

***CITY OF GARDENA
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 GARDENA

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FINANCIAL SECTION



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 Gardena, 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 Gardena, California (City) as of and for the years then 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 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 Gardena, California, as of June 30, 2015 and 2014, and the respective changes in their fund balances 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 Gardena, 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 Gardena, 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 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 November 23, 2015, on our consideration of the City of Gardena'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 & Simpson".

Los Angeles, California
November 23, 2015

CITY OF GARDENA

PROPOSITION A LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and investments	\$ 2,551,981	\$ 2,572,372
Accounts receivable - Bus Fare	1,004	903
Accounts receivable - Proposition A Discretionary Incentive	164,264	138,259
Accounts receivable - Other Bus Income	<u>50,449</u>	<u>56,164</u>
Total assets	<u>\$ 2,767,698</u>	<u>\$ 2,767,698</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ <u>-</u>	\$ <u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
 Fund Balance		
Restricted	<u>2,767,698</u>	<u>2,767,698</u>
Total fund balance	<u>2,767,698</u>	<u>2,767,698</u>
 Total liabilities and fund balance	 <u>\$ 2,767,698</u>	 <u>\$ 2,767,698</u>

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

CITY OF GARDENA

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>
REVENUES		
Proposition A	\$ 1,053,442	\$ 1,010,942
Proposition A Discretionary Incentive Grant (Note 7)	164,264	138,259
Project generated revenue (Note 8)	14,548	14,869
Charges for services (Note 9)	294,630	278,733
Interest income	29,242	-
Total revenues	<u>1,556,126</u>	<u>1,442,803</u>
EXPENDITURES		
Various projects	<u>1,556,126</u>	<u>1,425,834</u>
Total expenditures	<u>1,556,126</u>	<u>1,425,834</u>
Excess of revenues over expenditures	<u>-</u>	<u>16,969</u>
Fund balance at beginning of year	<u>2,767,698</u>	<u>2,750,729</u>
Fund balance at end of year	<u>\$ 2,767,698</u>	<u>\$ 2,767,698</u>

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

CITY OF GARDENA

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	Fixed Route Transit	\$ 885,675	\$ 1,065,637	\$ (179,962)	\$ 682,649
130	Special Service Paratransit	1*	367,867	(367,866)	501,935
480	Paratransit Administrative Expenditures	1*	122,622	(122,621)	241,250
	Total expenditures	<u>\$ 885,677</u>	<u>\$ 1,556,126</u>	<u>\$ (670,449)</u>	<u>\$ 1,425,834</u>

* Per approval by Metro, in order to consolidate the LR fund into one project code #110, the two projects codes (#130 and #480) were removed. This is not a finding.

See accompanying independent auditor's report.

CITY OF GARDENA

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>
2002	Buick Century	\$ 19,103	\$ -	\$ -	\$ 19,103
2004	Annunciator & Bus Destination Sign	18,650	-	7,040	11,610
2008	2008 Crown Victoria	<u>23,094</u>	<u>-</u>	<u>-</u>	<u>23,094</u>
	Subtotal	<u>\$ 60,847</u>	<u>\$ -</u>	<u>\$ 7,040</u>	<u>\$ 53,807</u>

See accompanying independent auditor's report.

CITY OF GARDENA

PROPOSITION C LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30,

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and investments	\$ <u>1,420,938</u>	\$ <u>1,387,774</u>
Total assets	\$ <u><u>1,420,938</u></u>	\$ <u><u>1,387,774</u></u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ <u>-</u>	\$ <u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
 Fund Balance		
Restricted	<u>1,420,938</u>	<u>1,387,774</u>
Total fund balance	<u>1,420,938</u>	<u>1,387,774</u>
 Total liabilities and fund balance	 \$ <u><u>1,420,938</u></u>	 \$ <u><u>1,387,774</u></u>

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

CITY OF GARDENA

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>
REVENUES		
Proposition C	\$ 874,481	\$ 839,069
Interest income	<u>6,201</u>	<u>9,357</u>
Total revenues	<u>880,682</u>	<u>848,426</u>
EXPENDITURES		
Various projects	<u>847,518</u>	<u>1,091,335</u>
Total expenditures	<u>847,518</u>	<u>1,091,335</u>
(Deficiency) excess of revenues over expenditures	<u>33,164</u>	<u>(242,909)</u>
Fund balance at beginning of year	<u>1,387,774</u>	<u>1,630,683</u>
Fund balance at end of year	<u>\$ 1,420,938</u>	<u>\$ 1,387,774</u>

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

CITY OF GARDENA

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		Variance Favorable (Unfavorable)	2014 Actual
		Metro Budget	Actual		
440-43	Artesia Blvd. St. Improvement	\$ -	-	\$ -	\$ 402,332
440-44	Budlong Ave. St. Improvement	-	-	-	77,275
440-45	178th St. Improvement	-	-	-	138,471
440-46	Western Ave. St. Improvement	-	-	-	231,458
440-47	Manhattan Beach Blvd. Improvement	350,000	263,951	\$ 86,049	\$ 93,824
440-48	Normandie Ave. Street Improvement	600,000	389,651	210,349	116,859
440-53	Pavement Management Program	75,000	59,689	15,311	-
440-54	Gardena Blvd. St. Improvement	400,000	42,030	357,970	-
440-55	158th Street Improvement	350,000	62,281	287,719	-
480-49	Manhattan Beach Blvd. Improvement	10,000	-	10,000	12,382
480-50	Normandie Ave. Street Improvement	15,000	695	14,305	18,449
480-52	Western Ave. St. Improvement	1,000	-	1,000	285
480-56	Pavement Management Program	5,000	6,133	(1,133)	-
480-57	Gardena Blvd. St. Improvement	10,000	11,735	(1,735)	-
480-58	158th Street Improvement	10,000	11,353	(1,353)	-
	Total expenditures	<u>\$ 1,826,000</u>	<u>\$ 847,518</u>	<u>\$ 978,482</u>	<u>\$ 1,091,335</u>

See accompanying independent auditor's report.

CITY OF GARDENA

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 GARDENA

MEASURE R LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and investments	\$ 491,516	\$ 707,737
Due from other fund	<u>-</u>	<u>-</u>
Total assets	<u>\$ 491,516</u>	<u>\$ 707,737</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ <u>-</u>	\$ <u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
Fund Balance		
Restricted	<u>491,516</u>	<u>707,737</u>
Total fund balance	<u>491,516</u>	<u>707,737</u>
Total liabilities and fund balance	<u>\$ 491,516</u>	<u>\$ 707,737</u>

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

CITY OF GARDENA

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>
REVENUES		
Measure R	\$ 655,500	\$ 625,803
Interest income	<u>4,240</u>	<u>4,001</u>
Total revenues	<u>659,740</u>	<u>629,804</u>
EXPENDITURES		
Various projects	<u>875,961</u>	<u>426,290</u>
Total expenditures	<u>875,961</u>	<u>426,290</u>
Excess (deficiency) of revenues over expenditures	(216,221)	203,514
Fund balance at beginning of year, as previously reported	<u>707,737</u>	<u>504,223</u>
Fund balance at end of year	<u><u>\$ 491,516</u></u>	<u><u>\$ 707,737</u></u>

The accompanying notes are an integral part of the financial statements

CITY OF GARDENA

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)	
1.05	Street Repair and Maintenance	\$ 924,237	\$ 400,359	\$ 523,878	\$ 296,182
3.05	Pedestrian Safety Improvement JN862	400,000	-	400,000	130,108
3.05	Pedestrian Safety Improvement JN867	350,000	220,088	129,912	
3.05	Pedestrian Safety Improvement JN887	350,000	255,514	94,486	-
	Total expenditures	<u>\$ 2,024,237</u>	<u>\$ 875,961</u>	<u>\$ 1,148,276</u>	<u>\$ 426,290</u>

See accompanying independent auditor's report.

CITY OF GARDENA

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	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

CITY OF GARDENA

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

**BALANCE SHEETS
JUNE 30**

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

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

CITY OF GARDENA

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>
REVENUES		
Payment from prior year reserve	\$ 48,272	\$ 44,069
Total revenues	<u>48,272</u>	<u>44,069</u>
EXPENDITURES		
Sidewalk Replacement 2015	48,272	-
Pedestrian Improvement JN862	<u>-</u>	<u>44,069</u>
Total expenditures	<u>48,272</u>	<u>44,069</u>
Excess (deficiency) 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 GARDENA

**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>
Local allocations					
Sidewalk Replacement	2015	\$ 48,272	\$ 48,272	\$ -	Completed
	Total	<u>\$ 48,272</u>	<u>\$ 48,272</u>	-	
Fund balance at beginning of year				<u>-</u>	
Fund balance at end of year				<u>\$ -</u>	

See accompanying independent auditor's report.

CITY OF GARDENA

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, MRLFR, 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.

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).

CITY OF GARDENA

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

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.

NOTE 3 – PROPOSITION A AND PROPOSITION C LOCAL RETURN COMPLIANCE REQUIREMENT

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 DISCRETIONARY INCENTIVE GRANT

The Proposition A Discretionary Incentive Grant amounting to \$164,264 and \$138,259 for the years ended June 30, 2015 and 2014 respectively, represent additional funds received from Metro for the City's Dial-a-Ride Program.

The Proposition A Discretionary Incentive Grant was recorded under PALRF.

CITY OF GARDENA

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

NOTE 8 – PROJECT GENERATED REVENUE

Project generated revenue for PALRF for the years ended June 30, 2015 and 2014 consisted of the following:

PARLF:

	2015	2014
E&H Farebox Revenue	\$ <u>14,548</u>	\$ <u>14,869</u>

NOTE 9 – CHARGES FOR SERVICES

The City’s Bus Lines provide E&H services to residents of the City of Hawthorne and the unincorporated area known as Alondra Park, Del Aire, and Hawthorne Island. Total revenue recognized from such services amounted to \$294,630 and \$278,733 for the years ended June 30, 2015 and 2014, respectively,

NOTE 10 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION

The revenue allocation for the years ended June 30, 2015 and 2014 consisted of the following:

	2015	2014
FY 2012/13 reserve	\$ -	\$ 44,069
FY 2013/14 reserve	48,272	-
Total payment received	\$ <u>48,272</u>	\$ <u>44,069</u>

NOTE 11 – TRANSPORTATION DEVELOPMENT ACT FUNDS RESERVED

In accordance with TDA Article 3 (SB821) Guidelines, funds not spent during the fiscal year have been placed on reserve in the Local Transportation Fund (LTF) account with the County Auditor-Controller to be drawn down whenever the funds become eligible for a specific project and an approved drawdown request is received by Metro. As of June 30, 2015 and 2014, the City has funds on reserve as follows:

	2015	2014
FY 2013/14	\$ -	\$ 48,272
FY 2014/15	39,316	-
Available reserve balance	\$ <u>39,316</u>	\$ <u>48,272</u>

CITY OF GARDENA

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

NOTE 12 – SUBSEQUENT EVENTS`

The City has evaluated events or transactions that occurred subsequent to June 30, 2015 through November 23, 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 Gardena, 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 Gardena, 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 November 23, 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 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 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 cursive script that reads "Simpson & Simpson".

Los Angeles, California
November 23, 2015

COMPLIANCE SECTION



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 Gardena, California and the
Los Angeles County Metropolitan Transit Authority

Report on Compliance

We have audited the compliance of the City of Gardena, 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 and the transportation development Act Article 3 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 Gardena 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 Gardena is responsible for establishing and maintaining effective internal control over compliance with the Requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the Requirements that could have a direct and material effect on the Local Return programs and the TDAA3F to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Requirements, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies. 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 & Simpson".

Los Angeles, California
November 23, 2015

CITY OF GARDENA
COMPLIANCE MATRIX
Year Ended June 30, 2011
(Continued)

Compliance Requirement	In Compliance		Questioned Costs	If no, provide details and management response.	
	Yes	No			
A. Proposition A and Proposition C Local Return Funds					
1.	Timely use of funds.	X		None	
2.	Expenditures were approved before being incurred.	X		None	
3.	Funds were used on approved projects only and expenditures were supported and allowable per Guidelines.	X		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 GARDENA
COMPLIANCE MATRIX
Year Ended June 30, 2015
(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.	Funds 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 GARDENA
COMPLIANCE MATRIX
 Year Ended June 30, 2011
 (Continued)

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

CITY OF GARDENA

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

June 30, 2015

No findings were noted.

EXIT CONFERENCE

CITY OF GARDENA

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 3, 2015 with the City of Gardena. Those in attendance were:

Simpson & Simpson Representative:

Susan Hum, Auditor

City's Representative:

Susan Kamada, Senior Accountant

Dennis Miura, Consultant – Transportation Department

Matters Discussed:

Results of the audit disclosed one instance of noncompliance.

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

Susan Kamada, Accountant

Dennis Miura, Consultant – Transportation Department