

***CITY OF SOUTH GATE  
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 GATE***  
**TABLE OF CONTENTS**

<b>FINANCIAL SECTION</b>	<b>PAGE</b>
Independent Auditor's Report	1
Proposition A Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	3
Statements of Revenues, Expenditures and Changes in Fund Balance	4
Supplemental Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	5
Schedule of Capital Assets	6
Proposition C Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	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>	22
<b>COMPLIANCE SECTION</b>	
Independent Auditor's Report on Compliance	24
Compliance Matrix	26
Schedule of Findings and Recommendations	29
<b>EXIT CONFERENCE</b>	30

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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 Gate, 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 Gate, 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 from material misstatement.

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

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



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**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 Gate, 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 Gate, 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 Gate, California's PALRF, PCLRF, MRLRF, and TDAA3F Fund financial statements as a whole. The accompanying supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Governmental Auditing Standards**

In accordance with *Government Auditing Standards*, we have issued our report dated November 24, 2015, on our consideration of the City of South Gate'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  
November 24, 2015

**CITY OF SOUTH GATE**

**PROPOSITION A LOCAL RETURN FUND**

**BALANCE SHEETS**

**JUNE 30**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and investments	\$ 2,432,675	\$ 2,096,390
Accounts receivable	5,810	-
Interest receivable	1,619	916
Total assets	<u>\$ 2,440,104</u>	<u>\$ 2,097,306</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 209,108	\$ 236,183
Accrued payroll	9,968	9,348
Total liabilities	<u>219,076</u>	<u>245,531</u>
<b>Fund Balance</b>		
Restricted	<u>2,221,028</u>	<u>1,851,775</u>
Total fund balance	<u>2,221,028</u>	<u>1,851,775</u>
Total liabilities and fund balance	<u>\$ 2,440,104</u>	<u>\$ 2,097,306</u>

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

**CITY OF SOUTH GATE**

**PROPOSITION A LOCAL RETURN FUND**

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

For the Fiscal Years Ended June 30

	<u>2015</u>	<u>2014</u>
<b>REVENUES</b>		
Proposition A	\$ 1,682,136	\$ 1,614,272
Proposition A Discretionary Incentive Grant (Note 7)	106,841	83,883
Interest income	4,437	3,363
Project generated revenue (Note 8)	221,214	155,239
Vehicle lease revenue (Note 9)	30,000	30,000
Total revenues	<u>2,044,628</u>	<u>1,886,757</u>
<b>EXPENDITURES</b>		
Various projects	<u>1,675,375</u>	<u>1,371,361</u>
Total expenditures	<u>1,675,375</u>	<u>1,371,361</u>
Excess of revenues over expenditures	369,253	515,396
<b>TRANSFERS-IN</b>		
Transfer from General Fund (Note 10)	-	7,955
Fund balance at beginning of year	<u>1,851,775</u>	<u>1,328,424</u>
Fund balance at end of year	<u>\$ 2,221,028</u>	<u>\$ 1,851,775</u>

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

**CITY OF SOUTH GATE**

**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)	
110-17	Fixed Route Bus Service to Local Destinations	\$ 340,704	\$ 355,010	\$ (14,306)	\$ 346,567
120-02	Phone-A-Ride	720,000	697,335	22,665	605,738
140-04	Recreation Excursions	41,600	40,563	1,037	23,176
200-01	Vehicle Purchase	150,000	139,449	10,551	-
250-06	MTA Bus Pass Sales	138,400	123,960	14,440	115,882
270-16	Orange Line (JPA) Invoice	24,000	24,101	(101)	8,000
480-01	Administration	331,730	294,957	36,773	271,998
	Total expenditures	<u>\$ 1,746,434</u>	<u>\$ 1,675,375</u>	<u>\$ 71,059</u>	<u>\$ 1,371,361</u>

See accompanying independent auditor's report.



**CITY OF SOUTH GATE**

**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>
1989	1 Bus Stop Pad - California	\$ 8,656	\$ -	\$ -	\$ 8,656
1989	4 Bus Stop Pads - Santa Ana	34,627	-	-	34,627
1989	9 Bus Stop Pads - Otis	77,913	-	-	77,913
1989	4 Bus Stop Pads - Firestone	34,627	-	-	34,627
1989	1 Bus Stop Pad - Santa Fe	8,656	-	-	8,656
1989	8 Bus Stop Pads - Truba	69,255	-	-	69,255
1989	1 Bus Stop Pad - Tweedy	8,656	-	-	8,656
	Total	\$ 242,390	\$ -	\$ -	\$ 242,390

See accompanying independent auditor's report.

**CITY OF SOUTH GATE**

**PROPOSITION C LOCAL RETURN FUND**

**BALANCE SHEETS**

**JUNE 30**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and investments	\$ 2,380,093	\$ 2,242,161
Interest receivable	<u>2,299</u>	<u>1,338</u>
Total assets	<u>\$ 2,382,392</u>	<u>\$ 2,243,499</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ <u>26,344</u>	\$ <u>12,107</u>
Total liabilities	<u>26,344</u>	<u>12,107</u>
 <b>Fund Balance</b>		
Restricted	<u>2,356,048</u>	<u>2,231,392</u>
Total fund balance	<u>2,356,048</u>	<u>2,231,392</u>
 Total liabilities and fund balance	 <u>\$ 2,382,392</u>	 <u>\$ 2,243,499</u>

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

**CITY OF SOUTH GATE**

**PROPOSITION C LOCAL RETURN FUND**

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

For the Fiscal Years Ended June 30

	<u>2015</u>	<u>2014</u>
<b>REVENUES</b>		
Proposition C	\$ 1,400,614	\$ 1,344,070
Interest income	<u>6,298</u>	<u>4,912</u>
Total revenues	<u>1,406,912</u>	<u>1,348,982</u>
<b>EXPENDITURES</b>		
Various projects	<u>1,282,256</u>	<u>1,098,339</u>
Total expenditures	<u>1,282,256</u>	<u>1,098,339</u>
Excess of revenues over expenditures	124,656	250,643
<b>TRANSFERS-IN</b>		
Transfer from General Fund (Note 10)	-	200,617
Fund balance at beginning of year	<u>2,231,392</u>	<u>1,780,132</u>
Fund balance at end of year	<u>\$ 2,356,048</u>	<u>\$ 2,231,392</u>

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

**CITY OF SOUTH GATE**

**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)	
160-03	Trash Receptacles at Bus Stop	\$ 27,000	\$ 21,053	\$ 5,947	\$ 9,975
270-13	Gateway Cities/Invoice	1,300	1,067	233	-
270-15	Gateway Cities (COG) Invoice	10,000	9,928	72	9,928
270-17	Study Phase - Firestone Boulevard and Atlantic Intersection Widening	78,838	-	78,838	686,950
310-01	I-710 Corridor Environmental Impact Report (EIR)	25,000	25,000	-	25,000
430-01	Sidewalk Improvements Project, Phase I	-	-	-	50,000
440-10	Bridge Repairs	135,000	49,487	85,513	-
450-07	Firestone Boulevard over Los Angeles River Bridge Widening Phase IV	205,000	-	205,000	-
450-12	Firestone/Rayo Intersection Improvement Project	785,000	795,078	(10,078)	7,900
450-13	Street Improvements on Garfield and Imperial Highway	487,525	152,307	335,218	55,501
450-14	Raised Median Improvements on Tweedy Boulevard	1,531	1,531	-	-
450-18	Firestone Boulevard Capacity Improvements	500,000	-	500,000	-
450-19	HSIP Cycle 5, Firestone Boulevard and Otis Street Improvements and Imperial Highway Center Median	210,000	7,838	202,162	-
450-20	Firestone Boulevard Bridge Modifications at Rio Hondo Channel	250,000	-	250,000	-
470-01	New Pavement Management System (PMS)	33,800	27,096	6,704	40,985
480-01	Administration	220,000	191,871	28,129	212,100
	Total expenditures	<u>\$ 2,969,994</u>	<u>\$ 1,282,256</u>	<u>\$ 1,687,738</u>	<u>\$ 1,098,339</u>

See accompanying independent auditor's report.

**CITY OF SOUTH GATE**

**PROPOSITION C LOCAL RETURN FUND**

**SUPPLEMENTAL INFORMATION  
SCHEDULE OF CAPITAL ASSETS**

June 30, 2015

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

See accompanying independent auditor's report.

**CITY OF SOUTH GATE**  
**MEASURE R LOCAL RETURN FUND**  
**BALANCE SHEETS**  
**JUNE 30**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and investments	\$ 2,328,926	\$ 1,603,897
Interest receivable	<u>1,707</u>	<u>1,489</u>
Total assets	<u>\$ 2,330,633</u>	<u>\$ 1,605,386</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ <u>-</u>	\$ <u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
 <b>Fund Balance</b>		
Restricted	<u>2,330,633</u>	<u>1,605,386</u>
Total fund balance	<u>2,330,633</u>	<u>1,605,386</u>
Total liabilities and fund balance	<u>\$ 2,330,633</u>	<u>\$ 1,605,386</u>

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

**CITY OF SOUTH GATE**

**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	\$ 1,046,703	\$ 999,283
Interest income	<u>4,675</u>	<u>5,468</u>
Total revenues	<u>1,051,378</u>	<u>1,004,751</u>
<b>EXPENDITURES</b>		
Various projects	<u>326,131</u>	<u>1,572,395</u>
Total expenditures	<u>326,131</u>	<u>1,572,395</u>
Excess (deficiency) of revenues over expenditures	725,247	(567,644)
Fund balance at beginning of year	<u>1,605,386</u>	<u>2,173,030</u>
Fund balance at end of year	<u>\$ 2,330,633</u>	<u>\$ 1,605,386</u>

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

**CITY OF SOUTH GATE**

**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	Gardendale Pavement Rehabilitation from Garfield Avenue to East City	\$ 190,170	\$ 4,999	\$ 185,171	\$ 9,541
1.20	Citywide Street Lighting System Upgrade Phase I and II	739,346	210,215	529,131	1,558,234
2.02	Left-turn Phasing Installation on Firestone Boulevard at Otis, California, Long Beach, and Santa Fe	-	-	-	2,306
2.02	Left-turn Phasing Installation on Firestone Boulevard at Four Intersections	263,347	6,442	256,905	-
2.02	Left-turn Phasing Installation on Alameda Street and Firestone	69,592	-	69,592	-
3.05	SR2S Cycle 9 - Bike Lane on Alexander and Southern Avenue Medians	49,000	40,352	8,648	1,694
3.05	SR2S Cycle 10 - New Pedestrian Signals and Crosswalks at Otis/Firestone	150,000	64,123	85,877	620
Total expenditures		\$ 1,461,455	\$ 326,131	\$ 1,135,324	\$ 1,572,395

See accompanying independent auditor's report.



*CITY OF SOUTH GATE*

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 GATE**

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

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

**CITY OF SOUTH GATE**

**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 FY 2014-15 apportionment	\$ 42,926	\$ -
Payment from prior year reserve	<u>77,074</u>	<u>121,608</u>
Total revenues	<u>120,000</u>	<u>121,608</u>
<b>EXPENDITURES</b>		
Citywide Sidewalk Improvements, Phase I and II	<u>120,000</u>	<u>121,608</u>
Total expenditures	<u>120,000</u>	<u>121,608</u>
Excess of revenues over expenditures	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</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 GATE**

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>					
Citywide Sidewalk Improvements, Phase II	2014-15	\$ 120,000	\$ 120,000	\$ -	Complete
Total		<u>\$ 120,000</u>	<u>\$ 120,000</u>	\$ -	
Fund balance at beginning of year				<u>-</u>	
Fund balance at end of year				<u>\$ -</u>	

See accompanying independent auditor's report.

## ***CITY OF SOUTH GATE***

### **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) on its external investment pools.

***CITY OF SOUTH GATE***

**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 daily balances to the total of the pooled cash and investments.

**CITY OF SOUTH GATE**

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

**NOTE 7 – PROPOSITION A DISCRETIONARY INCENTIVE GRANT**

The City entered into various Memorandum of Understanding (MOU) agreements with the Los Angeles County Metropolitan Transportation Authority (Metro) to receive Proposition A discretionary incentive grants for participating in the Consolidated National Transit Database (NTD) Voluntary Reporting. The amounts received for the years ended June 30, 2015 and 2014 consisted of the following:

Agreement Date	Period	NTD Voluntary Reporting	MOU Amount	Amount Received	
				2015	2014
May 21, 2014	7/1/13 – 6/30/15	FY 2011-12	\$ 106,841	\$ 106,841	\$ -
May 22, 2013	7/1/12 – 6/30/14	FY 2010-11	\$ 83,883	-	83,883
Total				\$ 106,841	\$ 83,883

The Proposition A discretionary incentive grants were recorded under PALRF.

**NOTE 8 – PROJECT GENERATED REVENUE – PALRF**

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

	2015	2014
Bus Pass Sales	\$ 91,852	\$ 82,851
Fare Box Revenues	118,089	64,658
Miscellaneous Revenues – MTA ID and Cover Sales	9,673	7,730
Advertising Revenues	1,600	-
Total	\$ 221,214	\$ 155,239

**NOTE 9 – VEHICLE LEASE REVENUE – PALRF**

The City entered into an agreement with Oldtimers Foundation (Oldtimers) to lease two equipped transit buses for the fixed route transit services. The buses will be operated, maintained and stored by Oldtimers and the City is compensated for the use of the buses. For the years ended June 30, 2015 and 2014, the City received \$30,000 of vehicle lease revenues.

**NOTE 10 – TRANSFER FROM GENERAL FUND – PALRF AND PCLRF**

The amount of \$7,955 and \$200,617 represent reimbursements from General Fund to PALRF and PCLRF, respectively, which were related to the fiscal year ended June 30, 2013 Finding No. 13-01 for administrative expenditures exceeding 20 percent of the total local return annual expenditures.

**CITY OF SOUTH GATE**

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

**NOTE 11 – 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 2011-12 allocation	\$ -	\$ 49,092
FY 2012-13 allocation	-	72,516
FY 2013-14 allocation	77,074	-
FY 2014-15 allocation	42,926	-
Total	\$ <u>120,000</u>	\$ <u>121,608</u>

**NOTE 12 – TRANSPORTATION DEVELOPMENT ACT FUNDS RESERVED**

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

	2015	2014
FY 2013-14 allocation	\$ -	\$ 77,074
FY 2014-15 allocation	19,843	-
Available reserve balance	\$ <u>19,843</u>	\$ <u>77,074</u>

**NOTE 13 – SUBSEQUENT EVENTS**

The City has evaluated events or transactions that occurred subsequent to June 30, 2015 through November 24, 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 Gate, 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 Gate, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated November 24, 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  
November 24, 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 Gate, California and the  
Los Angeles County Metropolitan Transit Authority

### Report on Compliance

We have audited the compliance of the City of South Gate, 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 Gate 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.



## Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Los Angeles, California  
November 24, 2015

**CITY OF SOUTH GATE**  
**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) and a listing of Recreational Transit Services, if applicable, were submitted on time.	X		None	
9.	Cash or cash equivalents were maintained.	X		None	
10.	Accounting procedures, record keeping and documentation were adequate.	X		None	

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

Compliance Requirement		In Compliance		Questioned Costs	If no, provide details and management response.
		Yes	No		
11.	Revenues received including allocations, project generated revenues, and interest income were properly credited to the PALRF and PCLRF accounts.	X		None	
<b>B. Measure R Local Return Fund</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.	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	

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

Compliance Requirement	In Compliance		Questioned Costs	If no, provide details and management response.
	Yes	No		
11. Funds were not used to supplant existing local revenues being used for transportation purpose.	X		None	
<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 GATE***

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

June 30, 2015

No findings were noted.

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*EXIT CONFERENCE*

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***CITY OF SOUTH GATE***

**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:***

Yung Dang, Semi-Senior Auditor

***City's Representative:***

Jackie Acosta, Director of Administrative Services

***Matters Discussed:***

Results of the audit disclosed no significant control deficiencies or 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:

Jackie Acosta, Director of Administrative Services

Kim Sao, Deputy Director of Administrative Services/Finance

Vinnie Timoteo, Senior Accountant