

***CITY OF SOUTH EL MONTE  
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 SOUTH EL MONTE**  
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***FINANCIAL SECTION***

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SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

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

## Independent Auditor's Report

To the Honorable Members of the City Council of the  
City of South El Monte, 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 South El Monte, California (City) as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express 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 South El Monte, 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 South El Monte, 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 South El Monte, 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 9, 2015, on our consideration of the City of South El Monte's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Los Angeles, California  
December 9, 2015

**CITY OF SOUTH EL MONTE**

**PROPOSITION A LOCAL RETURN FUND**

**BALANCE SHEETS**

**JUNE 30**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash	\$ 270,065	\$ 218,654
Total assets	\$ <u>270,065</u>	\$ <u>218,654</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 7,598	\$ 9,101
Accrued payroll and employee benefits	<u>4,969</u>	<u>3,840</u>
Total liabilities	<u>12,567</u>	<u>12,941</u>
 <b>Fund Balance</b>		
Restricted	<u>257,498</u>	<u>205,713</u>
Total fund balance	<u>257,498</u>	<u>205,713</u>
 Total liabilities and fund balance	\$ <u>270,065</u>	\$ <u>218,654</u>

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

**CITY OF SOUTH EL MONTE**

**PROPOSITION A LOCAL RETURN FUND**

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

For the Fiscal Years Ended June 30

	<u>2015</u>	<u>2014</u>
<b>REVENUES</b>		
Proposition A	\$ 359,224	\$ 344,731
Interest income	558	470
Project generated revenue (Note 7)	<u>7,377</u>	<u>7,630</u>
Total revenues	<u>367,159</u>	<u>352,831</u>
<b>EXPENDITURES</b>		
Various projects	<u>315,374</u>	<u>271,510</u>
Total expenditures	<u>315,374</u>	<u>271,510</u>
Excess of revenues over expenditures	51,785	81,321
Fund balance at beginning of year	<u>205,713</u>	<u>124,392</u>
Fund balance at end of year	<u>\$ 257,498</u>	<u>\$ 205,713</u>

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

**CITY OF SOUTH EL MONTE**

**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)	
120-01	Paratransit	\$ 213,870	\$ 200,588	\$ 13,282	\$ 162,420
130-02	Special Events	37,530	37,188	342	55,498
170-01	Bus Shelter Maintenance	9,000	4,217	4,783	20,327
180-01	Paratransit Vehicle	47,000	45,260	1,740	-
480-04	Administration	44,500	28,121	16,379	33,265
	Total expenditures	<u>\$ 351,900</u>	<u>\$ 315,374</u>	<u>\$ 36,526</u>	<u>\$ 271,510</u>

See accompanying independent auditor's report.



**CITY OF SOUTH EL MONTE**

**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>
10/24/1991	2 Bus Shelters	\$ 10,036	\$ -	\$ -	\$ 10,036
11/27/1991	2 Bus Shelters	10,036	-	-	10,036
2/13/1992	91 Champion Bus - 30 PAX	86,933	-	-	86,933
6/26/2003	2004 El Dorado Activan	40,685	-	-	40,685
10/25/2006	Pressure Washer with Trailer	6,473	-	-	6,473
4/29/2008	Pressure Washer	5,000	-	-	5,000
6/3/2008	Bus Shelters	84,366	-	-	84,366
9/1/2008	Bus Shelters	71,833	-	-	71,833
11/4/2014	Dodge Grand Caravan	-	45,260	-	45,260
		<u>\$ 315,362</u>	<u>\$ 45,260</u>	<u>\$ -</u>	<u>\$ 360,622</u>

See accompanying independent auditor's report.

**CITY OF SOUTH EL MONTE**

**PROPOSITION C LOCAL RETURN FUND**

**BALANCE SHEETS**

**JUNE 30**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash	\$ <u>1,153,307</u>	\$ <u>1,287,399</u>
Total assets	\$ <u><u>1,153,307</u></u>	\$ <u><u>1,287,399</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Wages payable	\$ <u>1,302</u>	\$ <u>791</u>
Total liabilities	<u>1,302</u>	<u>791</u>
 <b>Fund Balance</b>		
Restricted	<u>1,152,005</u>	<u>1,286,608</u>
Total fund balance	<u>1,152,005</u>	<u>1,286,608</u>
 Total liabilities and fund balance	 \$ <u><u>1,153,307</u></u>	 \$ <u><u>1,287,399</u></u>

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

**CITY OF SOUTH EL MONTE**

**PROPOSITION C LOCAL RETURN FUND**

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

For the Fiscal Years Ended June 30

	<u>2015</u>	<u>2014</u>
<b>REVENUES</b>		
Proposition C	\$ 299,624	\$ 287,549
Interest income	3,429	3,151
Other revenue (Note 8)	13,858	-
Total revenues	<u>316,911</u>	<u>290,700</u>
<b>EXPENDITURES</b>		
Various projects	<u>451,514</u>	<u>54,678</u>
Total expenditures	<u>451,514</u>	<u>54,678</u>
(Deficiency) excess of revenues over expenditures	(134,603)	236,022
Fund balance at beginning of year	<u>1,286,608</u>	<u>1,050,586</u>
Fund balance at end of year	<u>\$ 1,152,005</u>	<u>\$ 1,286,608</u>

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

**CITY OF SOUTH EL MONTE**

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)	
170-02	Bus Stop Shelter	\$ 35,000	\$ 10,311	\$ 24,689	\$ 7,765
300-01	Senior Center Paratransit Improvements	132,137	94,627	37,510	75
380-01	Fawcett/Merced-Santa Anita Signal Upgrade	1	-	1	7,424
380-01	Durfee Street Improvement & Striping	1	-	1	-
400-01	Fawcett/Merced-Santa Anita Signal	336,000	280,721	55,279	-
450-01	Durfee Median Improvement & Striping	830,000	40,287	789,713	-
450-01	Upgrade Signal Standards and Upgrade Signal Lenses to LEDs	-	-	-	29,251
480-02	Administration	44,440	25,568	18,872	10,163
	Total expenditures	<u>\$ 1,377,579</u>	<u>\$ 451,514</u>	<u>\$ 926,065</u>	<u>\$ 54,678</u>

See accompanying independent auditor's report.

**CITY OF SOUTH EL MONTE**

**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>
5/27/1993	1993 Wagon	\$ 11,381	\$ -	\$ -	\$ 11,381
12/9/1993	Maco Bubble Top	3,150	-	-	3,150
12/9/1993	94 Aerotech 16 Passenger Van	38,204	-	-	38,204
12/9/1993	94 Aerotech 21 Passenger Van	41,744	-	-	41,744
2/4/1995	Diagnostic Computer	24,754	-	-	24,754
12/17/1997	Ricon Activan	39,919	-	-	39,919
6/30/2005	Garvey Avenue Pedestrian Safety Signal	45,620	-	-	45,620
6/30/2005	Michael Hunt to Merced Construction	95,259	-	-	95,259
6/30/2005	Garvey Reconstruction	531,299	-	-	531,299
6/3/2006	Durfee Street Improvement	455,245	-	-	455,245
10/31/2006	Santa Anita Avenue - Phase I	376,843	-	-	376,843
10/27/2009	Peck/ Durfee Project	749,529	-	-	749,529
	Total	\$ <u>2,412,947</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,412,947</u>

See accompanying independent auditor's report.

**CITY OF SOUTH EL MONTE**

**MEASURE R LOCAL RETURN FUND**

**BALANCE SHEETS**

**JUNE 30**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash	\$ 339,169	\$ 362,315
Due from other governments (Note 9)	<u>246,000</u>	<u>198,000</u>
Total assets	<u>\$ 585,169</u>	<u>\$ 560,315</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ <u>21,100</u>	\$ <u>35,615</u>
Total liabilities	<u>21,100</u>	<u>35,615</u>
Deferred inflow of resources (Note 10)	<u>246,000</u>	<u>198,000</u>
Total deferred inflows of resources	<u>246,000</u>	<u>198,000</u>
<b>Fund Balance</b>		
Restricted	<u>318,069</u>	<u>326,700</u>
Total fund balance	<u>318,069</u>	<u>326,700</u>
Total liabilities and fund balance	<u>\$ 585,169</u>	<u>\$ 560,315</u>

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

**CITY OF SOUTH EL MONTE**

**MEASURE R LOCAL RETURN FUND**

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

For the Fiscal Years Ended June 30

	<u>2015</u>	<u>2014</u>
<b>REVENUES</b>		
Measure R	\$ 223,526	\$ 213,399
Interest income	784	749
Other revenue (Note 11)	<u>128,250</u>	<u>72,000</u>
Total revenues	<u>352,560</u>	<u>286,148</u>
<b>EXPENDITURES</b>		
Various projects	<u>361,191</u>	<u>166,337</u>
Total expenditures	<u>361,191</u>	<u>166,337</u>
(Deficiency) excess of revenues over expenditures	(8,631)	119,811
Fund balance at beginning of year	<u>326,700</u>	<u>206,889</u>
Fund balance at end of year	<u>\$ 318,069</u>	<u>\$ 326,700</u>

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

**CITY OF SOUTH EL MONTE**

**MEASURE R LOCAL RETURN FUND**

**SUPPLEMENTAL INFORMATION**

**SCHEDULE OF EXPENDITURES**

**ACTUAL AND METRO APPROVED PROJECT BUDGET**

For the Fiscal Year Ended June 30, 2015

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

Project Code	Project Name	2015			2014 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
4.90	SR-60 Coalition Work	\$ 259,405	\$ 358,127	\$ (98,722)	\$ 163,190
5.10	Durfee Median Improvement and Striping	52,000	-	52,000	-
5.30	Civic Center and Interjurisdictional Bikeway	20,000	-	20,000	-
8.10	Project Administration	5,000	3,064	1,936	3,147
	Total expenditures	<u>\$ 336,405</u>	<u>\$ 361,191</u>	<u>\$ (24,786)</u>	<u>\$ 166,337</u>

See accompanying independent auditor's report.



**CITY OF SOUTH EL MONTE**

**MEASURE R LOCAL RETURN FUND**

**SUPPLEMENTAL INFORMATION  
SCHEDULE OF CAPITAL ASSETS**

June 30, 2015

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

See accompanying independent auditor's report.

**CITY OF SOUTH EL MONTE**

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

**BALANCE SHEETS  
JUNE 30**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Metro receivable	\$ -	\$ 27,001
Total assets	\$ -	\$ 27,001
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Due to General Funds	\$ -	\$ 2,965
Total liabilities	-	2,965
Deferred inflow of resources (Note 10)	-	24,036
Total deferred inflows of resources	-	24,036
<b>Fund Balance</b>		
Restricted	-	-
Total fund balance	-	-
Total liabilities and fund balance	\$ -	\$ 27,001

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

**CITY OF SOUTH EL MONTE**

**TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND**

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

For the Fiscal Years Ended June 30

	<u>2015</u>	<u>2014</u>
<b>REVENUES</b>		
Payment from prior year reserve	\$ 45,419	\$ 27,001
Interest income	<u>39</u>	<u>-</u>
Total revenues	<u>45,458</u>	<u>27,001</u>
<b>EXPENDITURES</b>		
Various projects	<u>45,458</u>	<u>2,965</u>
Total expenditures	<u>45,458</u>	<u>2,965</u>
Excess of revenues over expenditures	-	24,036
Fund balance at beginning of year	-	-
Deferred inflow of resources (Note 10)	<u>-</u>	<u>(24,036)</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>

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

**CITY OF SOUTH EL MONTE**

TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND  
SUPPLEMENTAL INFORMATION

SCHEDULE OF TRANSPORTATION DEVELOPMENT ACT  
ALLOCATION FOR SPECIFIC PROJECTS

For the Fiscal Year Ended June 30, 2015

<u>Project Description</u>	<u>Program Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended Allocations</u>	<u>Project Status</u>
<b>Local allocations</b>					
Pedestrian and ADA Access	2014-15	\$ 45,419	\$ 45,458	\$ (39)	Complete
	Total	<u>\$ 45,419</u>	<u>\$ 45,458</u>	(39)	
Unexpended interest accumulated to date				39	
Fund balance at beginning of year				-	
Fund balance at end of year				<u>\$ -</u>	

See accompanying independent auditor's report.

**CITY OF SOUTH EL MONTE**

**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 SOUTH EL MONTE**

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*New Accounting Pronouncements*

“The GASB has issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* effective for the period beginning after December 15, 2012. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain item that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflow of resources, certain items that were previously reported as assets and liabilities.”

**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.

**CITY OF SOUTH EL MONTE**

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

**NOTE 7 – PROJECT GENERATED REVENUE - PALRF**

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

	2015	2014
Fare Revenue	\$ <u>7,377</u>	\$ <u>7,630</u>
	\$ <u>7,377</u>	\$ <u>7,630</u>

**NOTE 8 – OTHER REIMBURSEMENT – PCLRF**

On January 20, 2015, the City received \$13,858 from California JPIA Insurance Company for damage that had been incurred on the Bus Stop Shelter Lighting.

**NOTE 9 – DUE FROM OTHER GOVERNMENTS - MRLRF**

The City entered into a reimbursement agreement with the cities of El Monte, Industry, Montebello, Monterey Park and Rosemead (“Cities”) to support the selection of Alternative I and desired to cooperate in all efforts in favor of the selection of Alternative 1. Each of the Cities is to reimburse the City one-fifth of the fees and costs incurred by the City pursuant to the professional services agreement dated December 13, 2009. See Note 11.

The City records the receivable when expenditures are incurred and the portion of the expenditures to be reimbursed are billed to the Cities.

At June 30, 2015 and 2014, the Due from other governments under MRLRF consists of reimbursements to be received from the following Cities:

	2015	2014
City of El Monte	\$ <u>112,000</u>	\$ <u>88,000</u>
City of Monterey Park	<u>134,000</u>	<u>110,000</u>
Total	\$ <u>246,000</u>	\$ <u>198,000</u>

See Notes 10 and 11.

**NOTE 10 – DEFERRED INFLOW OF RESOURCES – MRLRF AND TDAA3F**

The City recognizes revenue when the reimbursements from the Cities become measurable and available. In fiscal years ended June 30, 2015 and 2014, the City records deferred inflow of resources when the availability of the funds is not determined at fiscal year end.

**CITY OF SOUTH EL MONTE**

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

**NOTE 10 – DEFERRED INFLOW OF RESOURCES – MRLRF AND TDAA3F (Continued)**

The issuance of Governmental Accounting Standards Board No. 65, *Items Previously Reported as Assets and Liabilities*, established accounting and financial reporting standards that reclassify certain liabilities as deferred inflows of resources. A deferred inflow of resources is defined as those resources that are not available for spending in the current period. Since the reimbursements from the cities were not available for spending for MRLRF at June 30, 2015, and the drawdown from Metro was not received for TDAA3F in fiscal year ended June 30, 2014, the amounts are reported as deferred inflows of resources.

At June 30, 2015 and 2014, the deferred inflows of resources in fiscal year 2014-15, under MRLRF consists of reimbursements from the following cities:

	2015	2014
City of El Monte	\$ 112,000	\$ 88,000
City of Monterey Park	134,000	110,000
Total	\$ <u>246,000</u>	\$ <u>198,000</u>

**NOTE 11 – PROFESSIONAL AND REIMBURSEMENT AGREEMENT – MRLRF**

The Metropolitan Transit Authority (“MTA”) designed and constructed, in phases, a light rail project known as the Metro Gold Line. The MTA is currently evaluating potential alternatives for the second phase of the Metro Gold Line Eastside Extension. One of the alternative routes MTA is considering is “Alternative 1” aligned with State Highway 60.

In May 2009, the City entered into a professional services agreement with Mike Roos & Company (“Mike Roos”), under which Mike Roos will perform all services necessary to accomplish the City’s goal of MTA’s selection of Alternative 1. The term of the agreement was from May 13, 2009 to December 31, 2012. The agreement was amended on June 9, 2015 to extend the term to May 28, 2016. The City was contractually obligated to pay Mike Roos \$10,000 per month for fiscal year 2014-2015 on an as needed basis to compensate Mike Roos for all the services and normal and ordinary expenses incurred with such services.

Also, the City has entered into a reimbursement agreement with the Cities of Monterey Park, El Monte, Industry, Rosemead, and Montebello (“Cities”) to support the selection of Alternative I and desire to cooperate in all efforts in favor of the selection of Alternative 1. Each of the Cities shall reimburse the City one-fifth of the fees and costs incurred by the City pursuant to the professional services agreement dated December 13, 2009.



**CITY OF SOUTH EL MONTE**

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

**NOTE 11 – PROFESSIONAL AND REIMBURSEMENT AGREEMENT – MRLRF (Continued)**

Total reimbursements based from the above agreement for the years ended June 30, 2015 and 2014 consisted of the following:

		2015		2014
City of Industry	\$	42,750	\$	24,000
City of Montebello		42,750		24,000
City of Rosemead		42,750		24,000
<b>Total</b>	<b>\$</b>	<b>128,250</b>	<b>\$</b>	<b>72,000</b>

The reimbursements received were recorded under MRLRF’s Other Revenue account.

**NOTE 12 – 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 2010-11 allocation	\$	-	\$	7,775
FY 2011-12 allocation		-		10,919
FY 2012-13 allocation		7,804		8,307
FY 2013-14 allocation		13,579		-
<b>Total</b>	<b>\$</b>	<b>21,383</b>	<b>\$</b>	<b>27,001</b>

**NOTE 13 – 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 2012-13 allocation	\$	-	\$	7,804
FY 2013-14 allocation		2,890		16,469
FY 2014-15 allocation		13,418		-
<b>Available reserve balance</b>	<b>\$</b>	<b>16,308</b>	<b>\$</b>	<b>24,273</b>

***CITY OF SOUTH EL MONTE***

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

**NOTE 14 – SUBSEQUENT EVENTS**

The City has evaluated events or transactions that occurred subsequent to June 30, 2015 through December 9, 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 South El Monte, 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 South El Monte, 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 9, 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 all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Los Angeles, California  
December 9, 2015

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*COMPLIANCE SECTION*

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SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

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

## Independent Auditor's Report on Compliance

To the Honorable Members of the City Council of the  
City of South El Monte, California and the  
Los Angeles County Metropolitan Transit Authority

### Report on Compliance

We have audited the compliance of the City of South El Monte, 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 (collectively, the Guidelines) for the year ended June 30, 2015.

### *Management's Responsibility*

Management is responsible for the City's compliance with those guidelines.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the City's compliance based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Guidelines referred to in the preceding paragraph. Those standards and the Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on 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 South El Monte 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 Fund for the year ended June 30, 2015.





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## *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. 15-01 and 15-02. Our opinion on Measure R Local Return Fund 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 responses.

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

Management of the City of South El Monte, 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Recommendations as Finding Nos. 15-01 and 15-02. 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.

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



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 9, 2015



**CITY OF SOUTH EL MONTE**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2015

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

**CITY OF SOUTH EL MONTE**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2015  
(Continued)

Compliance Requirement	In Compliance		Questioned Costs	If no, provide details and management response.	
	Yes	No			
<b>B. Measure R Local Return Fund</b>					
1.	Timely use of funds.	X		None	
2.	Expenditures were approved before being incurred.		X	None	See Finding No. 15-01 at the Schedule of Findings and Recommendations.
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) and ITS certification 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	\$14,798	See Finding No. 15-02 at the Schedule of Findings and Recommendations.
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 SOUTH EL MONTE**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2015  
(Continued)

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

**CITY OF SOUTH EL MONTE**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

June 30, 2015

**Finding No. 15-01 - Fund: MRLRF**

***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 expenditures for the Measure R Administration project in the amount of \$3,064 were incurred prior to the approval from LACMTA for fiscal year 2014-15. However, the City subsequently received LACMTA’s approval on the MRLRF project on October 15, 2015.

This is a repeated finding of FY 2014.

***Cause:***

The Grants Coordinator of the Finance Department has been catching up on her duties since she was on an extended leave of absence due to illness. There were instances, such as that identified in finding, that lead to documents being submitted late to entities. The Grants Coordinator of the Finance Department has trained the Accountant of the Department to avoid issues such as mentioned in this finding.

***Effect:***

The City did not comply with the Guidelines when the expenditures for MRLRF project were incurred without LACMTA’s approval.

***Questioned Costs:***

None

***Recommendation:***

We recommend that the City establish procedures to ensure that it obtains and confirms approval from LACMTA prior to implementing any Measure R Local Return projects.

***Management Response:***

The City will continue to monitor its program to ensure that the expenditures for projects/programs have been prepared correctly and submitted to LACMTA on a timely manner to ensure the expenditures are approved by LACMTA prior to incurring the cost.

**CITY OF SOUTH EL MONTE**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

June 30, 2015

(Continued)

**Finding No. 15-02 - Fund: MRLRF**

***Criteria:***

According to Measure R Guidelines, Section B (VII. Audit Section), “Jurisdictions are required to expend their Measure R Local Return funds for transportation purposes, as defined by the Guidelines” and “It is the Jurisdictions’ responsibility to maintain proper accounting records and documentation.”

***Condition:***

In order to ensure the propriety of expenditures being charged to the Measure R Local Return Funds, non-payroll expenditures should be supported by properly executed contracts, invoices, vouchers, or other official documentation, evidencing in proper detail, the nature of the charges.

1. The City reimbursed Arroyo Strategy Group (Consultant) for various expenses including Outreach Education program expenses, website creation and upgrades, two extra nights at a hotel for a conference in the amount of \$14,798. The City charged these reimbursements to LACMTA’s approved SR Coalition Work project for the Measure R Local Return Fund. The Contract between the City of South EL Monte and Arroyo Strategy Group (Consultant), states that the “Consultant shall not be reimbursed for any expenses unless it receives prior written authorization from the City Council.” We requested but the City did not us provide with the evidence of Prior Written Authorization for these cost reimbursements.
2. In addition, we noted that some reimbursements did not have proper documentation such as receipts, timesheets or a basis for the charges. Of the \$14,798 reimbursements, \$12,563 did not have proper documentation.

***Cause:***

The City ascertains that the various expenditures by the Consultant were covered under the Professional Services Agreement (PSA) Exhibit A under “Assist in the Advocacy of the SR-60 Alternative of the Eastside Goldline Corridor Phase II” and “Other tasks there onto assigned.” Because these expenditures were named in the Scope of Work, the City did not treat these expenditures as “Reimbursements” which require prior written approval by the City.

***Effect:***

The reimbursements without proper supporting documentation and/or prior written authorization resulted in questioned costs of \$14,798.

***Questioned Costs:***

\$14,798

***CITY OF SOUTH EL MONTE***

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

June 30, 2015

(Continued)

***Recommendation:***

In accordance with the Guidelines, we recommend that the City reimburse its Measure R Local Return account \$14,798. We also recommend that the City establish controls to ensure that the expenditures charged to the Local Return funds are adequately supported by contracts, invoices, canceled checks or similar documentation and properly authorized so that the City's expenditures of Local Return funds will be in compliance with the Guidelines.

***Management Response:***

The City will amend all PSA's to reflect a more detailed explanation of the services encompassed by any use of Measure R funds. In addition, the PSA's will also amend the language to clarify what "Reimbursable Expenses" includes and the process to differentiate between reimbursable and non-reimbursable expenses. Also, the City Council will approve a resolution authorizing specific authorization of approval for the City Manager as it pertains to the expenditures of Measure R Funds. Each assignment listed in Exhibit A of the Professional Service Agreement will only need to be approved by the City Manager upon the Execution of said Resolution.

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***EXIT CONFERENCE***

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***CITY OF SOUTH EL MONTE***

**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 via telephone conference. Those in attendance were:

***Simpson & Simpson Representative:***

Teresita Anson, Senior Auditor

John Longoria, Staff Auditor

***City's Representative:***

Joe Nocella, Finance Director

***Matters Discussed:***

Results of the audit two (2) significant control deficiencies and two (2) non-compliance issues with LACMTA's Guidelines.

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

Joe Nocella, Finance Director

Joan Shao, Accounting Manager