

***CITY OF LYNWOOD
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 LYNWOOD
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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 Lynwood, 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 Lynwood, California (City) as of and for the years ended June 30, 2015 and 2014, and the related notes to 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 Lynwood, 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 Lynwood, 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 Lynwood, 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 December 11, 2015, on our consideration of the City of Lynwood' 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
December 11, 2015

FINANCIAL SECTION

CITY OF LYNWOOD

PROPOSITION A LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and investments	\$ 3,812,887	\$ 3,508,944
Due from MTA	135,457	67,881
Interest receivable	<u>1,521</u>	<u>935</u>
Total assets	<u>\$ 3,949,865</u>	<u>\$ 3,577,760</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ <u>-</u>	\$ <u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
 Fund Balance		
Restricted	<u>3,949,865</u>	<u>3,577,760</u>
Total fund balance	<u>3,949,865</u>	<u>3,577,760</u>
 Total liabilities and fund balance	 <u>\$ 3,949,865</u>	 <u>\$ 3,577,760</u>

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

CITY OF LYNWOOD

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	\$ 1,249,377	\$ 1,198,972
Proposition A Discretionary Incentive grant (Note 7)	132,395	-
Interest income	15,564	14,424
Project generated revenue	7,212	9,973
Total revenues	<u>1,404,548</u>	<u>1,223,369</u>
EXPENDITURES		
Various projects	<u>1,032,443</u>	<u>905,825</u>
Total expenditures	<u>1,032,443</u>	<u>905,825</u>
Excess of revenues over expenditures	372,105	317,544
Fund balance at beginning of year	<u>3,577,760</u>	<u>3,260,216</u>
Fund balance at end of year	<u>\$ 3,949,865</u>	<u>\$ 3,577,760</u>

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

CITY OF LYNWOOD

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)	
110-05	Fixed Bus Route	\$ 500,000	\$ 501,817	\$ (1,817)	\$ 453,178
110-06	Lynwood Trolley Blue Line Interface	210,000	230,107	(20,107)	190,944
120-07	Dial-A-Ride	200,000	131,194	68,806	129,495
140-02	Recreational Transit	30,000	16,006	13,994	22,011
150-04	Bus Stop Clean Up	20,000	20,034	(34)	9,150
250-01	MTA Bus Pass Voucher Subsidy	50,000	5,511	44,489	6,255
280-58	Lynwood Trolley Route Brochure	7,500	-	7,500	-
300-59	Bus Shelter Improvement	400,000	-	400,000	-
480-03	Administration and Monitoring	154,000	127,774	26,226	94,792
	Total expenditures	<u>\$ 1,571,500</u>	<u>\$ 1,032,443</u>	<u>\$ 539,057</u>	<u>\$ 905,825</u>

See accompanying independent auditor's report.

CITY OF LYNWOOD

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>
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

CITY OF LYNWOOD

PROPOSITION C LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and investments	\$ 5,919,853	\$ 4,654,047
Interest receivable	<u>2,130</u>	<u>1,130</u>
Total assets	<u>\$ 5,921,983</u>	<u>\$ 4,655,177</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Due to Other Funds	\$ <u>21,437</u>	\$ <u>18,496</u>
Total liabilities	<u>21,437</u>	<u>18,496</u>
Fund Balance		
Capital Restricted (Note 9)	1,740,504	1,740,504
Restricted	<u>4,160,042</u>	<u>2,896,177</u>
Total fund balance	<u>5,900,546</u> *	<u>4,636,681</u>
Total liabilities and fund balance	<u>\$ 5,921,983</u>	<u>\$ 4,655,177</u>

* As of June 30, 2015, the City has an unspent fund balance of \$5,900,546, of that total \$532,747 are lapsed from the fiscal year 2011-12 allocation and interests received. Hence, the City has a Due to LACMTA of \$532,747.

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

CITY OF LYNWOOD

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	\$ 1,038,425	\$ 996,427
Proposition C Discretionary Incentive Grant (Note 8)	403,836	-
Interest income	20,641	16,749
Total revenues	<u>1,462,902</u>	<u>1,013,176</u>
EXPENDITURES		
Various projects	199,037	187,048
Total expenditures	<u>199,037</u>	<u>187,048</u>
Excess of revenues over expenditures	1,263,865	826,128
Fund balance at beginning of year	<u>4,636,681</u>	<u>3,810,553</u>
Fund balance at end of year*	<u><u>\$ 5,900,546</u></u>	<u><u>\$ 4,636,681</u></u>

* As of June 30, 2015, the City has an unspent fund balance of \$5,900,546, of that total \$532,747 are lapsed from the fiscal year 2011-12 allocation and interests received. Hence, the City has a Due to LACMTA of \$532,747.

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

CITY OF LYNWOOD

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)	
270-01	Long Beach Blvd Improvement Project - Imperial Hwy. to North City Limit - Design Only	\$ 540,000	\$ 76,500	\$ 463,500	\$ 237
270-52	State St. and Long Beach Blvd. Intersection Improvements	100,000	-	100,000	-
270-53	Transportation Assessment (Gateway Cities)	8,250	8,247	3	8,247
270-56	I-710 Corridor Study	25,000	25,000	-	25,000
300-58	Bus Shelter Improvement	60,000	-	60,000	-
380-57	Long Beach Blvd. Improvement Project	1,747,000	-	1,747,000	6,496
440-30	Imperial Highway and Martin Luther King Blvd. Intersection Improvements	60,000	-	60,000	-
440-37	Bullis Road Improvement Project	800,000	25,050	774,950	22,767
440-46	Traffic Signal Improvements	490,000	64,240	425,760	124,301
440-58	State Stret Improvement Project	800,000	-	800,000	-
	Total expenditures	<u>\$ 4,630,250</u>	<u>\$ 199,037</u>	<u>\$ 4,431,213</u>	<u>\$ 187,048</u>

See accompanying independent auditor's report.

CITY OF LYNWOOD

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 LYNWOOD

MEASURE R LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and investments	\$ 2,595,327	\$ 2,254,771
Interest receivable	<u>1,027</u>	<u>598</u>
Total assets	<u>\$ 2,596,354</u>	<u>\$ 2,255,369</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ <u>-</u>	\$ <u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
 Fund Balance		
Restricted	<u>2,596,354</u>	<u>2,255,369</u>
Total fund balance	<u>2,596,354</u>	<u>2,255,369</u>
 Total liabilities and fund balance	 <u>\$ 2,596,354</u>	 <u>\$ 2,255,369</u>

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

CITY OF LYNWOOD

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	\$ 777,420	\$ 742,200
Interest income	<u>10,173</u>	<u>8,669</u>
Total revenues	<u>787,593</u>	<u>750,869</u>
EXPENDITURES		
Various projects	<u>446,608</u>	<u>312,027</u>
Total expenditures	<u>446,608</u>	<u>312,027</u>
Excess of revenues over expenditures	<u>340,985</u>	<u>438,842</u>
Fund balance at beginning of year, as previously reported	2,255,369	1,917,454
Prior period adjustment (Note 11)	<u>-</u>	<u>(100,927)</u>
Fund balance at beginning of the year, as restated	<u>2,255,369</u>	<u>1,816,527</u>
Fund balance at end of year	<u>\$ 2,596,354</u>	<u>\$ 2,255,369</u>

The accompanying notes are an integral part of the financial statements

CITY OF LYNWOOD

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	Louise Avenue Improvements	\$ 643,800	\$ 8,428	\$ 635,372	\$ (1,396) *
1.05	Pavement Marking Improvements	75,000	8,060	66,940	-
1.05	Slurry Seal Project	200,000	-	200,000	(70,864) *
1.05	Trench Cut Repairs	50,000	18,995	31,005	-
1.05	Duncan Avenue Project	6,200	6,190	10	(2,713) *
1.05	Olanda Street Project	3,800	3,788	12	(2,925) *
1.05	Wright Road Improvement	16,200	8,341	7,859	-
1.90	Traffic Signs Improvement Project	45,000	-	45,000	(2,981) *
1.90	Measure R Bond Debt Service Payment	392,000	392,806	(806)	392,906
3.90	Pedestrian Improvements Around aious Schools (HSIP)	38,580	-	38,580	-
7.90	SB 375 Preparation of Subregional SCS	16,406	-	16,406	-
	Total expenditures	<u>\$ 1,486,986</u>	<u>\$ 446,608</u>	<u>\$ 1,040,378</u>	<u>\$ 312,027</u>

* The City had over accrued expenditures in fiscal year 2012-13. Thus, when expenditures were reversed there was a negative expenditure amount for these projects.

See accompanying independent auditor's report.

CITY OF LYNWOOD

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>
1/3/2012	Retro-Reflectometer	\$ 13,618	\$ -	\$ -	\$ 13,618
	Total	\$ 13,618	\$ -	\$ -	\$ 13,618

See accompanying independent auditor's report.

CITY OF LYNWOOD

**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	\$ 19,052	\$ 18,979
Interest receivable	<u>7</u>	<u>5</u>
Total assets	<u>\$ 19,059</u>	<u>\$ 18,984</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Due to other funds	\$ <u>-</u>	\$ <u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
Fund Balance		
Restricted	<u>19,059</u> *	<u>18,984</u>
Total fund balance	<u>19,059</u>	<u>18,984</u>
Total liabilities and fund balance	<u>\$ 19,059</u>	<u>\$ 18,984</u>

* As of June 30, 2015, the City had unspent fund balance \$19,059 as computed by the ending fund balance. Therefore, the City is required to return \$19,059 to MTA at June 30, 2015.

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

CITY OF LYNWOOD

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 FY 2012-13 allocation	\$ -	\$ -
Payment from FY 2013-14 allocation	-	-
Interest income	<u>75</u>	<u>81</u>
Total revenues	<u>75</u>	<u>81</u>
EXPENDITURES		
Pedestrian Improvement	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	75	81
Fund balance at beginning of year	<u>18,984</u>	<u>18,903</u>
Fund balance at end of year	<u>\$ 19,059</u>	<u>\$ 18,984</u>

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

CITY OF LYNWOOD

**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					
None		\$ -	\$ -	\$ -	
	Total	<u>\$ -</u>	<u>\$ -</u>	-	
Unexpended interest accumulated to date				75	
Fund balance at beginning of year				<u>18,984</u>	
Fund balance at end of year				<u>\$ 19,059</u>	

See accompanying independent auditor's report.

CITY OF LYNWOOD

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.

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 LYNWOOD

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 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 DISCRETIONARY INCENTIVE GRANT

The Proposition A Discretionary Incentive Grant, amounting to \$132,395 and \$0 for the years ended June 30, 2015 and 2014 respectively, represents additional funds received from Metro for participating in the Voluntary National Transit Database Program.

CITY OF LYNWOOD

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

NOTE 8 – PROPOSITION C DISCRETIONARY INCENTIVE GRANT

The Proposition C Discretionary Incentive Grant, amounting to \$403,836 and \$0 for the years ended June 30, 2015 and 2014 respectively, represents additional funds received from Metro for participating in the Proposition C Interest Funds and Transit Service Expansion Program.

NOTE 9 – CAPITAL RESERVE

Long Beach Boulevard Improvement Project

On June 9, 2013, Metro and the City entered into an agreement to establish a capital reserve account (Account) in the amount of \$1,747,000 for the Project Code 380-57, Long Beach Boulevard Improvement Project (the Project).

The Account is to be funded with the Proposition C Local Return funds allocated to the City. All interest is to be accrued and placed in the Account for use exclusively for the Project. The City is to complete the Project by June 30, 2016. If the Project is not completed by the said date, any unexpended funds shall lapse and be returned to Metro.

For the years ended June 30, 2015 and 2014, the capital reserve amounts for PCLRF are as follows:

	2015	2014
Capital reserve, beginning balance	\$ 1,740,504	\$ 1,747,000
Additional reserve during the year	-	-
Activities during the year	-	(6,496)
Capital reserve, ending balance	\$ 1,740,504	\$ 1,740,504

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	\$ -	\$ -
FY 2013-14 reserve	-	-
Total payment requested	\$ -	\$ -

CITY OF LYNWOOD

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

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 2011-12 allocation	\$ 23,420	\$ 23,420
FY 2012-13 allocation	52,156	52,156
FY 2013-14 allocation	57,248	57,248
FY 2014-15 allocation	46,625	-
Available reserve balance	\$ 179,449	\$ 132,824

NOTE 12 – PRIOR PERIOD ADJUSTMENT

The City had booked a prior period adjustment due to incurring additional expenditures for MRLRF. The MRLRF expenditures had increased in the amount of \$100,927 for fiscal year 2012-13 due to an expenditure for the Measure R project code 1.90, Bond Debit Service Payment project.

NOTE 13 – SUBSEQUENT EVENTS

The City has evaluated events or transactions that occurred subsequent to June 30, 2015 through December 11, 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 Lynwood, 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 Lynwood, 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 11, 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 instance 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
December 11, 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 Lynwood, California and the
Los Angeles County Metropolitan Transit Authority

Report on Compliance

We have audited the compliance of the City of Lynwood, 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 the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance. Our audit does not provide a legal determination of the City's compliance with those requirements.

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

In our opinion, the City of Lynwood 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.



Other Matters

The results of our auditing procedures disclosed two instances of noncompliance, which are required to be reported in accordance with the Guidelines and which are described in the accompanying Schedule of Findings and Recommendations as Finding No. F-15-01 and No. F-15-02. Our opinion on each local return program is not modified with respect to these matters.

The City's responses to the noncompliance finding identified in our audit are described in the accompanying Schedule of Findings and Recommendations. The City's responses are 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 Lynwood 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
December 11, 2015

CITY OF LYNWOOD
COMPLIANCE MATRIX
Year Ended June 30, 2015

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	See Finding no F-15-01 in the Schedule of Findings and Recommendations
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	

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

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

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

Compliance Requirement		In Compliance		Questioned Costs	If no, provide details and management response.
		Yes	No		
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	
C. Transportation Development Act Article 3 Fund					
1.	Timely use of funds.		X	\$19,059	See Finding no F-15-02 in the Schedule of Findings and Recommendations
2.	Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.	X		None	

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

CITY OF LYNWOOD

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
June 30, 2015

Finding No F-15-01 – Fund: PCLRF

Criteria:

According to Proposition A and C Local Return Guidelines. IV. Finance Section: E – Timely Use of Funds. “Jurisdictions have three years to expend LR funds. Fund must be expended three years of the last day of the fiscal year in which funds were originally allocated.”

Condition

The City’s fiscal year 2015 PALRF and PCLRF ending fund balances of \$3,949,865 and \$5,900,546 were not fully expended within 3 years as of June 30, 2015 and were not reserved for capital projects as required by Local Return Guidelines.

At June 30, 2015, the City had a total unspent PALRF and PCLRF fund allocation of \$109,191 and \$532,747, respectively. However, LACMTA subsequently granted the City a waiver from the return of the lapsed funds until June 30, 2016.

Cause:

There appears to be a lack of timely review of the available funding to be spent and/or returned for PCLRF Fund.

Effect:

The Proposition A and Proposition C Local Return funds of \$109,191 and \$532,747, respectively, were not expended or reserved within the Timely Use period could result in questioned cost of \$641,938.

Questioned Costs:

None

Recommendation:

We recommend the City establish a policy in place where the City Manager, City Engineer and Finance Department discuss the availability of the Local Return funds in conjunction with any eligible PALRF and PCLRF projects and submit it’s Form B (Annual Project Update Form).

Management’s Response:

The City will designate staff that will monitor the spending of PCLRF funds.

CITY OF LYNWOOD

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

June 30, 2015

(continued)

Finding No. F-15-02 – Unspent Fund Balance for TDA3

Criteria:

According to LACMTA’s Funding and Allocation Guidelines for the TDA Article 3 Bicycle and Pedestrian Funds, “TDA Article 3 local funds may be placed on reserve for up to three years (i.e. no longer than the fourth June 30 after they were available by Metro Board action). Agencies may accumulate three years’ worth of reserved TDA Article 3 local funds before being required to obligate them or return them to the TDA Article 3 fund. Any funds left on reserve by the local agency longer than three years are subject to lapse and future reallocation” and “Agencies may only draw down funds if they will be fully spent or encumbered before the end of the fiscal year (June 30) in which they are allocated. Agencies are not allowed to have a fun balance at the end of the fiscal year. Any funds drawn down and that remain unspent after the end of the fiscal year must be returned to Metro to be placed on reserve for the city under the fiscal year in which they were originally allocated.”

Condition

At June 30, 2015, the City had a total unspent TDA3 fund allocation of \$19,059.

Cause:

There appears to be a lack of timely review of the available funding to be spent and/or returned for TDA3 Fund.

Effect:

Untimely review of the funding status from the prior year allocation could result in losing the funding.

Questioned Costs:

\$19,059

Recommendation:

In accordance with the Guidelines, we recommend that the City return the unspent funds of \$19,059 to LACMTA to be placed on reserve for the City under the fiscal year in which they were originally allocated. We also recommend that the City establish controls to ensure that it only draw down funds that will be spent or encumbered on eligible projects before the end of the fiscal year and returns any unspent funds to Metro to be placed on reserve for the City as required by the Guidelines.

Management’s Response:

The City will designate staff that will monitor the drawdown and spending of TDA 3 funds. In the future, the City will limit the drawdown of funds to the amount that will be spent for the year.

CITY OF LYNWOOD

**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 17, 2015 with the City of Lynwood. Those in attendance were:

Simpson & Simpson Representative:

Susan Hum, Auditor

City's Representative:

Christy Valencia, Finance Manager
Amanda Roberson, Director of Finance
Josef Kekula, Public Works Engineering

Matters Discussed:

Results of the audit disclosed one (2) non-compliance issues with the 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:

Christy Valencia, Finance Manager
Amanda Roberson, Director of Finance
Josef Kekula, Public Works Engineering

EXIT CONFERENCE

Simpson & Simpson, CPAs
633 West 5th Street, Suite 3320
Los Angeles, CA 90071

RE: CITY OF LYNWOOD ANNUAL FINANCIAL REPORT OF THE PROPOSITION A LOCAL RETURN FUND, PROPOSITION C LOCAL RETURN FUND, MEASURE R LOCAL RETURN FUND, AND TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

I have received the annual financial report of the Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, and Transportation Development Act Article 3 Fund for the years ended June 30, 2015 and 2014 for the City of Lynwood and agree with the contents of the report except as indicated below:

(Attach additional pages if necessary)

Very truly yours,

Name

Title

Date