

***CITY OF SAN FERNANDO
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 SAN FERNANDO

TABLE OF CONTENTS

FINANCIAL SECTION	PAGE
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	7
Statements of Revenues, Expenditures and Changes in Fund Balance	8
Supplemental Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	9
Schedule of Capital Assets	10
Measure R Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	11
Statements of Revenues, Expenditures and Changes in Fund Balance	12
Supplemental Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	13
Schedule of Capital Assets	14
Transportation Development Act Article 3 Fund:	
Basic Financial Statements:	
Balance Sheets	15
Statements of Revenues, Expenditures and Changes in Fund Balance	16
Supplemental Information:	
Schedule of Transportation Development Act Allocation for Specific Projects	17
Notes to Financial Statements	18
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>	21
COMPLIANCE SECTION	
Independent Auditor's Report On Compliance	23
Compliance Matrix	26
Schedule of Findings and Recommendations	29
EXIT CONFERENCE	34

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 San Fernando, 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 San Fernando, 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 San Fernando, 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 San Fernando, 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 San Fernando, 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 22, 2015, on our consideration of the City of San Fernando'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
December 22, 2015

CITY OF SAN FERNANDO

PROPOSITION A LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and investments	\$ 137,008	\$ 69,407
Total assets	\$ <u>137,008</u>	\$ <u>69,407</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 49,034	\$ 49,621
Accrued payroll and employee benefits	<u>1,146</u>	<u>1,392</u>
Total liabilities	<u>50,180</u>	<u>51,013</u>
 Fund Balance		
Restricted	<u>86,828</u>	<u>18,394</u>
Total fund balance	<u>86,828</u>	<u>18,394</u>
 Total liabilities and fund balance	\$ <u>137,008</u>	\$ <u>69,407</u>

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

CITY OF SAN FERNANDO

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	\$ 425,844	\$ 408,664
Interest income	142	28
Project generated revenue (Note 7)	29,113	29,485
Other income	-	1,082
Total revenues	<u>455,099</u>	<u>439,259</u>
EXPENDITURES		
Various projects	<u>386,665</u>	<u>465,520</u>
Total expenditures	<u>386,665</u>	<u>465,520</u>
Excess (deficiency) of revenues over expenditures	68,434	(26,261)
Fund balance at beginning of year	<u>18,394</u>	<u>44,655</u>
Fund balance at end of year	<u>\$ 86,828</u>	<u>\$ 18,394</u>

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

CITY OF SAN FERNANDO

PROPOSITION A LOCAL RETURN FUND

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

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

Project Code	Project Name	2015			2014 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
110-01	Trolley Fixed Route Transit	\$ 47,500	\$ 2,012	\$ 45,488	\$ 56,751
110-02	Trolley/Utility Truck Fuel	20,750	21,366	(616)	21,405
120-01	Dial-A-Ride	277,564	265,070	12,494	277,397
170-01	Bus Bench Maintenance	4,500	-	4,500	505
200-01	Recreational Trips Program	18,000	12,556	5,444	12,438
250-08	MTA Bus Pass Subsidy	18,300	18,018	282	16,988
280-01	Transit Marketing	6,000	-	6,000	-
480-09	Prop A Administration	75,606	67,643	7,963	80,036
	Total expenditures	<u>\$ 468,220</u>	<u>\$ 386,665</u>	<u>\$ 81,555</u>	<u>\$ 465,520</u>

See accompanying independent auditor's report.

CITY OF SAN FERNANDO

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>
2009	Monitors & Navigation System DVD Playback and Anti Thief System	\$ 12,118	\$ -	\$ -	\$ 12,118
2013	Bus Shelters	46,288	-	-	46,288
	Total	\$ 58,406	\$ -	\$ -	\$ 58,406

See accompanying independent auditor's report.

CITY OF SAN FERNANDO

PROPOSITION C LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and investments	\$ <u>188,934</u>	\$ <u>371,817</u>
Total assets	\$ <u><u>188,934</u></u>	\$ <u><u>371,817</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 37,087	\$ 38,605
Accrued payroll and employee benefits	<u>3,573</u>	<u>4,006</u>
Total liabilities	\$ <u>40,660</u>	\$ <u>42,611</u>
Fund Balance		
Restricted	<u>148,274</u>	<u>329,206</u>
Total fund balance	<u>148,274</u>	<u>329,206</u>
Total liabilities and fund balance	\$ <u><u>188,934</u></u>	\$ <u><u>371,817</u></u>

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

CITY OF SAN FERNANDO

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	\$ 353,702	\$ 339,387
Interest income	286	191
Other income	-	3,366
Total revenues	<u>353,988</u>	<u>342,944</u>
EXPENDITURES		
Various projects	<u>534,920</u>	<u>398,267</u>
Total expenditures	<u>534,920</u>	<u>398,267</u>
Deficiency of revenues over expenditures	(180,932)	(55,323)
Fund balance at beginning of year, as previously reported	<u>329,206</u>	<u>384,529</u>
Fund balance at end of year	<u>\$ 148,274</u>	<u>\$ 329,206</u>

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

CITY OF SAN FERNANDO

PROPOSITION C LOCAL RETURN FUND

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

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

Project Code	Project Name	2015			2014 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
110-01	Trolley Fixed Route Transit	\$ 197,500	\$ 232,166	\$ (34,666)	\$ 155,633
170-01	Bus Bench Maintenance	79,059	79,059	-	62,785
430-01	Bikeway Maintenance	100,908	100,908	-	56,897
440-05	Street & bikeway Improvements	235,396	111,546	123,850	104,369
480-01	Prop C Administration	53,310	11,241	42,069	18,583
	Total expenditures	<u>\$ 666,173</u>	<u>\$ 534,920</u>	<u>\$ 131,253</u>	<u>\$ 398,267</u>

See accompanying independent auditor's report.

CITY OF SAN FERNANDO

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>
1998	Multi-Use Recreation Building	\$ 566,845	\$ -	\$ -	\$ 566,845
1998	Shelter Bus	80,575	-	-	80,575
1998	Hewlett Packard Netserver	12,251	-	-	12,251
1998	Poligon Structure	7,782	-	-	7,782
2001	Solar Arrow Trailer Board	6,089	-	-	6,089
2002	Inductive Loop Detector	9,800	-	-	9,800
2003	Traffic Signals	34,259	-	-	34,259
2003	Maclay St. Rehab	17,642	-	-	17,642
2004	Traffic Signals	189,002	-	-	189,002
2004	Van	14,000	-	-	14,000
2004	S. Maclay Ave. Rehab	80,681	-	-	80,681
2004	Street Striping	4,000	-	-	4,000
2008	Maclay Streetscape	1,232,487	-	-	1,232,487
2009	Backhoe Attachment for Skid Steer	8,900	-	-	8,900
2013	Park Ave Street Sidewalk Improvements	126,772 *	-	-	126,772
	Total	\$ 2,391,085	\$ -	\$ -	\$ 2,391,085

* The fixed asset is a result of the City's completion of the Park Avenue capital assets project.

Total amount for Park Avenue project	\$ 172,512	
Less: Amount funded by Measure R	<u>(45,740)</u>	see page 14.
Net amount funded by Proposition C	<u>\$ 126,772</u>	

See accompanying independent auditor's report.

CITY OF SAN FERNANDO
MEASURE R LOCAL RETURN FUND
BALANCE SHEETS
JUNE 30

	2015	2014
ASSETS		
Cash and investments	\$ 804,265	\$ 560,226
Total assets	\$ 804,265	\$ 560,226
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 5,000	\$ 11,200
Wages payable	342	340
Total liabilities	5,342	11,540
 Fund Balance		
Restricted	798,923	548,686
Total fund balance	798,923	548,686
Total liabilities and fund balance	\$ 804,265	\$ 560,226

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

CITY OF SAN FERNANDO

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	\$ 264,980	\$ 252,975
Interest income	877	227
Other income	7,634	91
Total revenues	<u>273,491</u>	<u>253,293</u>
EXPENDITURES		
Various projects	<u>23,254</u>	<u>18,834</u>
Total expenditures	<u>23,254</u>	<u>18,834</u>
Excess of revenues over expenditures	250,237	234,459
Fund balance at beginning of year	<u>548,686</u>	<u>314,227</u>
Fund balance at end of year	<u><u>\$ 798,923</u></u>	<u><u>\$ 548,686</u></u>

The accompanying notes are an integral part of the financial statements

CITY OF SAN FERNANDO

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	\$ 592,000	\$ -	\$ 592,000	\$ -
1.20	Prof. Services: Evaluate cause of Street Flooding (workman, pico)	-	-	-	11,200
1.90	Other Street & Roads	25,000	14,159	10,841	-
7.90	Planning, engineering: Engineering Services	-	9,095	(9,095)	-
8.10	Fund Administration (20% cap)	-	-	-	7,634
	Total expenditures	<u>\$ 617,000</u>	<u>\$ 23,254</u>	<u>\$ 593,746</u>	<u>\$ 18,834</u>

See accompanying independent auditor's report.

CITY OF SAN FERNANDO

MEASURE R 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
2011	Park Avenue Streetscape Improvements	\$ 172,000	\$ -	\$ -	\$ 172,000
2013	Park Avenue Streetscape Improvements	45,740	*	-	45,740
Total		\$ 217,740	\$ -	\$ -	\$ 217,740

* The fixed asset is a result of the City's completion of the Park Avenue capital assets project.

Funding Sources	
Total amount for Park Avenue project	\$ 172,512
Less: Amount funded by Proposition C	<u>(126,772)</u> see page 10
Net amount funded by Measure R	<u>\$ 45,740</u>

See accompanying independent auditor's report.

CITY OF SAN FERNANDO

**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	\$ -	\$ 3,304
Due from MTA	-	-
Total assets	<u>\$ -</u>	<u>\$ 3,304</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ -
Due to other fund	-	-
Due to MTA - TDA Article 3 Reserve Account *	-	3,304
Total liabilities	<u>-</u>	<u>3,304</u>
Fund Balance		
Reserved	-	-
Total fund balance	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ 3,304</u>

* The City returned the unexpended fund balance of \$3,304 to LACMTA on September 12, 2014.

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

CITY OF SAN FERNANDO

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 2014-15 allocation	\$ 10,974	\$ -
Payment from FY 2013-14 allocation	8,626	10,895
Payment from FY 2012-13 allocation	-	8,609
Interest Income	<u>6</u>	<u>-</u>
Total revenues	<u>19,606</u>	<u>19,504</u>
EXPENDITURES		
Various projects	<u>19,606</u>	<u>16,200</u>
Total expenditures	<u>19,606</u>	<u>16,200</u>
Excess of revenues over expenditures	-	3,304
Fund balance at beginning of year	-	-
Due to MTA - TDA Article 3 Reserve Account *	<u>-</u>	<u>(3,304)</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>

* The City returned the unexpended fund balance of \$3,304 to LACMTA on September 12, 2014.

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

CITY OF SAN FERNANDO

**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 Repair - City Wide	2015	\$ <u>19,606</u>	\$ <u>19,606</u>	\$ -	Complete
	Total	\$ <u><u>19,606</u></u>	\$ <u><u>19,606</u></u>	-	
Unexpended interest accumulated to date				-	
Fund balance at beginning of year				-	
Due to MTA - TDA Article 3 Reserve Account				-	
Fund balance at end of year				\$ <u><u>-</u></u>	

See accompanying independent auditor's report.

CITY OF SAN FERNANDO

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), Proposition C Local Return Fund (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% the of 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) on its external investment pool.

CITY OF SAN FERNANDO

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 – PROJECT GENERATED REVENUE – PALRF

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

	2015	2014
Dial-A-Ride fares	\$ 3,662	\$ 4,660
AQMD Natural Gas Trolleys	15,485	15,792
MTA bus pass subsidy	9,966	9,033
Total	\$ 29,113	\$ 29,485

CITY OF SAN FERNANDO

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

NOTE 8 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION

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

	2015	2014
FY 2012-13 allocation	\$ -	\$ 8,609
FY 2013-14 allocation	8,626	10,895
FY 2014-15 allocation	10,974	-
Total	\$ 19,600	\$ 19,504

NOTE 9 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE 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. Subsequent to June 30, 2015 and 2014, the City has funds on reserve as follows:

	2015	2014
FY 2013/14 reserve	\$ -	\$ 8,626
FY 2014/15 reserve	4,929	-
	\$ 4,929	\$ 8,626

NOTE 10 – SUBSEQUENT EVENTS

The City has evaluated events or transactions that occurred subsequent to June 30, 2015 through December 22, 2015, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined the following subsequent matters require a disclosure or adjustment to the schedule of expenditures:

- On September 12, 2014 the City returned the unexpended TDA 3 funds to LACMTA in the amount of \$3,304



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 San Fernando, 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 San Fernando, 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 22, 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
December 22, 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 San Fernando, California and the
Los Angeles County Metropolitan Transit Authority

Report on Compliance

We have audited the compliance of the City of San Fernando, 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. 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 San Fernando 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 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 Nos. F-15-01 and 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 findings identified in our audit are described in the accompanying Schedule of Findings and Recommendations. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City of San Fernando, California (City) 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 might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Recommendations as item F-15-02.

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Recommendations. We did not audit the City's response and, accordingly, we express no opinion on the response.



This report is intended solely for the information and use of the City and the Los Angeles County metropolitan Transportation Authority and is not intended to be and should not be used by anyone other than these specified parties.

Simpson & Simpson

Los Angeles, California
December 22, 2015

CITY OF SAN FERNANDO
COMPLIANCE MATRIX
Year Ended June 30, 2015

Compliance Requirement	In Compliance		Questioned Costs	If no, provide details and management response at the Schedule of Findings and Recommendations.	
	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	\$ 9,171	See Finding 15-01 on the Summary of Findings and Recommendations.
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 SAN FERNANDO
COMPLIANCE MATRIX
Year Ended June 30, 2015
(Continued)

Compliance Requirement	In Compliance		Questioned Costs	If no, provide details and management response at the Schedule of Findings and Recommendations.	
	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	\$ 9,095	See Finding 15-02 on the Summary of Findings and Recommendations
4.	Fund were not substituted for property tax.	X		None	
5.	Administrative expenses were within the 20% cap.	X		None	
6.	Expenditure Plan (Form One) was submitted on time.	X		None	
7.	Expenditure Report (Form Two) was submitted on time.	X		None	
8.	Cash or cash equivalents were maintained.	X		None	
9.	Accounting procedures, record keeping and documentation were adequate.	X		None	
10.	Revenues received including allocations, project generated revenues, and interest income were properly credited to the Measure R account.	X		None	
11.	Funds were not used to supplant existing local revenues being used for transportation purpose.	X		None	

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

Compliance Requirement	In Compliance		Questioned Costs	If no, provide details and management response at the Schedule of Findings and Recommendations.
	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 SAN FERNANDO

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

June 30, 2015

Finding No. F-15-01 – Fund: MRLRF - Expenditures were not approved before being

Criteria:

According to Measure R Local Return Guidelines, Section B (VII.A, Financial and Compliance Provisions), “The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines:

“Verification that funds were expended with Metro’s Approval.”

Condition:

The Project expenditures for project codes 1.90 and 7.90 funded by Measure R totaling \$14,159 and \$9,095 respectively, were incurred without prior approval from LACMTA.

Cause:

The City represented to us that the expenditures for project codes 1.90 and 7.90 were budgeted under project code 1.05 in the amount of \$592,000 and was approved in the Form I. However, when preparing the Form II, the City separated the project codes in accordance with the Guidelines.

The City was granted subsequent approval to project code 1.90 by LACMTA on December 15, 2015. Expenditures for project code 7.90 was not subsequently approved by LACMTA.

Effect:

Lack of prior approval by LACMTA for eligible projects results in non-compliance which could impact future funding and result in questioned costs that would require funding to be returned to LACMTA.

Questioned Costs:

\$9,095.

The project code 1.90 for \$14,159 was subsequently approved by LACMTA. However, the project expenditure for code 7.90 was not approved by LACMTA.

Recommendation:

We recommend the City establish procedures and controls to ensure that Form One is properly prepared and submitted before the due date of August 1st so that the City’s expenditures of the Measure R Local Return Funds will be in accordance with LACMTA’s approval and the Guidelines. The City should prepare a journal entry to transfer funds from the general fund to reimburse the Measure R for the disapproved project cost.

CITY OF SAN FERNANDO

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

June 30, 2015

(Continued)

Management's Response:

The City maintains that Form One was properly prepared and submitted prior to August 1st and fiscal year 2014-2015 expenditures were in accordance with Metro's approval. The original Metro approved budget included \$592,000 in Street and Roads expenditures, classified broadly using Sub-category 1.05 – Street Repair and Maintenance. The revised budget, submit during the fiscal year in which the funds were expended, included a total of \$34,278 in expenditures using more defined expenditure categories, including \$25,000 in Streets and Roads expenditures, Sub-category 1.20 – Consulting Services/Professional Services; and \$9,278 in Transportation Administration, Sub-category 8.10 – Fund Administration.

As the City understands the guideline referenced above, the funds were expended with Metro's approval. Metro approved \$592,000 for Streets and Roads under the broad Sub-category of Street Repair and Maintenance. Of the \$23,254 in questioned costs, \$14,159 was reported using a more defined Sub-category under the originally approved Streets and Roads category. The remaining \$9,095 in questioned costs were reported under the Transportation Administration Category to better reflect actual activity during the year. We concur that all activities funded by Measure R Local Return must be accurately reported; however, it is also required to be preapproved by MTA.

In an effort to make reporting as accurate as possible, staff reported expenses using more detailed codes rather than the broad codes approved in the budget. Going forward, staff will ensure that the same codes used for budgeting purposes will be used for reporting purposes.

Additionally, City staff responsible for management and reporting of the Measure R Local Return Program attended training on July 22, 2015, to ensure that expenditures of the Measure R Local Return Funds will continue to be in accordance with Metro's approval and program Guidelines

CITY OF SAN FERNANDO

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

June 30, 2015

(Continued)

Finding No. F-15-02 – Fund: PALRF & PCLRF

Criteria:

According to LACMTA’s memo dated April 29, 2014: “All hours are required to be documented. Develop and/or maintain a system that will keep track of actual hours worked by employees whose salaries and benefits were charged to the LACMTA project. Expenditures claimed based solely on budgeted amounts is not considered adequate documentation because it does not reflect actual expenditures incurred on the LACMTA project and do not provide adequate evidence that labor hours charged has transit/transportation purpose. The record of hours worked must: a) identify the LACMTA project, b) authenticated by the employee and approved by his/her immediate supervisor, and c) tie to hours reported to the payroll records.” 2. “Provide adequate support for indirect costs. For indirect expenditures allocated to LACMTA projects, develop and/or maintain a system that distributes allowable expenditures to projects based on casual or beneficial relationships. Expenditures cannot be claimed on LACMTA project if the expenditures are not allowable (i.e., LACMTA project did not cause the incurrence of the expenditures or LACMTA project did not benefit from the expenditure.)”

Note that an electronic system is acceptable as long as how much time is identified on the project (i.e., not just a clock-in-clock-out system) and *this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.*” Also, “(4) *Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:*

- A Federal award and a non-Federal award.

Personnel activity reports or equivalent documentation must meet the following standards:

- They must reflect an after the fact distribution of the actual activity of each employee, *Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:*
 - (i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed;
 - (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and
- (e) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.”

CITY OF SAN FERNANDO

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

June 30, 2015

(Continued)

Condition:

The payroll expenditures being charged to the PALRF and PCLRF, should be supported by properly executed payrolls, time records, activity reports, vouchers, or other official documentation evidencing in proper detail the nature of the charges. However, salaries of \$1,405 & \$7,766 for PALRF and PCLRF, respectively for various projects were based on estimates of the employee's time instead of the employees' actual working hours spent for the PALRF and PCLRF projects. The City provided us with the labor distribution schedule; however, the information on the labor distribution schedule was based upon budgeted hours and payroll dollars, and did not adequately support the actual hours or payroll expenditures charged to the project.

Cause:

The City represented to us that the is a relatively small organization and do not have the necessary administrative staff to calculate and adjust the labor distribution for all employee's that spend time on Prop A & C related activities every pay period.

Effect:

The payroll costs claimed of \$1,405 & \$7,766 under the PALRF and PCLRF projects, respectively, may include expenditures which may not be an allowable Proposition A and C project expenditures. Non-compliance with the criteria for charging employee time/expense to the LRF results in questioned cost.

Questioned Costs:

Project payroll expenditures (which includes direct administrative salaries) tested for fiscal year 2014-15 amounted to \$1,405 and \$7,766 for PALRF and PCLRF, respectively. These amounts are based on expenditures tested for 5 sampled pay periods.

PALRF: Total exception amounted to \$1,405 of \$4,962 sampled from the total payroll expenditures of \$27,454.

PCLRF: Total exception amounted to \$7,766 of \$11,415 sampled from the total payroll expenditures of \$85,826.

Recommendation:

The City should reimburse the project costs in question to PALRF and PCLRF. In addition, we recommend that the City develop and/or maintain a system that will keep track of actual hours worked by employees whose salaries and benefits charged to the LACMTA projects and are adequately supported by time sheets or similar documentation which agrees to the payroll records per pay period.

CITY OF SAN FERNANDO

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

June 30, 2015

(Continued)

Management's Response:

The City provided the auditors with additional detail specifically related to Proposition C salaries. City staff reviewed actual timesheets for all pay periods in fiscal year 2014-2015 for each employee that explicitly indicated Proposition C related activities on their timesheet.

The additional information indicated that, although the labor distribution did not accurately reflect the actual time spent on Proposition C activities for each employee (some were more, some were less), overall, the salary cost charged to Proposition C salary was supported by actual time documented on timesheets.

Going forward, the City will institute a true-up process at year-end to adjust the amount of salaries charged to Propositions A and C to reflect actual time recorded on employee timesheets.

EXIT CONFERENCE

CITY OF SAN FERNANDO

**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 22, 2015 with the City of San Fernando. Those in attendance were:

Simpson & Simpson Representative:

Channing Wong, Auditor

City's Representative:

Nick Kimball, Finance Director

Sonia Garcia, Junior Accountant

Matters Discussed:

Results of the audit, two compliance findings were noted.

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

Nick Kimball, Interim Finance Director

Sonia Garcia, Junior Accountant