

***CITY OF GLENDALE
ANNUAL FINANCIAL REPORT OF THE
PROPOSITION A GROWTH OVER INFLATION FUNDS
FOR THE FISCAL YEARS ENDED
JUNE 30, 2017 AND 2016***



Metro[®]



Simpson & Simpson, LLP
Certified Public Accountants

CITY OF GLENDALE
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FINANCIAL SECTION



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditor's Report

To the Honorable Members of the City Council of the
City of Glendale, 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 Growth Over Inflation (GOI) funds, which are accounted for in the Transit Utility Fund, as of and for the years ended June 30, 2017 and 2016, 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 an opinion on these financial statements based on our audits. We conducted our audits 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 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 opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Proposition A GOI funds of the City of Glendale, California, as of June 30, 2017 and 2016, and the respective changes in 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 Proposition A GOI funds and do not purport to, and do not, present fairly the financial position of the Transit Utility Fund or the City of Glendale, California, as of June 30, 2017 and 2016, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the Proposition A GOI funds, which are accounted for in the Transit Utility Fund. The accompanying supplementary information as listed in the table of contents is presented for the purposes of additional analysis and is not a required part of the financial statements. The supplementary 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 supplementary 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 supplementary information is fairly stated in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated November 22, 2017, on our consideration of the City of Glendale's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Los Angeles, California
November 22, 2017

CITY OF GLENDALE

PROPOSITION A GROWTH OVER INFLATION

BALANCE SHEET

JUNE 30

ASSETS	2017	2016
Due from LACMTA	\$ -	\$ -
Total assets	<u>-</u>	<u>-</u>
 LIABILITIES AND FUND BALANCE		
LIABILITIES		
Due to other funds	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>
 FUND BALANCE		
Restricted	-	-
Total fund balance	<u>-</u>	<u>-</u>
 Total liabilities and fund balance	 <u>\$ -</u>	 <u>\$ -</u>

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

CITY OF GLENDALE

PROPOSITION A GROWTH OVER INFLATION
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Fiscal Years Ended June 30

	<u>2017</u>	<u>2016</u>
REVENUES		
Proposition A Growth Over Inflation	\$ 667,538	\$ 672,869
Total revenues	<u>667,538</u>	<u>672,869</u>
EXPENDITURES		
Fixed Route Transit Services	<u>667,538</u>	<u>672,869</u>
Total expenditures	<u>667,538</u>	<u>672,869</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 GLENDALE

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The operations of the Proposition A Growth Over Inflation (GOI) funds are accounted for in the Transit Utility Fund, which is a separate set of self-balancing accounts that comprise their assets, liabilities, fund balance, revenues, and expenditures.

On April 22, 2010, the Los Angeles County Metropolitan Transportation Authority elected to designate a portion of the Proposition A 40% Discretionary Funds to non-municipal, Tier II operators, to assist in the growth and development of those operators' fixed route transit services. The funds are awarded based on LACMTA formula allocation procedures, which is based on the Transit Performance Measurement Data that is reported by the operators at the end of each fiscal year. On June 23, 2016, the LACMTA Board authorized an allocation of \$6,000,000 for the continuation of the Tier II Operator Funding Program.

Basis of Accounting

The Transit Utility Fund is 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.

NOTE 2 – ANNUAL FINANCIAL STATEMENTS

The financial statements reflect only the financial position and results of operations of the Proposition A GOI funds, and do not purport to, and do not present fairly the financial position of the Transit Utility Fund or the City's financial position as of June 30, 2017 and 2016, and the changes in fund balances for the years then ended in conformity with accounting principles generally accepted in the United States of America.

NOTE 3 – PROPOSITION A GROWTH OVER INFLATION COMPLIANCE REQUIREMENTS

In accordance with Proposition A GOI Memorandum of Understanding (MOU) and Proposition A 40% Discretionary Guidelines, these funds are to be used exclusively for fixed route transit services. Expenditures to expand fixed route transit services or to maintain current level of effort are eligible uses of Proposition A GOI funds. Any funds that were not expended during the fiscal year, shall be returned to LACMTA. Such unexpended funds will be treated as carryover funds and held by LACMTA on behalf of the operator for a period of two years. Grantee may carryover for two years, one hundred percent (100%) of its annual funding mark minus any portion expended during the fiscal year.

NOTE 4– SUBSEQUENT EVENTS

The City has evaluated events or transactions that occurred subsequent to June 30, 2017, through November 22, 2017, 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 Glendale, 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 Growth Over Inflation (GOI) funds, which are accounted for in Proposition A Local Return Fund (PALRF) of the City of Glendale, California (City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated November 22, 2017.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's 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 of 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 integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Los Angeles, California
November 22, 2017

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 Glendale, California and the
Los Angeles County Metropolitan Transit Authority

Report on Compliance

We have audited the compliance of the City of Glendale, California (City) with the Proposition A GOI MOU and the Proposition A 40% Discretionary Guidelines, for the year ended June 30, 2017.

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 occurred. An audit includes examining, on a test basis, evidence about City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance. Our audit does not provide a legal determination of City's compliance with those requirements.

Opinion

In our opinion, the City of Glendale complied, in all material respects, with the compliance requirements referred to above that apply to Proposition A GOI funds for the year ended June 30, 2017.



Report on Internal Control Over Compliance

Management of the City of Glendale 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 Proposition A GOI funds 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 the City's 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirement of the Guidelines. Accordingly, this report is not suitable for any other purpose.

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

Los Angeles, California
November 22, 2017

City of Glendale
Proposition A Growth Over Inflation Grant Funds
COMPLIANCE MATRIX
Year Ended June 30, 2017

Compliance Requirement		In Compliance		Questioned	If no, provide details and
		Yes	No	Costs	management response
1.	Timely use of funds.	X		None	
2.	Expenditures for Capital assets and Capital projects were approved before being incurred.	N/A		None	
3.	Expenditures were supported and allowable per the Guidelines.	X		None	
4.	Accounting procedures, record keeping and documentation were adequate.	X		None	
5.	Only expenditures for Fixed Route Services were included in the TPM.	X		None	
6.	By November 1st of each year report transit performance measurement (TPM) data to MTA as required pursuant to AB 103 (PUC Section 130380).	X		None	
7.	Did not participate in any of the non allowable funding programs (Section 4.1 of the MOU).	X		None	
8.	Maintained existing local commitment of Proposition A, Proposition C and Measure R for current Transportation Services.	X		None	
9.	Used GOI funds to augment, not supplant existing local revenues being used for Transportation Services.	X		None	
10.	Complied with all National Transit Database reporting requirements.	X		None	
11.	Committed all NTD subsidies prior to Committing GOI funds.	X		None	
12.	For each Fiscal year submit to LACMTA a Short Range Transportation Plan (SRTP).	X		None	
13.	No later than 90 days after each fiscal year submit to LACMTA a completed State Controller's Report.	N/A		None	
14.	Secured local support equivalent to the lesser of: 5% of the current Fiscal year gross operating expenses, or 25% of the current Fiscal year Local Return Funds received.	X		None	

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

CITY OF GLENDALE

**PROPOSITION A - GROWTH OVER INFLATION
SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

June 30, 2017

No findings were noted.

SUPPLEMENTARY INFORMATION

CITY OF GLENDALE

PROPOSITION A - GROWTH OVER INFLATION

SUPPLEMENTARY INFORMATION

EXHIBIT B

PROPOSITION A GROWTH OVER INFLATION WORKSHEET

FY 2017

Claimant: City of Glendale
 Mode: System Total

Date: 4/12/2017
 Contact: Silva Baghdanian
 818-937-8321

SOURCE OF OPERATING FUNDS:

Maximum Annual Allocation	Estimated Monthly Payment
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FEDERAL CASH GRANTS AND REIMBURSEMENTS

FTA Sec. 5307 Operating	0	0
CMAQ (Operating)	0	0

STATE CASH GRANTS AND REIMBURSEMENTS

Other State (Specify)	0	0
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LOCAL CASH GRANTS AND REIMBURSEMENTS

Passenger Fares	1,100,000	91,667
Special Transit Service	900,000	73,750
Charter Service Revenues	0	0
Auxiliary Transportation Revenues	113,000	9,417
Non-transportation Revenues	0	0
Prop. A 25% Local Return	3,055,070	254,589
Prop. A Incentive fund - Paratransit	253,561	21,130
Prop. A Incentive fund - Voluntary Reporting	252,806	21,067
Prop. A Discretionary GOI	667,538	55,628
Prop. C 20% Local Return	3,262,429	271,869
Measure R 15% Local Return	0	0
Other Local (Specify)	0	0

TOTAL OPERATING REVENUES	9,604,404
TOTAL OPERATING EXPENSES	9,604,404

Cost per VSH Calculation

Vehicle Service Hours (VSH)	91,405
Costs per VSH	\$ 105.07
% Change/VSH	

Maintenance of Effort

5% of Operating Expenses	
25% of Local Return Funds	66%

EXIT CONFERENCE

CITY OF GLENDALE

**PROPOSITION A GROWTH OVER INFLATION
EXIT CONFERENCE
June 30, 2017**

An exit conference was held on December 12, 2017 with the City of Glendale. Those in attendance were:

Simpson & Simpson Representative:

Joseph W. Simpson II, Audit Supervisor

City's Representative:

Kathryn Engel, Transit Manager

Matters Discussed:

Results of the audit, no 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:

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

RE: CITY OF GLENDALE ANNUAL FINANCIAL REPORT OF THE PROPOSITION A –
GROWTH OVER INFLATION FUNDS FOR THE FISCAL YEARS ENDED JUNE 30, 2017
AND 2016.

I have received the annual financial report of the Proposition A - Growth Over Inflation funds for the years ended June 30, 2017 and 2016 for the City of Glendale and agree with the contents of the report except s indicated below:

(Attach additional pages if necessary)

Very truly yours,

Name

Title

Date