

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

***FOR THE FISCAL YEARS ENDED  
JUNE 30, 2016 AND 2015***



**Metro<sup>®</sup>**



Simpson & Simpson, LLP  
Certified Public Accountants

***CITY OF LOMITA***  
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## *FINANCIAL SECTION*

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SIMPSON & SIMPSON  
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## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the Proposition A Local Return Fund (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), and Transportation Development Act Article 3 Fund (TDAA3F) of the City of Lomita, California (City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, as listed in the table of contents.

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

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our 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 of material misstatement.

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

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



### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the PALRF, PCLRF, MRLRF, and TDAA3F of the City of Lomita, California, as of June 30, 2016, and the respective changes in their financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matter***

The financial statements of the PALRF, PCLRF, MRLRF, and TDAA3F as of and for the year ended June 30, 2015, were audited by other auditors, whose report, dated December 10, 2015, expressed an unmodified opinion on those statements.

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

As discussed in Note 2, the financial statements present only the PALRF, PCLRF, MRLRF, and TDAA3F and do not purport to, and do not, present fairly the financial position of the City of Lomita, California, as of June 30, 2016 and 2015, and the changes in financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Supplementary Information***

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

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

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

In accordance with *Government Auditing Standards*, we have issued our report dated November 11, 2016, on our consideration of the City of Lomita's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read 'Simpson &amp; Simpson'.

Los Angeles, California  
November 11, 2016

***CITY OF LOMITA***

**PROPOSITION A LOCAL RETURN FUND**

**BALANCE SHEETS**

**JUNE 30**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and investments	\$ 601,865	\$ 502,494
Interest receivable	<u>453</u>	<u>249</u>
Total assets	<u>\$ 602,318</u>	<u>\$ 502,743</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	43,307	40,678
Accrued payroll	<u>\$ 1,852</u>	<u>\$ 1,268</u>
Total liabilities	<u>45,159</u>	<u>41,946</u>
<b>Fund Balance</b>		
Restricted	<u>557,159</u>	<u>460,797</u>
Total fund balance	<u>557,159</u>	<u>460,797</u>
Total liabilities and fund balance	<u>\$ 602,318</u>	<u>\$ 502,743</u>

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

***CITY OF LOMITA***

**PROPOSITION A LOCAL RETURN FUND**

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

For the Fiscal Years Ended June 30

	<u>2016</u>	<u>2015</u>
<b>REVENUES</b>		
Proposition A	\$ 372,377	\$ 362,831
Dial-A-Ride Fares	19,571	20,628
Interest income	<u>1,431</u>	<u>667</u>
Total revenues	<u>393,379</u>	<u>384,126</u>
<b>EXPENDITURES</b>		
Various projects	<u>297,017</u>	<u>300,897</u>
Total expenditures	<u>297,017</u>	<u>300,897</u>
Excess of revenues over expenditures	96,362	83,229
Fund balance at beginning of year	<u>460,797</u>	<u>377,568</u>
Fund balance at end of year	\$ <u><u>557,159</u></u>	\$ <u><u>460,797</u></u>

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

***CITY OF LOMITA***

**PROPOSITION A LOCAL RETURN FUND**

**SUPPLEMENTARY INFORMATION**

**SCHEDULE OF EXPENDITURES**

**ACTUAL AND METRO APPROVED PROJECT BUDGET**

For the Fiscal Year Ended June 30, 2016

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2015)

Project Code	Project Name	2016		Variance Favorable (Unfavorable)	2015 Actual
		Metro Budget	Actual		
120-01	Dial-A-Ride & Dial-A-Lift	\$ 270,000	\$ 244,756	\$ 25,244	\$ 243,986
480-01	Direct Administration	53,712	52,261	1,451	56,911
	Total expenditures	<u>\$ 323,712</u>	<u>\$ 297,017</u>	<u>\$ 26,695</u>	<u>\$ 300,897</u>

See accompanying independent auditor's report.



***CITY OF LOMITA***

**PROPOSITION A LOCAL RETURN FUND**

**SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS**

June 30, 2016

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 7/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2016</u>
2007	Park and Ride Lot	\$ 322,259	\$ -	\$ -	\$ 322,259
	Total	<u>\$ 322,259</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 322,259</u>

See accompanying independent auditor's report.

***CITY OF LOMITA***  
**PROPOSITION C LOCAL RETURN FUND**  
**BALANCE SHEETS**  
**JUNE 30**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and investments	\$ 1,205,752	\$ 914,438
Interest Receivable	<u>889</u>	<u>284</u>
Total assets	\$ <u><u>1,206,641</u></u>	\$ <u><u>914,722</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ <u>-</u>	\$ <u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
 <b>Fund Balance</b>		
Restricted	<u>1,206,641</u>	<u>914,722</u>
Total fund balance	<u>1,206,641</u>	<u>914,722</u>
 Total liabilities and fund balance	\$ <u><u>1,206,641</u></u>	\$ <u><u>914,722</u></u>

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

***CITY OF LOMITA***

**PROPOSITION C LOCAL RETURN FUND**

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

For the Fiscal Years Ended June 30

	<u>2016</u>	<u>2015</u>
<b>REVENUES</b>		
Proposition C	\$ 309,135	\$ 301,340
Interest income	<u>2,759</u>	<u>1,148</u>
Total revenues	<u>311,894</u>	<u>302,488</u>
<b>EXPENDITURES</b>		
Various projects	<u>19,975</u>	<u>631,143</u>
Total expenditures	<u>19,975</u>	<u>631,143</u>
Excess (deficiency) of revenues over expenditures	291,919	(328,655)
Fund balance at beginning of year	<u>914,722</u>	<u>1,243,377</u>
Fund balance at end of year	\$ <u><u>1,206,641</u></u>	\$ <u><u>914,722</u></u>

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

***CITY OF LOMITA***

**PROPOSITION C LOCAL RETURN FUND**

**SUPPLEMENTARY INFORMATION**

**SCHEDULE OF EXPENDITURES**

**ACTUAL AND METRO APPROVED PROJECT BUDGET**

For the Fiscal Year Ended June 30, 2016

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2015)

Project Code	Project Name	2016		Variance Favorable (Unfavorable)	2015 Actual
		Metro Budget	Actual		
380-01	Crenshaw Blvd- Lomita Blvd Rebuild/Overlay	\$ 1,200,000	\$ -	\$ 1,200,000	\$ 602,019
450-01	Crenshaw Blvd- Lomita Blvd Rebuild/Overlay	1,200,000	19,975	1,180,025	-
470-01	Prop C for Crenshaw Blvd - Lomita Blvd Rebuild/Overlay Project	-	-	-	18,440
480-01	Direct Administration	-	-	-	10,684
	Total expenditures	<u>\$ 2,400,000</u>	<u>\$ 19,975</u>	<u>\$ 2,380,025</u>	<u>\$ 631,143</u>

See accompanying independent auditor's report.

***CITY OF LOMITA***

**PROPOSITION C LOCAL RETURN FUND**

**SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS**

June 30, 2016

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 7/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2016</u>
2001	Bus Benches and Trash Receptacles	\$ 19,144	\$ -	\$ -	\$ 19,144
2007	Park and Ride Lot	490,000	-	-	490,000
	Total	<u>\$ 509,144</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 509,144</u>

See accompanying independent auditor's report.

***CITY OF LOMITA***

**MEASURE R LOCAL RETURN FUND**

**BALANCE SHEETS**

**JUNE 30**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and investments	\$ 113,132	\$ 436,232
Interest receivable	<u>87</u>	<u>133</u>
Total assets	\$ <u>113,219</u>	\$ <u>436,365</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ <u>1,308</u>	\$ <u>2,175</u>
Total liabilities	<u>1,308</u>	<u>2,175</u>
 <b>Fund Balance</b>		
Restricted	<u>111,911</u>	<u>434,190</u>
Total fund balance	<u>111,911</u>	<u>434,190</u>
 Total liabilities and fund balance	\$ <u>113,219</u>	\$ <u>436,365</u>

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

***CITY OF LOMITA***

**MEASURE R LOCAL RETURN FUND**

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

For the Fiscal Years Ended June 30

	<u>2016</u>	<u>2015</u>
<b>REVENUES</b>		
Measure R	\$ 231,798	\$ 225,771
Interest income	<u>807</u>	<u>501</u>
Total revenues	<u>232,605</u>	<u>226,272</u>
<b>EXPENDITURES</b>		
Various projects	<u>554,884</u>	<u>62,032</u>
Total expenditures	<u>554,884</u>	<u>62,032</u>
Excess (deficiency) of revenues over expenditures	(322,279)	164,240
Fund balance at beginning of year	<u>434,190</u>	<u>269,950</u>
Fund balance at end of year	\$ <u><u>111,911</u></u>	\$ <u><u>434,190</u></u>

The accompanying notes are an integral part of the financial statements

***CITY OF LOMITA***

**MEASURE R LOCAL RETURN FUND**

**SUPPLEMENTARY INFORMATION**

**SCHEDULE OF EXPENDITURES**

**ACTUAL AND METRO APPROVED PROJECT BUDGET**

For the Fiscal Year Ended June 30, 2016

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2015)

Project Code	Project Name	2016		Variance Favorable (Unfavorable)	2015 Actual
		Metro Budget	Actual		
1.05	Street Repair and Maintenance	\$ 54,500	\$ 28,563	\$ 25,937	\$ 49,057
1.05	Planning - Oak St Pavement Rehabilitation	-	-	-	12,975
1.05	Oak St Pavement Rehabilitation Construction	581,500	526,321	55,179	-
	Total expenditures	<u>\$ 636,000</u>	<u>\$ 554,884</u>	<u>\$ 81,116</u>	<u>\$ 62,032</u>

See accompanying independent auditor's report.



***CITY OF LOMITA***

**MEASURE R LOCAL RETURN FUND**

**SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS**

June 30, 2016

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 7/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2016</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

***CITY OF LOMITA***

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

**BALANCE SHEETS**

**JUNE 30**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and investment	\$ <u>-</u>	\$ <u>-</u>
Total assets	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Due to MTA - TDA Article 3 Reserve Account	\$ <u>-</u>	\$ <u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
 <b>Fund Balance</b>		
Reserved	<u>-</u>	<u>-</u>
Total fund balance	<u>-</u>	<u>-</u>
 Total liabilities and fund balance	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

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

***CITY OF LOMITA***

**TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND**

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

For the Fiscal Years Ended June 30

	2016	2015
<b>REVENUES</b>		
Payment from prior year reserve	\$ -	\$ -
Interest income	-	31
Total revenues	-	31
<b>EXPENDITURES</b>		
Construction/Maintenance	-	-
Total expenditures	-	-
Excess of revenues over expenditures	-	31
<b>Other financing uses</b>		
Funds returned to LACMTA	-	(21,985)
Excess (deficiency of revenues over expenditures and other financing sources	-	(21,954)
Fund balance at beginning of year	-	21,954
Fund balance at end of year	\$ -	\$ -

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

***CITY OF LOMITA***

**TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND  
SUPPLEMENTARY INFORMATION**

**SCHEDULE OF TRANSPORTATION DEVELOPMENT ACT  
ALLOCATION FOR SPECIFIC PROJECTS**

For the Fiscal Year Ended June 30, 2016

<u>Project Description</u>	<u>Program Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended Allocations</u>	<u>Project Status</u>
<b>Local allocations</b>					
None	2015-16	\$ -	\$ -	\$ -	
	Total	<u>\$ -</u>	<u>\$ -</u>	-	
Unexpended interest accumulated to date				-	
Fund balance at beginning of year				-	
Fund balance at end of year				<u>\$ -</u>	

See accompanying independent auditor's report.

## ***CITY OF LOMITA***

### **NOTES TO FINANCIAL STATEMENTS** For the Fiscal Years Ended June 30, 2016 and 2015

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### ***Fund Accounting***

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

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

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

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

##### ***Basis of Accounting and Measurement Focus***

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

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

##### ***Budgets and Budgetary Accounting***

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

## ***CITY OF LOMITA***

### **NOTES TO FINANCIAL STATEMENTS** **For the Fiscal Years Ended June 30, 2016 and 2015** **(continued)**

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### ***Fair Value Measurement***

In accordance with GASB Statement No. 72, Fair Value Measurement and Application, which became effective for the fiscal year ended June 30, 2016, the City categorizes its fair value measurement within the fair value hierarchy that is based on the valuation inputs used to measure the fair value of the investment. Level 1 inputs are quoted prices in active markets for identical investments; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Accordingly, the City reports its investments at fair value and recognizes unrealized gain (loss) on investments.

Refer to the City's 2016 Comprehensive Annual Financial Report for detailed disclosures regarding the City's investments policy and fair value measurements.

##### ***Fund Balance Reporting***

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

The PALRF, PCLRF, MRLRF, and TDAA3F report the following fund balance classification as of June 30, 2016:

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

Information regarding the fund balance reporting policy adopted by the City is described in Note 1 to the City's Comprehensive Annual Financial Report.

#### **NOTE 2 – ANNUAL FINANCIAL STATEMENTS**

The financial statements reflect only the financial position and results of operations of the PALRF, PCLRF, MRLRF, and TDAA3F and their compliance with the Proposition A and Proposition C Local Return Program Guidelines, Measure R Local Return Program Guidelines, and Transportation Development Act Article 3 and the Los Angeles County Metropolitan Transportation Authority Funding and Allocation Guidelines for Transportation Development Act Article 3 Bicycle and Pedestrian Funds.

**CITY OF LOMITA**

**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2016 and 2015  
(continued)

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

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

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

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

**NOTE 5 – TRANSPORTATION DEVELOPMENT ACT COMPLIANCE REQUIREMENTS**

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

**NOTE 6 – CASH AND INVESTMENTS**

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

**NOTE 7 – TRANSPORTATION DEVELOPMENT ACT FUNDS RESERVED**

In accordance with TDA Article 3 (SB821) Guidelines, funds not spent during the fiscal year have been placed on reserve in the Local Transportation Fund (LTF) account with the County Auditor-Controller to be drawn down whenever the funds become eligible for a specific project and an approved drawdown request is received by Metro. As of June 30, 2016 and 2015, the City has funds on reserve as follows:

	2016	2015
FY 2013-14 reserve	\$ 14,567	\$ 14,567
FY 2014-15 reserve	13,552	13,552
FY 2015-16 allocation	13,158	-
Available reserve balance	\$ 41,277	\$ 28,119

***CITY OF LOMITA***

**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Years Ended June 30, 2016 and 2015**  
**(continued)**

**NOTE 8 – SUBSEQUENT EVENTS**

The City has evaluated events or transactions that occurred subsequent to June 30, 2016 through November 11, 2016, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined no subsequent matters require disclosure or adjustment to the accompanying financial statements.





SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

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

**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Proposition A Local Return Fund (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), and Transportation Development Act Article 3 (TDAA3F) Fund of the City of Lomita, California (City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated November 11, 2016.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's local return funds and TDAA3F financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements of the Proposition A Local Return Fund (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), and Transportation Development Act Article 3 Fund (TDAA3F) are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

A handwritten signature in black ink that reads "Simpson &amp; Simpson".

Los Angeles, California  
November 11, 2016

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## *COMPLIANCE SECTION*

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SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

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

## Independent Auditor's Report On Compliance

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

### Report on Compliance

We have audited the compliance of the City of Lomita, California (City) with the Proposition A and Proposition C Local Return Guidelines, Measure R Local Return Guidelines, Transportation Development Act Article 3, and the Los Angeles County Metropolitan Transportation Authority's Funding and Allocation Guidelines for the Transportation Development Act Article 3 Bicycle and Pedestrian Funds (Guidelines) for the year ended June 30, 2016.

### *Management's Responsibility*

Management is responsible for the City's compliance with those guidelines.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Guidelines referred to in the preceding paragraph. Those standards and the Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a local return program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the City of Lomita complied, in all material respects, with the compliance requirements referred to above that apply to Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, and Transportation Development Act Article 3 (TDAA3F) Fund for the year ended June 30, 2016.



### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which are required to be reported in accordance with the Guidelines and which are described in the accompanying Schedule of Findings and Recommendations as Finding No. 2016-001. Our opinion on each local return program is not modified with respect to this matter.

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

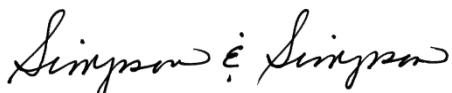
### **Report on Internal Control Over Compliance**

Management of the City of Lomita is responsible for establishing and maintaining effective internal control over compliance with the Requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the Requirements that could have a direct and material effect on the Local Return programs and the TDAA3F to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Requirements, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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



Los Angeles, California  
November 11, 2016

**CITY OF LOMITA**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2016

Compliance Requirement		In Compliance		Questioned Costs	If no, provide details and management response.
		Yes	No		
A. Proposition A and Proposition C Local Return Funds					
1.	Timely use of funds.	X		None	
2.	Expenditures were approved before being incurred.	X		None	
3.	Funds were used on approved projects only and expenditures were supported and allowable per Guidelines.		X	\$20,513.00	See Finding 2016-001 on the Summary of Findings and Recommendations
4.	Expenditures did not exceed 25% of Metro's approved budget.	X		None	
5.	Administrative expenses were within the 20% cap.	X		None	
6.	All on-going and carryover projects were reported in Form B.	X		None	
7.	Annual Project Summary Report (Form B) was submitted on time.	X		None	
8.	Annual Expenditure Report (Form C) was submitted on time.	X		None	
9.	Recreational Transit Form was submitted on time.	N/A		None	
10.	Cash or cash equivalents were maintained.	X		None	
11.	Accounting procedures, record keeping and documentation were adequate.	X		None	
12.	Revenues received including allocations, project generated revenues, and interest income were properly credited to the PALRF and PCLRF accounts.	X		None	

**CITY OF LOMITA**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2016  
(Continued)

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

N/A - Not applicable as the City did not expend funds.

**CITY OF LOMITA**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2016  
(Continued)

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



**CITY OF LOMITA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

June 30, 2016

PALRF - Finding No. 2016-001

<b>Finding</b>	<b>Entity</b>
Compliance Reference	<p>According to Proposition A Local Return Guidelines, Section II, “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance” and Section V, “It is jurisdictions’ responsibility to maintain proper accounting records and documentation...”</p> <p>In addition, LACMTA Local Return Program Manager issued a memo dated on April 29, 2014 to jurisdictions to provide recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines, those recommendations are “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, “(4) Where employees work on multiple activities or cost objectives, a distribution or their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <p style="padding-left: 40px;">(b) A Federal award and non-Federal award.</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p style="padding-left: 40px;">(b) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p style="padding-left: 40px;">(f) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances.”</p>

***CITY OF LOMITA***

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

June 30, 2016

Condition	To support the propriety of expenditures being charged to Proposition A Local Return Fund, payroll expenditures should be supported by properly executed payrolls, time records, activity reports, vouchers, or other official documentation evidencing in proper detail the nature of the charges. For the first 6 months of the year the City did not maintain any payroll records, however, the City conducted a time study to support the second 6 months of the fiscal year. The total payroll expenditures of \$20,513 for Proposition A for Administration were based on an estimate of a percentage of time spent on Proposition A activity rather than employee's actual working hours spent for the Proposition A project. The City provided us with the supporting documentation for the time study; however, it did not adequately support the actual hours or payroll expenditures charged to the project for the first 6 months of the fiscal year.
Cause	The City did not comply with MTA guidelines and indicated that it was not aware that its practice of allocating salaries and fringe benefits to a project was not adequate to support labor costs claimed.
Effect	The payroll costs claimed under the Proposition A Local Return Fund project may include expenditures which may not be an allowable Proposition A project expenditures, resulting in questioned costs of \$20,513.
Recommendation	In accordance with the Guidelines, we recommend that the City reimburse its Proposition A Local Return Fund account by \$20,513. In addition, we recommend that the City revise its current labor costs reporting procedures to ensure that labor costs charged to Local Return Funds are adequately supported by time sheets or similar documentation which includes employees' actual working hours.
Management's Response	Management understands that the City did not fully comply with MTA guidelines with regards to timekeeping for the Proposition A project. During the fiscal year there have been changes in the Finance Department, with the retirement of the Administrative Services Director and Accounting Manager. Management believed that a time study for a three month period would be sufficient evidence for payroll expenditures. Starting in fiscal year 2016/2017, management will ensure that timesheets are kept to charge actual time for the Proposition A project.

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***EXIT CONFERENCE***

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***CITY OF LOMITA***

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

**EXIT CONFERENCE**

June 30, 2016

An exit conference was held on December 14, 2016 with the City of Lomita. Those in attendance were:

***Simpson & Simpson Representative:***

Caprice McGuire, Senior Auditor

***City's Representative:***

Susan Kamada, Administrative Services Director

***Matters Discussed:***

Results of the audit, one finding was noted

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