additional funding (Prop A) request during the fiscal year from LACMTA that was needed to cover the 5% MOU contribution in the amount of \$57,524.</li> <li>b. Prop C funding was approved for the Corak Ave Storm Drain Project but additional funds were required to cover unforeseen underground construction expenditures in the amount of \$100,967.</li> </ul>
<b>Effect</b>	Proposition A funds of \$57,524 and Proposition C funds of \$100,967 were expended towards project expenditures without prior approval by the 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.

**City of Baldwin Park**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2017**

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**PALRF & PCLRF: Finding #2017-001 (Continued)**

<b>Management's Response</b>	The City will ensure that prior approval from LACMTA will be obtained in the future.
<b>Findings Resolved During the Audit</b>	The City subsequently submitted amended Form As and obtained LACMTA's approval for the increase in the project budgets.

**City of Baldwin Park**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2017**

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**PALRF & PCLRF: Finding #2017-002**

<b>Compliance Reference</b>	Section I(C) of the Proposition A and C Local Return (LR) Guidelines states that, "Jurisdictions shall submit on or before August 1 of each fiscal year an Annual Project Update (Form B) to provide current information on all approved on-going and carryover LR Projects".
<b>Condition</b>	The City submitted its Annual Project Update (Form B) on August 18, 2016, 17 days beyond the due date set under the Guidelines.
<b>Cause</b>	The CIP budget was not approved by the Governing Board by August 1, 2016.
<b>Effect</b>	The City's Annual Project Update (Form B) was not submitted timely. The City was not in compliance with the Local Return Guidelines.
<b>Recommendation</b>	We recommend for the City to establish procedures to ensure that all reporting deadlines are met.
<b>Management's Response</b>	The City will ensure that the deadlines will be followed.

**City of Baldwin Park**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2017**

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**MRLRF: Finding #2017-003**

<b>Compliance Reference</b>	Section B (II) (I) of the Measure R Local Return Program Guidelines states that, "To maintain eligibility and meet Measure R LR program compliance requirements, jurisdictions shall submit to LACMTA an Expenditure Plan (Form One) annually by August 1 <sup>st</sup> of each year".
<b>Condition</b>	The City submitted its Expenditure Plan (Form One) on August 18, 2016, 17 days beyond the due date set under the Guidelines.
<b>Cause</b>	The CIP budget was not approved by the Governing Board by August 1, 2016.
<b>Effect</b>	The City's Expenditure Plan (Form One) was not submitted timely. The City was not in compliance with the Local Return Guidelines.
<b>Recommendation</b>	We recommend for the City to establish procedures to ensure that all reporting deadlines are met.
<b>Management's Response</b>	The City will ensure that the deadlines will be followed.

**City of Baldwin Park**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2017**

**TDAA3F: Finding #2017-004**

<b>Compliance Reference</b>	TDA Article 3 Guidelines states that, "Agencies may only draw down the funds that they can spend during the fiscal year in which they were allocated. Agencies are not allowed to have a fund balance at the end of the fiscal year. Any funds drawn down and that remain unspent after the end of the fiscal year must be returned to LACMTA to be placed on reserve for the City under the fiscal year in which they were originally allocated. Agencies must also fully spend any interest accumulated by these funds by the end of the fiscal year in which the funds were allocated".
<b>Condition</b>	The City has unexpended fund balance of \$103,567 as of June 30, 2017.  On October 10, 2017, LACMTA granted the City a one-year extension through June 30, 2018 to use the funds.
<b>Cause</b>	The City anticipated the TDA 3 projects to start in FY 2016-17. However, the projects were delayed due to several reasons. However, the project will be started in FY 2017/18 and the fund will be spent on the approved projects.
<b>Effect</b>	The City has unexpended fund balance of \$103,567, which is required to be returned to LACMTA for reallocation to jurisdictions for discretionary programs of countywide significance.
<b>Recommendation</b>	We recommend for the City to establish procedures and controls to monitor the funding allocation and ensure timely use of the funds and that the City may only drawdown the funds that they can spend during the fiscal year in which they are allocated.
<b>Management's Response</b>	According to the approved projects funding schedule, the City is committed to spend TDA 3 funds in FY 2017/18.
<b>Finding Corrected During the Audit</b>	On October 10, 2017, LACMTA granted the City a one-year extension through June 30, 2018 to use the funds.

**EXIT CONFERENCE**

An exit conference was held on December 15, 2017 with the City of Baldwin Park representatives. Those in attendance were:

Vasquez and Company LLP representatives:  
Cristy Canieda – Audit Partner  
Marialyn Salvador – Audit Senior Manager  
Emer Fabro – Audit Supervisor

City of Baldwin Park representatives:  
Rose Tam – Finance Director  
Tess Anson – Assistant Accounting Manager

Matters discussed:

Results of the audit disclosed instances of noncompliance with the Guidelines.

A copy of this report was forwarded to the following City of Baldwin Park representatives for comments prior to the issuance of the final report:

Rose Tam – Finance Director  
Tess Anson – Assistant Accounting Manager





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