

***CITY OF COMPTON  
ANNUAL FINANCIAL REPORT OF THE  
PROPOSITION A LOCAL RETURN FUND  
PROPOSITION C LOCAL RETURN FUND  
FOR THE FISCAL YEARS ENDED  
JUNE 30, 2015 AND 2014***



***CITY OF COMPTON***  
**TABLE OF CONTENTS**

<b>FINANCIAL SECTION</b>	<b>PAGE</b>
Independent Auditor's Report	1
Proposition A Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	3
Statements of Revenues, Expenditures and Changes in Fund Balance	4
Supplemental Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	5
Schedule of Capital Assets	6
Proposition C Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	8
Statements of Revenues, Expenditures and Changes in Fund Balance	9
Supplemental Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	10
Schedule of Capital Assets	11
Notes to Financial Statements	12
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 <i>Government Auditing Standards</i>	15
<b>COMPLIANCE SECTION</b>	
Independent Auditor's Report on Compliance	17
Compliance Matrix	19
Schedule of Findings and Recommendations	20
<b>EXIT CONFERENCE</b>	21

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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 Compton, 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) and Proposition C Local Return Fund (PCLRF) of the City of Compton, 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 from material misstatement.

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

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





## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the PALRF and PCLRF of the City of Compton, California, as of June 30, 2015 and 2014, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of Matter*

As discussed in Note 2, the financial statements present only the PALRF and PCLRF and do not purport to, and do not present fairly, the financial position of the City of Compton, 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 Compton, California's PALRF and PCLRF Fund financial statements as a whole. The accompanying supplemental 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 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 February 24, 2016, on our consideration of the City of Compton'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  
February 24, 2016

**CITY OF COMPTON**

**PROPOSITION A LOCAL RETURN FUND**

**BALANCE SHEETS**

**JUNE 30**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash	\$ 1,057,553	\$ 832,013
Accounts receivable	2,393	2,392
Interest receivable	2,789	-
Total assets	<u>\$ 1,062,735</u>	<u>\$ 834,405</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 166,294	\$ 76,373
Accrued liabilities	-	62,124
Due to General Fund	-	90,056
Total liabilities	<u>166,294</u>	<u>228,553</u>
<b>Fund Balance</b>		
Restricted	<u>896,441</u>	<u>605,852</u>
Total fund balance	<u>896,441</u>	<u>605,852</u>
Total liabilities and fund balance	<u>\$ 1,062,735</u>	<u>\$ 834,405</u>

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

**CITY OF COMPTON**

**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	\$ 1,725,182	\$ 1,655,581
Proposition A Discretionary Incentive grant (Note 5)	56,642	-
Interest income	5,545	1,607
Project generated revenue (Note 6)	78,997	90,208
Total revenues	<u>1,866,366</u>	<u>1,747,396</u>
<b>EXPENDITURES</b>		
Various projects	<u>1,634,899</u>	<u>1,562,899</u>
Total expenditures	<u>1,634,899</u>	<u>1,562,899</u>
Excess of revenues over expenditures	<u>231,467</u>	<u>184,497</u>
Fund balance at beginning of year, as previously reported	605,852	421,355
Prior period adjustment (Notes 5 and 7)	<u>59,122</u>	<u>-</u>
Fund balance at the beginning of year, as restated	<u>664,974</u>	<u>421,355</u>
Fund balance at end of year	<u>\$ 896,441</u>	<u>\$ 605,852</u>

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

**CITY OF COMPTON**

**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)	
110-07	Fixed Route Transit System	\$ 1,000,000	\$ 1,162,859	\$ (162,859)	\$ 920,247
130-04	Dial-A-Ride Transit System	348,540	311,578	36,962	254,717
180-40	Purchase Five Buses	-	-	-	310,735
240-17	Dial-A-Taxi	60,000	60,462	(462)	-
280-29	Marketing and Promotions of the Compton Renaissance Fixed Route Transit	10,000	10,000	-	-
500-07	Self Insured Compton Employer	90,000	90,000	-	77,200
	Total expenditures	<u>\$ 1,508,540</u>	<u>\$ 1,634,899</u>	<u>\$ (126,359)</u>	<u>\$ 1,562,899</u>

See accompanying independent auditor's report.



**CITY OF COMPTON**

**PROPOSITION A 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>
1987-91	MLK Transit Center	\$ 2,069,970	\$ -	\$ -	\$ 2,069,970
1989	Ford Falcon	36,082	-	-	36,082
1987	Ford Econoline	40,949	-	-	40,949
1986	Ford Econoline	39,565	-	-	39,565
1984	Ford Escort Van	36,070	-	-	36,070
1984	Ford Escort Van	36,070	-	-	36,070
1984	Ford Escort Van	34,540	-	-	34,540
1991	Paratransit Bus	44,770	-	-	44,770
1992	Ford Challenger Van	43,371	-	-	43,371
1992	Gestetner Copies	3,404	-	-	3,404
1993	Ford Challenger Van	47,072	-	-	47,072
1993	Communication Equipment	833	-	-	833
1993	Furniture and Equipment	8,596	-	-	8,596
1994	Ford Challenger Van	49,445	-	-	49,445
1994	Communication Equipment	1,290	-	-	1,290
1995	Ford Champion Challenger Bus	46,803	-	-	46,803
2001	NEC Computer	3,127	-	-	3,127
2001	Motorola Radio	1,951	-	-	1,951
2002	Furniture and Equipment/MLK	1,131	-	-	1,131
2002	Communication - Curb Side Ramp	241,540	-	-	241,540
2002	Champion Paratransit Bus	99,544	-	-	99,544
2002	Motorola Wireless Base Control Antenna Kit, Two-Way Radios	3,414	-	-	3,414
2002	Land/Land Improvement	1,219,525	-	-	1,219,525
2003	Natural Gas Transit Buses	149,000	-	-	149,000
2004	5 CNG Buses	347,112	-	-	347,112
2005	Quadrant Gate at 4 Blue Line Arterial Street	165,748	-	-	165,748
2005	MLK Transit Center Renovation	986,798	-	-	986,798
2005	Machinery and Equipment	17,862	-	-	17,862
2005	7 Ford Vehicles	173,405	-	-	173,405
2007	MLK Transit Center Renovation	42,532	-	-	42,532
2007	Transit Vehicle	159,055	-	-	159,055
2008	Transit Vehicle	115,704	-	-	115,704

See accompanying independent auditor's report.

**CITY OF COMPTON**

**PROPOSITION A LOCAL RETURN FUND**

**SUPPLEMENTAL INFORMATION  
SCHEDULE OF CAPITAL ASSETS**

(Continued)

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>
2010	Bus Stop Shelter Construction	\$ 29,870	\$ -	\$ -	\$ 29,870
2010	Bus Stop Improvement Project	103,043	-	-	103,043
2014	5 Buses *	<u>310,735</u>	<u>-</u>	<u>-</u>	<u>310,735</u>
	Total	\$ <u>6,709,926</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>6,709,926</u>

\* The purchase of the 5 Buses in the amount of \$866,799 was funded by the following:

Proposition A Local Return funds	\$ 310,735
DOT Paratransit Vehicle Grant funds	<u>556,064</u>
Total purchase price of the 5 Buses	\$ <u>866,799</u>

See accompanying independent auditor's report.

**CITY OF COMPTON**

**PROPOSITION C LOCAL RETURN FUND**

**BALANCE SHEETS**

**JUNE 30**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash	\$ 4,125,880	\$ 5,157,230
Interest receivable	7,385	-
Total assets	<u>\$ 4,133,265</u>	<u>\$ 5,157,230</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 1,128,978	\$ 182,890
Accrued liabilities	-	43,273
Due to General Fund	-	159,622
Accrued wages and benefits	50	-
Contract retention payable	112,497	69,250
YMCA contributions payable	26	26
Total liabilities	<u>1,241,551</u>	<u>455,061</u>
 <b>Fund Balance</b>		
Reserved (Note 8)	-	1,184,100
Restricted	<u>2,891,714</u>	<u>3,518,069</u>
Total fund balance	<u>2,891,714</u>	<u>4,702,169</u>
 Total liabilities and fund balance	 <u>\$ 4,133,265</u>	 <u>\$ 5,157,230</u>

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

**CITY OF COMPTON**

**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	\$ 1,430,711	\$ 1,372,716
Interest income	<u>19,430</u>	<u>9,994</u>
Total revenues	<u>1,450,141</u>	<u>1,382,710</u>
<b>EXPENDITURES</b>		
Various projects	<u>2,993,416</u>	<u>625,682</u>
Total expenditures	<u>2,993,416</u>	<u>625,682</u>
(Deficiency) excess of revenues over expenditures	<u>(1,543,275)</u>	<u>757,028</u>
Fund balance at beginning of year, as previously reported	4,702,169	3,945,141
Prior period adjustment (Note 7)	<u>(267,180)</u>	<u>-</u>
Fund balance at the beginning of year, as restated	<u>4,434,989</u>	<u>3,945,141</u>
Fund balance at end of year	\$ <u><u>2,891,714</u></u>	\$ <u><u>4,702,169</u></u>

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

**CITY OF COMPTON**

**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)	
270-42	Central Avenue Street Corridor Transportation Study	\$ 260,217	\$ 170,840	\$ 89,377	\$ -
400-01	Traffic Signals Upgrade and TMOC *	600,000	2,187,033	(1,587,033)	625,682
440-28	Street Improvement and Maintenance **	300,000	605,748	(305,748)	-
440-41	Transportation Enhancement	131,336	-	131,336	-
470-43	Pavement Management Study	104,948	-	104,948	-
480-10	Contractual Services Proposition C Support	50,000	29,795	20,205	-
	Total expenditures	<u>\$ 1,446,501</u>	<u>\$ 2,993,416</u>	<u>\$ (1,546,915)</u>	<u>\$ 625,682</u>

\* The City submitted a revised Form A for Project Code 400-01, Traffic Signals Upgrade and TMOC Project and the budget was approved for \$2,454,212 by LACMTA on October 8, 2015.

\*\* The City submitted a revised Form A for Project Code 440-28, Street Improvement and Maintenance Project and the budget was approved for \$605,748 by LACMTA on October 8, 2015.

See accompanying independent auditor's report.

**CITY OF COMPTON**

PROPOSITION C 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
1995	Computer Hardware/Software	\$ 14,893	\$ -	\$ -	\$ 14,893
1998	Buses/Van	491,277	-	-	491,277
1998	Machinery and Equipment	2,565	-	-	2,565
1998	Machinery and Equipment	5,053	-	-	5,053
1998	Fire Resistance	9,872	-	-	9,872
1998	Reconstruction of the Bus Turnouts and Driveways at MLK Transit Center	50,600	-	-	50,600
1998	Rosecrans Avenue Rehabilitation Project	576,218	-	-	576,218
1998	Computer Hardware/Software	8,013	-	-	8,013
1998	Machinery and Equipment	4,998	-	-	4,998
1998	Rosecrans Avenue Rehabilitation Project	1,010,607	-	-	1,010,607
2001	Bus Shelter Benches	65,941	-	-	65,941
2001	Computer Hardware/Software	12,606	-	-	12,606
2001	Rehabilitation Project	177,117	-	-	177,117
2001	Rosecrans Avenue Rehabilitation Project	8,716	-	-	8,716
2001	MLK Park and Ride	42,528	-	-	42,528
2005	Computer Hardware/Software Upgrade	2,749	-	-	2,749
2006	Design Quadrant Gates	14,310	-	-	14,310
2006	Compton Creek	120,000	-	-	120,000
2006	Kingston Computer Hardware	23,064	-	-	23,064
2006	Trails, Greenleaf Boulevard	253,535	-	-	253,535
2006	Compton Creek Multi-Purpose Trail	93,129	-	-	93,129
2006	Painting of the Dollaride Community Center	19,175	-	-	19,175
2006	Machinery and Equipment	29,209	-	-	29,209
2010	MLK Transit Center	483,937	-	-	483,937
2010	Safe Route to School Project	130,622	-	-	130,622
Total		\$ 3,650,734	\$ -	\$ -	\$ 3,650,734

See accompanying independent auditor's report.

**CITY OF COMPTON**

**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) 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.

*Basis of Accounting*

PALRF and PCLRF 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.

*Unrealized Gain (Loss)*

In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, local governments are required to use fair value (instead of amortized costs) for financial reporting purposes. As a result of such implementation, the City recognizes the unrealized gain (loss) on its external investment pools.

**NOTE 2 – ANNUAL FINANCIAL STATEMENTS**

The financial statements reflect only the financial position and results of operations of the PALRF and PCLRF and their compliance with the Proposition A and Proposition C Local Return Program Guidelines.

**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.

**CITY OF COMPTON**

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Years Ended June 30, 2015 and 2014  
(Continued)

**NOTE 4 – CASH AND INVESTMENTS**

The PALRF and PCLRF 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 5 – PROPOSTION A DISCRETIONARY INCENTIVE GRANT**

The City entered into various Memorandum of Understanding (MOU) agreements with 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, 2015 and 2014 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>2015</u>	<u>2014</u>
May 21, 2014	7/1/13 – 6/30/15	FY 2011-12	\$ 56,642	\$ 56,642	\$ -
May 22, 2013	7/1/12 – 6/30/14	FY 2010-11	\$ 59,122	-	59,122
Total				<u>\$ 56,642</u>	<u>\$ 59,122</u>

Proposition A discretionary incentive grant received in fiscal year ended June 30, 2014 in the amount of \$59,122 was not reported in prior fiscal year but in the current fiscal year as a prior period adjustment in Note 7.

The Proposition A discretionary incentive grants were recorded under PALRF.

**NOTE 6 – PROJECT GENERATED REVENUE – PALRF**

Project generated revenues for the years ended June 30, 2015 and June 30, 2014 for PALRF amounted to \$78,997 and \$90,208, respectively. These revenues consisted of passenger fares from its Fixed Route and Dial-A-Ride services.



**CITY OF COMPTON**

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

**NOTE 7 – PRIOR PERIOD ADJUSTMENT – PALRF and PCLRF**

PALRF

The opening balance at July 1, 2014 for PALRF reflects an understatement in fund balance by \$59,122. This amount represents a prior year understatement of Proposition A discretionary incentive grant revenue in the amount of \$59,122. The result is a restatement of the beginning fund balance account in the financial statement adjusted to \$664,974 for the year ended June 30, 2015.

PCLRF

The opening balance at July 1, 2014 for PCLRF reflects an overstatement in fund balance by \$267,180. This amount represents additional expenditures incurred for Traffic Signals Upgrade and TMOC project in fiscal year ended June 30, 2014. The result is a restatement of the beginning fund balance account in the financial statement adjusted to \$4,434,989 for the year ended June 30, 2015.

**NOTE 8 – PROPOSITION C CAPITAL RESERVE**

**400-01 Traffic Signals Upgrade and TMOC Project**

On June 30, 2014, LACMTA and the City entered into an agreement, CRA.PCCOMP14, to establish a capital reserve account (Account) in the amount of \$1,184,100 for the Traffic Signal Upgrade and TMOC Project. If the project is not completed by June 30, 2017, any unexpended funds shall lapse and be returned to LACMTA.

Per the agreement, all interest is accrued and placed in the capital reserve account for use exclusively for the Traffic Signals Upgrade and TMOC Project.

The City completely spent the reserved funds of \$1,184,100 for the Traffic Signals Upgrade and TMOC Project in fiscal year 2014-15. The total expenditures incurred for the project as of June 30, 2015 was \$3,079,895. The project is expected to be completed in February 2016.

**NOTE 9 – SUBSEQUENT EVENTS**

The City has evaluated events or transactions that occurred subsequent to June 30, 2015 through February 24, 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 Compton, 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) and Proposition C Local Return Fund (PCLRF) of the City of Compton, 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 February 24, 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 opinion 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 PALRF and PCLRF 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 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 is 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". The signature is written in a cursive, flowing style.

Los Angeles, California  
February 24, 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 Compton, California and the  
Los Angeles County Metropolitan Transit Authority

### Report on Compliance

We have audited the compliance of the City of Compton, California (City) with the Proposition A and Proposition C Local Return Guidelines (collectively, the 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 the Proposition A and Proposition C Local Return Fund 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 Fund*

In our opinion, the City of Compton complied, in all material respects, with the compliance requirements referred to above that apply to Proposition A and Proposition C Local Return Fund for the year ended June 30, 2015.





### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Guidelines and which is described in the accompanying Schedule of Findings and Recommendations as Finding No. 15-01. Our opinion on the Proposition C Local Return Fund is not modified with respect to this matter.

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

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

Management of the City of Compton 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 Proposition A and Proposition C Local Return Fund 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 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.

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

Los Angeles, California  
February 24, 2016

**CITY OF COMPTON**  
**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	See Finding No. 15-01 at the Schedule of Findings and Recommendations.
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		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 COMPTON**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

June 30, 2015

**Finding No. 15-01 – Fund: PCLRF**

***Criteria:***

According to Proposition 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:***

The City exceeded more than 25 percent of Metro’s approved budget on PCLRF Project Code 400-01, Traffic Signals Upgrade and TMOC and Project Code 440-28, Street Improvement and Maintenance, in the amount of \$1,437,033 and \$230,748, respectively. However, the City filed the Project Description Form (Form A) to obtain the approval for these projects from LACMTA. The revised Form A’s were subsequently approved by LACMTA on October 8, 2015.

***Cause:***

Due to City personnel turnover in key budgeting areas in the past two to three years, coordination of operating and capital budgeting for City-wide and program budgets has undergone procedural changes to its budget development processes.

***Effect:***

The City’s PCLRF project expenditures exceeded 25 percent of LACMTA’s approved budget without LACMTA’s approval and the City did not comply with the Guidelines.

***Questioned Costs:***

None

***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 City is continually striving to improve budget coordination within City departments and outside agencies. A new budget officer was appointed in fiscal year 2014-15 to make budget improvements.



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*EXIT CONFERENCE*

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***CITY OF COMPTON***

**PROPOSITION A AND PROPOSITION C LOCAL RETURN FUND  
EXIT CONFERENCE  
June 30, 2015**

An exit conference was held on March 14, 2016 via telephone conference. Those in attendance were:

***Simpson & Simpson Representative:***

Yung Dang, Semi-Senior Auditor

***City's Representative:***

Roel Briones, Internal Auditor

***Matters Discussed:***

Results of the audit disclosed no significant control deficiencies and one (1) non-compliance issue 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:

Stephen Ajobiewe, City Controller  
Roel Briones, Internal Auditor  
Roosevelt Peters, Accountant I