

***CITY OF SOUTH PASADENA
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***



Simpson & Simpson, LLP
Certified Public Accountants

CITY OF SOUTH PASADENA
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FINANCIAL SECTION



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Independent Auditor's Report

To the Honorable Members of the City Council of the
City of South Pasadena, 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 South Pasadena, 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.





Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the PALRF, PCLRF, MRLRF, and TDAA3F of the City of South Pasadena, 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 March 15, 2016, 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 South Pasadena, 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 South Pasadena, 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 October 14, 2016, on our consideration of the City of South Pasadena'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 that reads "Simpson & Simpson". The signature is written in a cursive, flowing style.

Los Angeles, California
October 14, 2016

CITY OF SOUTH PASADENA

PROPOSITION A LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and investments	\$ 690,373	\$ 561,191
Interest receivable	528	207
Due from LACMTA	14,122	16,967
Miscellaneous receivable	-	111
Total assets	<u>\$ 705,023</u>	<u>\$ 578,476</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 4,250	\$ 8,808
Accrued payroll	<u>2,369</u>	<u>5,577</u>
Total liabilities	<u>6,619</u>	<u>14,385</u>
 Fund Balance		
Restricted	<u>698,404</u>	<u>564,091</u>
Total fund balance	<u>698,404</u>	<u>564,091</u>
Total liabilities and fund balance	<u>\$ 705,023</u>	<u>\$ 578,476</u>

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

CITY OF SOUTH PASADENA

PROPOSITION A LOCAL RETURN FUND

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

For the Fiscal Years Ended June 30

	2016	2015
REVENUES		
Proposition A	\$ 469,505	\$ 457,288
Proposition A Discretionary Incentive Grant (Note7)	14,122	16,967
Project generated revenue (Note 8)	4,934	5,773
Interest income	7,167	2,052
Unrealized gain (loss) on investment	1,234	(257)
Other income	1,014	3,768
Total revenues	497,976	485,591
EXPENDITURES		
Various projects	363,663	287,724
Total expenditures	363,663	287,724
Excess of revenues over expenditures	134,313	197,867
Fund balance at beginning of year	564,091	366,224
Fund balance at end of year	\$ 698,404	\$ 564,091

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

CITY OF SOUTH PASADENA

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			2015 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
130-01	Transit Software	\$ 63,228	\$ 28,194	\$ 35,034	\$ -
130-05	Senior Dial-A-Ride Program	314,900	187,587	127,313	174,721
140-01	Recreational Transit Service	32,475	26,085	6,390	26,183
180-01	Purchase Paratransit Van	88,782	88,763	19	59,100
250-03	Bus Pass Subsidy Program	10,000	7,125	2,875	7,890
480-01	Administration	14,997	25,909	(10,912)	19,830
	Total expenditures	<u>\$ 524,382</u>	<u>\$ 363,663</u>	<u>\$ 160,719</u>	<u>\$ 287,724</u>

See accompanying independent auditor's report.

CITY OF SOUTH PASADENA

PROPOSITION A LOCAL RETURN FUND

**SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS**

June 30, 2016

Date Acquired	Description	Balance 7/1/2015	Additions	Deletions	Balance 6/30/2016
1977	WAS Memorial Bldg Park	\$ 108,861	\$ -	\$ -	\$ 108,861
2003	Chavy Van with Wheelchair	37,644	-	-	37,644
2008	General Coach Crusader	6,000	-	6,000 *	-
2014	CNG Deluxe Passenger Vehicle	59,100	-	-	59,100
2016	Transit Demand Response Transportation Management System	-	28,194	-	28,194
2016	2016 Ford E450 Cutaway CNG Passenger Van	-	88,762	-	88,762
Total		\$ <u>211,605</u>	\$ <u>116,956</u>	\$ <u>6,000</u>	\$ <u>322,561</u>

* The vehicle was disposed in FY 2015.

See accompanying independent auditor's report.

CITY OF SOUTH PASADENA

PROPOSITION C LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and investments	\$ 466,129	\$ 349,907
Interest receivable	325	131
Miscellaneous receivable	<u>3,545</u>	<u>2,768</u>
Total assets	<u>\$ 469,999</u>	<u>\$ 352,806</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ 5,438
Accrued payroll	<u>1,527</u>	<u>6,038</u>
Total liabilities	<u>1,527</u>	<u>11,476</u>
Fund Balance		
Restricted	<u>468,472</u>	<u>341,330</u>
Total fund balance	<u>468,472</u>	<u>341,330</u>
Total liabilities and fund balance	<u>\$ 469,999</u>	<u>\$ 352,806</u>

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

CITY OF SOUTH PASADENA

PROPOSITION C LOCAL RETURN FUND

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

For the Fiscal Years Ended June 30

	2016	2015
REVENUES		
Proposition C	\$ 388,693	\$ 378,782
Interest income	4,569	1,313
Unrealized gain (loss) on investments	889	(61)
Miscellaneous income	38,525	34,915
Total revenues	432,676	414,949
EXPENDITURES		
Various projects	305,534	294,028
Total expenditures	305,534	294,028
Excess of revenues over expenditures	127,142	120,921
Fund balance at beginning of year	341,330	220,409
Fund balance at end of year	\$ 468,472	\$ 341,330

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

CITY OF SOUTH PASADENA

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			2015 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
130-05	Senior Dial-A-Ride Program	\$ 242,746	\$ 216,215	\$ 26,531	\$ 177,779
150-02	Bus Stop Improvement Program	30,000	8,842	21,158	-
180-02	CNG Full Station Upgrade	60,000	33,985	26,015	-
290-01	Mission-Meridian Park and Ride Lot	32,168	20,089	12,079	18,700
440-01	Mission Street Road Rehabilitation	-	-	-	81,089
480-01	Administration	6,989	26,403	(19,414)	16,460
	Total expenditures	<u>\$ 371,903</u>	<u>\$ 305,534</u>	<u>\$ 66,369</u>	<u>\$ 294,028</u>

See accompanying independent auditor's report.

CITY OF SOUTH PASADENA

PROPOSITION C LOCAL RETURN FUND

**SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS**

June 30, 2016

Date Acquired	Description	Balance 7/1/2015	Additions	Deletions	Balance 6/30/2016
2005	Engineering Svd Pavement Management	\$ 21,312	\$ -	\$ -	\$ 21,312
2012	Transit Dispatching Equipment and Software	13,834	-	-	13,834
2012	MV-1 CNG Vehicle	51,721	-	-	51,721
2015	Mission Street Improvements	81,089	-	-	81,089
2016	CNG Ford F250 Regular Cab Truck	-	33,985	-	33,985
Total		\$ 167,956	\$ 33,985	-	\$ 201,941

See accompanying independent auditor's report.

CITY OF SOUTH PASADENA

MEASURE R LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and investments	\$ 967,611	\$ 693,952
Interest receivable	<u>666</u>	<u>257</u>
Total assets	\$ <u><u>968,277</u></u>	\$ <u><u>694,209</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ <u>-</u>	\$ <u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
FUND BALANCE		
Restricted	<u>968,277</u>	<u>694,209</u>
Total fund balance	<u>968,277</u>	<u>694,209</u>
Total liabilities and fund balance	\$ <u><u>968,277</u></u>	\$ <u><u>694,209</u></u>

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

CITY OF SOUTH PASADENA

MEASURE R LOCAL RETURN FUND

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

For the Fiscal Years Ended June 30

	2016	2015
REVENUES		
Measure R	\$ 292,258	\$ 284,546
Interest income	8,931	2,639
Unrealized gain (loss) in investment	1,868	(98)
Total revenues	<u>303,057</u>	<u>287,087</u>
EXPENDITURES		
Various projects	<u>28,989</u>	<u>295,968</u>
Total expenditures	<u>28,989</u>	<u>295,968</u>
Excess (deficiency) of revenues over expenditures	274,068	(8,881)
Fund balance at beginning of year	<u>694,209</u>	<u>703,090</u>
Fund balance at end of year	<u><u>\$ 968,277</u></u>	<u><u>\$ 694,209</u></u>

The accompanying notes are an integral part of the financial statements

CITY OF SOUTH PASADENA

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	2015 Actual
		Metro Budget	Actual	Favorable (Unfavorable)	
1.05	Citywide Sidewalk Repairs	\$ 92,000	\$ 28,989	\$ 63,011	\$ -
1.05	Monterey Road Street Improvements	696,000	-	696,000	-
233-935	Hawthorne Street Improvements	-	-	-	295,968
	Total expenditures	<u>\$ 788,000</u>	<u>\$ 28,989</u>	<u>\$ 759,011</u>	<u>\$ 295,968</u>

See accompanying independent auditor's report.

CITY OF SOUTH PASADENA

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>
2015	Hawthorne Street Improvements	\$ -	\$ 295,968	\$ -	\$ 295,968
	Total	<u>\$ -</u>	<u>\$ 295,968</u>	<u>\$ -</u>	<u>\$ 295,968</u>

See accompanying independent auditor's report.

CITY OF SOUTH PASADENA

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

BALANCE SHEETS

JUNE 30

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalent	\$ <u>-</u>	\$ <u>-</u>
Total assets	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ <u>-</u>	\$ <u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
 Fund Balance		
Restricted	<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 SOUTH PASADENA

TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND

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

For the Fiscal Years Ended June 30

	<u>2016</u>	<u>2015</u>
REVENUES		
Payment from prior year reserves	\$ <u>-</u>	\$ <u>89,519</u>
Total revenues	<u>-</u>	<u>89,519</u>
EXPENDITURES		
Construction/Maintenance	<u>-</u>	<u>89,519</u>
Total expenditures	<u>-</u>	<u>89,519</u>
Excess of revenues over expenditures	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>
Fund balance at end of year	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

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

CITY OF SOUTH PASADENA

**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>
Local allocations					
None		\$ <u> </u>	\$ <u> </u>	\$ <u> </u>	-
Total		\$ <u> </u> <u> </u>	\$ <u> </u> <u> </u>		-
Fund balance at beginning of year				<u> </u>	-
Fund balance at end of year				\$ <u> </u> <u> </u>	-

See accompanying independent auditor's report.

CITY OF SOUTH PASADENA

**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 SOUTH PASADENA

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 the Los Angeles County Metropolitan Transportation Authority Funding and Allocation Guidelines for Transportation Development Act Article 3 Bicycle and Pedestrian Funds.

CITY OF SOUTH PASADENA

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 balances to the total of the pooled cash and investments.

NOTE 7 – PROPOSITION A DISCRETIONARY INCENTIVE GRANTS - PALRF

The City entered into various Memorandum of Understanding (MOU) agreements with the Los Angeles County Metropolitan Transportation Authority (Metro) to receive Proposition A discretionary incentive grants for participating in the Consolidated National Transit Database (NTD) Voluntary Reporting. The amounts received for the years ended June 30, 2016 and 2015 consisted of the following:

<u>Agreement Date</u>	<u>Period</u>	<u>NTD Voluntary Reporting</u>	<u>MOU Amount</u>	<u>Amount Received</u>	
				<u>2016</u>	<u>2015</u>
September 14, 2015	7/1/14 – 6/30/16	FY 2012-13	\$ 14,122	\$ 14,122	\$ -
May 21, 2014	7/1/13 – 6/30/15	FY 2011-12	\$ 16,967	-	16,967
Total			\$	<u>14,122</u>	<u>16,967</u>

The Proposition A discretionary incentive grants were recorded under PALRF.

CITY OF SOUTH PASADENA

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

NOTE 8 – PROJECT GENERATED REVENUE – PALRF

Project generated revenue under PALRF for the years ended June 30, 2016 and 2015 consisted of the following:

	2016	2015
Dial-A-Ride charges	\$ 4,934	\$ 4,921
Bus pass	-	852
Total	\$ 4,934	\$ 5,773

NOTE 9 – TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND ALLOCATION

The revenue allocation for the years ended June 30, 2016 and 2015 consisted of the following:

	2016	2015
FY 2009-10 allocation	\$ -	\$ 10,161
FY 2010-11 allocation	-	10,409
FY 2011-12 allocation	-	12,486
FY 2012-13 allocation	-	18,426
FY 2013-14 allocation	-	20,961
FY 2014-15 allocation	-	17,076
Total	\$ -	\$ 89,519

NOTE 10 – TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND 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 2015-16 allocation	\$ 16,586	\$ -
Available reserve balance	\$ 16,586	\$ -

CITY OF SOUTH PASADENA

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

NOTE 11 – CONTINGENCIES

The City as a member of the Mission-Meridian Village Property Owners Association (POA) is obligated to make payments to the POA in the form of dues and utilities for the City's portion as stipulated in the Covenants, Conditions and Restrictions (CC&Rs) and the annual adopted budget. A portion of the payments are charged to Proposition C for parking spaces made available to Proposition C project vehicles.

On December 8, 2015 sent a letter to the POA in an attempt to correct what the City believed to be the accurate amounts that the City is obligated to pay. The City believeD that it has established the amount based on its staff and council review of the CC&R and available billing documentation provided by POA. Although discussions are on-going, the City and the POA has not reached an agreement as of June 30, 2016.

As of June 30, 2016, the POA parking charge statement presented an accumulated balance due from the City in the amount of \$201,873. Although the City is disputing the accuracy of the dues and utilities calculation provided by the POA, there is a chance that the City will be liable to pay a portion or the entire outstanding amount of \$201,873 to the Mission-Meridian Village POA utilizing PCLRF monies.

NOTE 12 – SUBSEQUENT EVENTS

The City has evaluated events or transactions that occurred subsequent to June 30, 2016 through October 14, 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 South Pasadena, California and the
Los Angeles County Metropolitan Transportation 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 South Pasadena, 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 October 14, 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 & Simpson".

Los Angeles, California
October 14, 2016

COMPLIANCE SECTION



SIMPSON & SIMPSON
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Independent Auditor's Report On Compliance

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

Report on Compliance

We have audited the compliance of the City of South Pasadena, California (City) with the Proposition A and Proposition C Local Return Guidelines, Measure R Local Return Guidelines, Transportation Development Act Article 3, and the Los Angeles County Metropolitan Transportation Authority's Funding and Allocation Guidelines for the Transportation Development Act Article 3 Bicycle and Pedestrian Funds (collectively, the Guidelines) for the year ended June 30, 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, except as noted in the Compliance Matrix and the Schedule of Findings and Questioned Costs, the City of South Pasadena 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 instances of noncompliance, which are required to be reported in accordance with the Guidelines and which are described in the accompanying Schedule of Findings and Questioned Costs as Finding Nos. 2016-001, 2016-002, 2016-003, and 2016-004. Our opinion on each local return program is not modified with respect to these matters.

The City's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and 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 of South Pasadena 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.

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. However, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding No. 2016-002 related to PALRF to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding No. 2016-002 related to PCLRF to be a significant deficiency.

The responses by the City to the internal control over compliance findings identified in our audits are described in the accompanying Schedule of Findings and Questioned Costs. The responses by the City were not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.



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

Simpson & Simpson

Los Angeles, California
October 14, 2016

CITY OF SOUTH PASADENA
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	See Finding No. 2016-001 on the Schedule of Findings and Questioned Costs.
3.	Funds were used on approved projects only and expenditures were supported and allowable per Guidelines.		X	PALRF: \$90,718 PCLRF: \$13,911	See Finding No. 2016-002 on the Schedule of Findings and Questioned Costs.
4.	Expenditures did not exceed 25% of Metro's approved budget.		X	None	See Finding No. 2016-003 on the Schedule of Findings and Questioned Costs.
5.	Administrative expenses were within the 20% cap.	X		None	
6.	All on-going and carryover projects were reported in Form B.	X		None	
7.	Annual Project Summary Report (Form B) was submitted on time.	X		None	
8.	Annual Expenditure Report (Form C) and listing of Recreational Transit Services, if applicable, were submitted on time.	X		None	
9.	Cash or cash equivalents were maintained.	X		None	
10.	Accounting procedures, record keeping and documentation were adequate.		X	PALRF: \$9,604	See Finding No. 2016-004 on the Schedule of Findings and Questioned Costs.
11.	Revenues received including allocations, project generated revenues, and interest income were properly credited to the PALRF and PCLRF accounts.	X		None	

CITY OF SOUTH PASADENA
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.	X		None	
6.	Expenditure Plan (Form One) was submitted on time.	X		None	
7.	Expenditure Report (Form Two) was submitted on time.	X		None	
8.	Cash or cash equivalents were maintained.	X		None	
9.	Accounting procedures, record keeping and documentation were adequate.	X		None	
10.	Revenues received including allocations, project generated revenues, and interest income were properly credited to the Measure R account.	X		None	
11.	Funds were not used to supplant existing local revenues being used for transportation purpose.	X		None	

CITY OF SOUTH PASADENA
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.	N/A		None	

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

CITY OF SOUTH PASADENA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2016

PCLRF: Finding No. 2016-001

Compliance Reference	According to Proposition A and C Local Return Guidelines, Section I (B.3), “If Local Return Funds have been expended prior to Metro approval and/or used for ineligible purposes, Jurisdictions will be required to reimburse their Proposition A or C Local Return account...”
Condition	The expenditure for PCLRF’s Bus Stop Improvement Project with Project Code 150-01 were incurred prior to the approval from LACMTA for fiscal year 2015-16. However, the City subsequently received LACMTA’s approval on PCLRF project on November 9, 2016.
Cause	The City inadvertently did not include the budget for the Bus Stop Improvement Project on the Form B submitted to LACMTA.
Effect	The City did not comply with the Guidelines when expenditures for PCLRF projects are incurred without LACMTA’s approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from LACMTA prior to implementing any Proposition A and Proposition C Local Return projects, and Form B (Annual Project Summary Report) is properly prepared and submitted before the due date of August 1st so that the City’s expenditures of Proposition A and Proposition C Local Return Funds are in accordance with LACMTA’s approval and the Guidelines. In accordance with the Guidelines, the City should include all approved ongoing and carryover Local Return projects in Form B.
Management’s Response	Management concurs with the finding.

CITY OF SOUTH PASADENA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2016

(Continued)

PALRF and PCLRF: Finding No. 2016-002

Compliance Reference	<p>According to Proposition A and C Local Return Guidelines, Section II, “ A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance. “ and Section V “ It is the jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of audit prescribed in the guidelines. “ In addition, LACMTA Local Return Program Manager issued a memo dated April 29, 2014 to jurisdiction to provide recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Returns 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 of 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>(b) A Federal award and non-Federal award.</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p>(b) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p>(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 distribution 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 at least quarterly, if necessary, to reflect changed circumstances.”</p>
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CITY OF SOUTH PASADENA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2016

(Continued)

PALRF and PCLRF: Finding No. 2016-002 (Continued)

Condition	To support the propriety of expenditures being charged to Proposition A Local Return Fund, payroll should be supported by properly executed payrolls, time records, activity reports, vouchers or other documentation evidencing in proper detail the nature of the charges. However, the salaries and benefits charged to Proposition A Administration Project Code 480-01 totaled \$22,486 and Senior Dial-A-Ride, Project Code 130-05 totaled \$68,232 and Proposition C Administration Project Code 480-01 totaled \$13,911 were based on distribution percentages determined before the services were performed rather than employee's actual working hours spent for the Proposition A and C projects. The City provided us with the payroll register and the time sheets; however, the documents did not adequately support the actual hours or payroll expenditures charged to the project. This finding is read in conjunction with Finding No. 2016-003 .
Cause	The City was not aware that its method of charging salaries and benefits was not an adequate support for labor costs claimed.
Effect	The payroll costs claimed under the Proposition A and C Local Return Fund projects may include expenditures which may not be allowable for Proposition A and C project expenditures. This resulted in questioned costs of \$90,718 and \$13,911 for PALRF and PCLRF, respectively.
Recommendation	In accordance with the Guidelines, we recommend that the City reimburse its Proposition A and C Local Return Funds accounts by \$90,718 and \$13,911, respectively. In addition, we recommend that the City revise its current labor costs reporting procedures to ensure that labor costs charged to the Local Return Funds are adequately supported by time sheets or similar documentation which includes employees' actual working hours.
Management's Response	Percentages are used so a budget can be prepared for the new fiscal year. Once the year starts, the payroll and benefit charges for administration are based on actual hours worked as listed on the time cards. We understand that one employee who worked for the City for 7 months neglected to put down actual hours, though the percentage used (2% combined for PALRF and PCLRF) would have represented approximately \$1,000 total charged to PALRF and PCLRF. Purely programmatic personnel such as Dial-A-Ride drivers are always 100% funded by PALRF and PCLRF so the payroll system will show them as 100% allocated to PALRF and PCLRF.

CITY OF SOUTH PASADENA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2016

(Continued)

PALRF and PCLRF: Finding No. 2016-003

Compliance Reference	According to Proposition A and C Local Return Guidelines, Section I (C), Project Description Form (Form A), Item 5: "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: a 25 percent or greater change in an approved Local Return project budget or scope on all operating or capital Local Return projects."
Condition	<p>The City exceeded more than 25 percent of Metro's approved budget on PALRF's and PCLRF's Administration Project Code 480-01 in the amount of \$7,163 and \$17,667, respectively. The Project Description Form (Form A) was not submitted to LACMTA to amend the budget. This finding is read in conjunction with Finding No. 2016-002.</p> <p>This condition was a repeat finding in fiscal year ended June 30, 2015 for PCLRF.</p>
Cause	Originally the City had enough Administration project budget. However, during the fiscal year there were multiple budget adjustments which caused the fiscal year ending June 30, 2016 Administration project budget to be lower than the initially approved Administration project budget amount. As a result, the actual cost exceeded the 25 percent excess budget allowance.
Effect	The City's PALRF and PCLRF project expenditures exceeded 25 percent of LACMTA's approved budget without LACMTA's approval and the City did not comply with the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that project expenditures are within the 25 percent cap of the LACMTA's approved budget and an amended Form A (Project Description Form) is properly prepared and submitted prior to the expenditure of funds which would result in a 25 percent or greater change in an approved Local Return project budget or scope on all operating or capital Local Return projects.
Management's Response	The overage was due to a one-time charge related to retiree health insurance costs. Without the charge, the cap would not have been exceeded. Upon reviewing these charges, the allocation methodology does not appear to have been accurate, and such charges will not appear in future.

CITY OF SOUTH PASADENA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2016

(Continued)

PALRF: Finding No. 2016-004

Compliance Reference	According to Proposition A and C Local Return Guidelines, Section V “ It is the jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of audit prescribed in the guidelines. Jurisdictions are required to retain Local Return records for at least three years following the year of allocation and be able to provide trial balances, financial statements, worksheets and other documentation.” In addition, the City’s accounts payable procedures states that “ All invoices \$500 up to \$10,000 must have a purchase order to disencumber except for : refunds out of a revenue account; payments out of a rehab or trust account; and petty cash replenishment. The above three exceptions must have a check request with the proper approval signature. “
Condition	Purchase orders were not issued as required by the City’s policies and procedures.
Cause	The City was not consistent in complying with the purchasing policies and procedures.
Effect	The cost claimed under the Proposition A Local Return Fund project may include expenditures which may not be an allowable Proposition A project expenditure. Total disbursement tested that were not covered by purchase order amounted to \$ 9,604.
Recommendation	In accordance with the Guidelines, we recommend the City establish controls to ensure compliance with the City’s purchasing procedures at all times.
Management’s Response	Management agrees that this has been the case, and has instituted procedures to ensure that Purchase Order policies are being correctly followed.

EXIT CONFERENCE

CITY OF SOUTH PASADENA

**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 21, 2016 with the City of South Pasadena. Those in attendance were:

Simpson & Simpson Representative:

Elizabeth Mendoza – Senior Auditor

City's Representative:

David Batt – Finance Director

Pearl Lieu – Assistant Finance Director

Matters Discussed:

Results of the audit disclosed one (1) material weakness, one (1) significant control deficiency and four (4) non-compliance issues with LACMTA's Guidelines.

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

David Batt – Finance Director

Pearl Lieu – Assistant Finance Director