

***CITY OF COMMERCE  
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, 2015 AND 2014***



***CITY OF COMMERCE***  
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***FINANCIAL SECTION***

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SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

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

## Independent Auditor's Report

To the Honorable Members of the City Council of the  
City of Commerce, 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 (TDAA3F) Fund of the City of Commerce, California (City) as of and for the years ended June 30, 2015 and 2014, 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 an opinion 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 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 Commerce, California, as of June 30, 2015 and 2014, and the respective changes in their financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

As discussed in Note 2, the financial statements present only the PALRF, PCLRF, MRLRF and TDAA3F and do not purport to, and do not, present fairly the financial position of the City of Commerce, California, as of June 30, 2015 and 2014, 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.

### ***Other Matters***

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Commerce, California's PALRF, PCLRF, MRLRF, and TDAA3F Fund financial statements as a whole. The accompanying supplemental information as listed in the table of contents is presented for the purposes of additional analysis and is not a required part of the financial statements.

The supplemental 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 supplemental 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 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 December 14, 2015, on our consideration of the City of Commerce's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in cursive script that reads "Simpson &amp; Simpson".

Los Angeles, California  
December 14, 2015

**CITY OF COMMERCE**  
**PROPOSITION A LOCAL RETURN FUND**  
**BALANCE SHEETS**  
**JUNE 30**

	2015	2014
<b>ASSETS</b>		
Cash and investments	\$ -	\$ -
Total assets	\$ -	\$ -
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Due to general fund	\$ -	\$ -
Total liabilities	-	-
 <b>Fund Balance</b>		
Restricted	-	-
Total fund balance	-	-
Total liabilities and fund balance	\$ -	\$ -

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

**CITY OF COMMERCE**

**PROPOSITION A LOCAL RETURN FUND**

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

For the Fiscal Years Ended June 30

	<u>2015</u>	<u>2014</u>
<b>REVENUES</b>		
Proposition A	\$ 228,759	\$ 219,530
Proposition A Exchange (Note 7)	1,000,000	1,000,000
Interest income	<u>1,049</u>	<u>722</u>
Total revenues	<u>1,229,808</u>	<u>1,220,252</u>
 <b>EXPENDITURES</b>		
Various projects	<u>1,229,808</u>	<u>1,220,252</u>
Total expenditures	<u>1,229,808</u>	<u>1,220,252</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 COMMERCE**

**PROPOSITION A LOCAL RETURN FUND**

**SUPPLEMENTAL INFORMATION  
SCHEDULE OF EXPENDITURES  
ACTUAL AND METRO APPROVED PROJECT BUDGET**

For the Fiscal Year Ended June 30, 2015  
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2014)

Project Code	Project Name	2015			2014 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
110-01	Fixed Route Transit	\$ 922,996	\$ 427,741	\$ 495,255	\$ 614,711
130-02	Medi-Ride	505,348	505,348	-	372,478
140-03	Recreational Transit	292,850	296,719	(3,869)	233,063
		<u>\$ 1,721,194</u>	<u>\$ 1,229,808</u>	<u>\$ 491,386</u>	<u>\$ 1,220,252</u>

See accompanying independent auditor's report.



**CITY OF COMMERCE**

**PROPOSITION A LOCAL RETURN FUND**

**SUPPLEMENTAL INFORMATION  
SCHEDULE OF CAPITAL ASSETS**

June 30, 2015

Date Acquired	Description	Balance 7/1/2014	Additions	Deletions	Balance 6/30/2015
1986	1986 Ford Medivan (Unit 377)	\$ 29,726	\$ -	\$ -	\$ 29,726
1976	Engine Rebuilt (304)	27,234	-	-	27,234
1982	Gillig Engine Rebuilt (321)	17,007	-	-	17,007
1982	Gillig Engine Rebuilt (322)	8,979	-	-	8,979
1989	Motorolla Portable Radio (CE)	1,305	-	-	1,305
1990	Sylvania TV, VCR, & Cabinet (OE)	2,482	-	-	2,482
1990	HP Laser Printer (OE) Sharp SF7750	1,986	-	-	1,986
1990	Sharp SF7750 Copier (OE)	2,131	-	-	2,131
1990	Desk, Credenza, 2 File Cabinets (OE)	2,434	-	-	2,434
1990	Brake Lather (ME)	16,404	-	-	16,404
1990	Steam Cleaner (ME)	4,748	-	-	4,748
1990	Spare Engine & Trans. (ME)	4,904	-	-	4,904
1990	Miscellaneous Tools (ME)	9,804	-	-	9,804
1991	Bus Lift (ME)	17,702	-	-	17,702
1991	Welder (ME)	1,165	-	-	1,165
1991	Miscellaneous Tools (ME)	6,415	-	-	6,415
1991	Flexible 34' Bus (Unit 327)	76,239	-	-	76,239
1991	Flexible 34' Bus (Unit 328)	110,216	-	-	110,216
1992	Freon Machine (ME)	1,117	-	-	1,117
1992	Tire charger (ME)	1,436	-	-	1,436
1993	Maintenance Equipment	3,142	-	-	3,142
1993	Computer (DE)	2,123	-	-	2,123
1993	Study Transit Facility	7,225	-	-	7,225
1994	2-Way Radio (OE)	12,274	-	-	12,274
1995	MCI Rec. Bus (Unit 307)	18,121	-	-	18,121
1995	MCI Rec. Bus (Unit 308)	12,106	-	-	12,106
1995	Major Engine Overhaul	8,883	-	-	8,883
1998	Flex Year 64 - Engine Rebuilt (Unit 303)	9,772	-	-	9,772
1998	SR Center Van - Ford Van with Lift	42,200	-	-	42,200
1998	Transportation Service Center	1,879,137	-	-	1,879,137
1999	2-Way Radio (OE)	5,253	-	-	5,253
1999	Bus Shelters	19,669	-	-	19,669
2000	Copier Printer	9,347	-	-	9,347
2002	Handheld Radios	2,793	-	-	2,793
2003	El Dorado Bus (Unit 371)	12,465	-	-	12,465
2003	El Dorado Bus (Unit 372)	12,465	-	-	12,465
2003	El Dorado Bus (Unit 373)	12,465	-	-	12,465
2003	El Dorado Bus (Unit 374)	12,465	-	-	12,465

See accompanying independent auditor's report.

**CITY OF COMMERCE**

PROPOSITION A LOCAL RETURN FUND

SUPPLEMENTAL INFORMATION (Continued)  
SCHEDULE OF CAPITAL ASSETS

June 30, 2015

Date Acquired	Description	Balance 7/1/2014	Additions	Deletions	Balance 6/30/2015
2003	Communication Equipment	1,699	-	-	1,699
2004	RTS Bus	35,930	-	-	35,930
2007	Communication Equipment	9,371	-	-	9,371
2008	Bus Radios	6,228	-	-	6,228
2008	Flexible 1990 - Engine Rebuilt	18,780	-	-	18,780
2008	Flexible 1990 - Engine Rebuilt	4,964	-	-	4,964
2008	Flexible 1990 - Engine Rebuilt	5,624	-	-	5,624
2008	Flexible 1990 - Engine Rebuilt	12,564	-	-	12,564
2008	Nova 1998 - Engine Rebuilt	10,732	-	-	10,732
2008	Nova 1998 - Engine Rebuilt	5,654	-	-	5,654
2008	DVRsktop	1,348	-	-	1,348
2008	Tire Changer Equipment	5,976	-	-	5,976
2008	Shop Scanner	7,647	-	-	7,647
2010	Nabi Bus (Unit 337)	486,324	-	-	486,324
2010	Glaval Van (Unit 375)	124,192	-	-	124,192
2010	Glaval Van (Unit 376)	124,192	-	-	124,192
2010	Glaval Van (Unit 377)	124,192	-	-	124,192
2010	Glaval Van (Unit 378)	124,192	-	-	124,192
2010	Security Camera System	20,041	-	-	20,041
2011	Viewing Station	2,200	-	-	2,200
2013	Access Control System	40,532	-	-	40,532
2013	Indoor Dome Camera - Integrated Security	9,289	-	-	9,289
2013	Computer Software - Transtrack System	79,673	-	-	79,673
2013	Voice System	81,051	-	-	81,051
2013	Bus Lifts	129,377	-	-	129,377
2013	CNG Bus - Unit 340	556,093	-	-	556,093
2013	CNG Bus - Unit 341	556,093	-	-	556,093
2013	Bus Parts	296,752	-	-	296,752
2013	Bus Washer	364,315	-	-	364,315
2013	Transportation Building Repaint	69,522	-	-	69,522
2014	Bus Shelters	347,613	-	-	347,613
2014	Medi Ride Van	129,798	-	-	129,798
2015	Street Bus	-	201,834	-	201,834
2015	Transportation Security System	-	59,831	-	59,831
Total		\$ 6,217,297	\$ 261,665	\$ -	\$ 6,478,962

See accompanying independent auditor's report.

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

	2015	2014
<b>ASSETS</b>		
Cash and investments	\$ -	\$ -
Total assets	\$ -	\$ -
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
 <b>Fund Balance</b>		
Restricted	-	-
Total fund balance	-	-
Total liabilities and fund balance	\$ -	\$ -

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

**CITY OF COMMERCE**

**PROPOSITION C LOCAL RETURN FUND**

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

For the Fiscal Years Ended June 30

	<u>2015</u>	<u>2014</u>
<b>REVENUES</b>		
Proposition C	\$ <u>190,043</u>	\$ <u>182,253</u>
Total revenues	<u>190,043</u>	<u>182,253</u>
<b>EXPENDITURES</b>		
Fixed Route Transit	<u>190,043</u>	<u>182,253</u>
Total expenditures	<u>190,043</u>	<u>182,253</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 COMMERCE**

**PROPOSITION C LOCAL RETURN FUND**

**SUPPLEMENTAL INFORMATION  
SCHEDULE OF EXPENDITURES  
ACTUAL AND METRO APPROVED PROJECT BUDGET**

For the Fiscal Year Ended June 30, 2015  
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2014)

Project Code	Project Name	2015			2014 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
110-01	Fixed Route Transit	\$ 187,876	\$ 190,043	\$ (2,167)	\$ 182,253
		<u>\$ 187,876</u>	<u>\$ 190,043</u>	<u>\$ (2,167)</u>	<u>\$ 182,253</u>

See accompanying independent auditor's report.

**CITY OF COMMERCE**

**PROPOSITION C LOCAL RETURN FUND**

**SUPPLEMENTAL INFORMATION  
SCHEDULE OF CAPITAL ASSETS**

June 30, 2015

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 7/1/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2015</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

**CITY OF COMMERCE**  
**MEASURE R LOCAL RETURN FUND**  
**BALANCE SHEETS**  
**JUNE 30**

	2015	2014
<b>ASSETS</b>		
Cash and investments	\$ -	\$ -
Total assets	\$ -	\$ -
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
 <b>Fund Balance</b>		
Restricted	-	-
Total fund balance	-	-
Total liabilities and fund balance	\$ -	\$ -

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

**CITY OF COMMERCE**

**MEASURE R LOCAL RETURN FUND**

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

For the Fiscal Years Ended June 30

	<u>2015</u>	<u>2014</u>
<b>REVENUES</b>		
Measure R	\$ 142,345	\$ 135,896
Total revenues	<u>142,345</u>	<u>135,896</u>
<b>EXPENDITURES</b>		
Public Transit Services - Operations	<u>142,345</u>	<u>135,896</u>
Total expenditures	<u>142,345</u>	<u>135,896</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 COMMERCE**

**MEASURE R LOCAL RETURN FUND**

**SUPPLEMENTAL INFORMATION  
SCHEDULE OF EXPENDITURES  
ACTUAL AND METRO APPROVED PROJECT BUDGET**

For the Fiscal Year Ended June 30, 2015  
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2014)

Project Code	Project Name	2015			2014 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
4.2	Public Transit Services - Operations	\$ 135,896	\$ 142,345	\$ (6,449)	\$ 135,896
	Total expenditures	<u>\$ 135,896</u>	<u>\$ 142,345</u>	<u>\$ (6,449)</u>	<u>\$ 135,896</u>

See accompanying independent auditor's report.

**CITY OF COMMERCE**

**MEASURE R LOCAL RETURN FUND**

**SUPPLEMENTAL INFORMATION  
SCHEDULE OF CAPITAL ASSETS**

June 30, 2015

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 7/1/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2015</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report.

**CITY OF COMMERCE**

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

**BALANCE SHEETS  
JUNE 30**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Due from Metro	\$ -	\$ -
Total assets	\$ <u>-</u>	\$ <u>-</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Due to General Fund	\$ -	\$ -
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>

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

**CITY OF COMMERCE**

**TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND**

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

For the Fiscal Years Ended June 30

	<u>2015</u>	<u>2014</u>
<b>REVENUES</b>		
From FY 2013-14 allocation	\$ -	\$ 10,492
From FY 2014-15 allocation	<u>8,551</u>	<u>-</u>
Total revenues	<u>8,551</u>	<u>10,492</u>
<b>EXPENDITURES</b>		
Sidewalk Construction	<u>8,551</u>	<u>10,492</u>
Total expenditures	<u>8,551</u>	<u>10,492</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 COMMERCE**

TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND  
SUPPLEMENTAL INFORMATION

SCHEDULE OF TRANSPORTATION DEVELOPMENT ACT  
ALLOCATION FOR SPECIFIC PROJECTS

For the Fiscal Year Ended June 30, 2015

<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>					
Sidewalk Construction	2015	\$ <u>8,551</u>	\$ <u>8,551</u>	\$ -	On-going
	Total	\$ <u><u>8,551</u></u>	\$ <u><u>8,551</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 COMMERCE***

**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2015 and 2014

**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*

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.

*Budgets and Budgetary Accounting*

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

**NOTE 2 – ANNUAL FINANCIAL STATEMENTS**

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

***CITY OF COMMERCE***

**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2015 and 2014  
(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 – PROPOSITION A FUND EXCHANGE**

On September 24, 2014 and November 13, 2013, the City entered into an agreement with the City of Montebello to exchange \$1 of Proposition A Local Return funds for every \$.75 or (75 cents) of General Funds for fiscal years 2014-15 and 2013-14, respectively. Accordingly, the City received \$1,000,000 of Montebello's Fiscal Years 2015 and 2014 Proposition A Local Return funds. In return, the City assigned \$750,000 of its general funds to Montebello.

**CITY OF COMMERCE**

**NOTES TO FINANCIAL STATEMENTS**

For the Fiscal Years Ended June 30, 2015 and 2014

(Continued)

**NOTE 8 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION**

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, 2015 and 2014, the City has no funds on reserve. The revenue allocation for the years ended June 30, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
FY 2013-14 allocation	\$ -	\$ 10,492
FY 2014-15 allocation	<u>8,551</u>	<u>-</u>
	<u>\$ 8,551</u>	<u>\$ 10,492</u>

**NOTE 9 – SUBSEQUENT EVENTS**

The City has evaluated events or transactions that occurred subsequent to June 30, 2015 through December 14, 2015, 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 Commerce, 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 Commerce, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated December 14, 2015.

**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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's local return funds and TDAA3F financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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





## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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 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 cursive script that reads "Simpson &amp; Simpson".

Los Angeles, California  
December 14, 2015

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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 Commerce, California and the  
Los Angeles County Metropolitan Transit Authority

### Report on Compliance

We have audited the compliance of the City of Commerce, 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, 2015.

### *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 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 City's compliance with those requirements.

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

In our opinion, the City of Commerce 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, 2015.



## Report on Internal Control Over Compliance

Management of the City of Commerce 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 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. 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. However, material weaknesses may exist that have not been identified.

A handwritten signature in cursive script that reads "Simpson &amp; Simpson".

Los Angeles, California  
December 14, 2015

**CITY OF COMMERCE**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2015

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

**CITY OF COMMERCE**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2015  
(Continued)

Compliance Requirement	In Compliance		Questioned Costs	If no, provide details and management response.
	Yes	No		
<b>B. Measure R Local Return Fund</b>				
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 COMMERCE**  
**COMPLIANCE MATRIX**  
 Year Ended June 30, 2015  
 (Continued)

Compliance Requirement	In Compliance		Questioned Costs	If no, provide details and management response.
	Yes	No		
<b>C. Transportation Development Act Article 3 Fund</b>				
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 COMMERCE***

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
June 30, 2015

No findings were noted.

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***EXIT CONFERENCE***

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***CITY OF COMMERCE***

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

June 30, 2015

An exit conference was held on December 14, 2015 with the City of Commerce. Those in attendance were:

***Simpson & Simpson Representative:***

Channing Wong, Auditor

***City's Representative:***

Josh Brooks, Assistant Director of Finance

***Matters Discussed:***

Results of the audit disclosed no significant financial and compliance issues.

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

Josh Brooks, Assistant Director of Finance