

***CITY OF SAN GABRIEL
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, 2017 AND 2016***



Simpson & Simpson, LLP
Certified Public Accountants

CITY OF SAN GABRIEL
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FINANCIAL SECTION



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Independent Auditor's Report

To the Honorable Members of the City Council of the
City of San Gabriel, California and the
Los Angeles County Metropolitan Transportation Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Proposition A Local Return Fund (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), and Transportation Development Act Article 3 Fund (TDAA3F) of the City of San Gabriel, California (City) 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 opinions 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 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.





Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the PALRF, PCLRF, MRLRF, and TDAA3F of the City of San Gabriel, California, as of June 30, 2017 and 2016 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 San Gabriel, 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 that collectively comprise the City of San Gabriel, California's PALRF, PCLRF, MRLRF, and TDAA3F Fund financial statements as a whole. The accompanying supplementary 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 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 October 28, 2017, on our consideration of the City of San Gabriel'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* in considering the City's internal control over financial reporting and compliance.

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

Los Angeles, California
October 28, 2017

CITY OF SAN GABRIEL

PROPOSITION A LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

| | <u>2017</u> | <u>2016</u> |
|---|------------------------------|------------------------------|
| ASSETS | | |
| Cash and investments | \$ <u>373,948</u> | \$ <u>850,693</u> |
| Total assets | \$ <u><u>373,948</u></u> | \$ <u><u>850,693</u></u> |
| LIABILITIES AND FUND BALANCE | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ <u>18,122</u> | \$ <u>10,490</u> |
| Total liabilities | <u>18,122</u> | <u>10,490</u> |
| Fund Balance | | |
| Restricted | <u>355,826</u> | <u>840,203</u> |
| Total fund balance | <u>355,826</u> | <u>840,203</u> |
| Total liabilities and fund balance | \$ <u><u>373,948</u></u> | \$ <u><u>850,693</u></u> |

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

CITY OF SAN GABRIEL

PROPOSITION A LOCAL RETURN FUND

**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 | \$ 739,328 | \$ 727,660 |
| Interest income | 7,923 | 4,141 |
| Parking rental income (Note 7) | <u>6,000</u> | <u>6,000</u> |
| Total revenues | <u>753,251</u> | <u>737,801</u> |
| EXPENDITURES | | |
| Various projects | <u>1,237,628</u> | <u>70,096</u> |
| Total expenditures | <u>1,237,628</u> | <u>70,096</u> |
| (Deficiency) excess of revenues over expenditures | (484,377) | 667,705 |
| Fund balance at beginning of year | <u>840,203</u> | <u>172,498</u> |
| Fund balance at end of year | <u><u>\$ 355,826</u></u> | <u><u>\$ 840,203</u></u> |

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

CITY OF SAN GABRIEL

PROPOSITION A LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES

ACTUAL AND METRO APPROVED PROJECT BUDGET

For the Fiscal Year Ended June 30, 2017

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2016)

| Project Code | Project Name | 2017 | | | 2016 Actual |
|--------------|----------------------------------|---------------------|---------------------|----------------------------------|------------------|
| | | Metro Budget | Actual | Variance Favorable (Unfavorable) | |
| 140-02 | Recreational Transit | \$ 135,000 | \$ 16,775 | \$ 118,225 | \$ 49,834 |
| 160-14 | Bus Shelters | 130,882 | 14,582 | 116,300 | 6,912 |
| 270-10 | Transportation Planning Services | 19,000 | - | 19,000 | 6,000 |
| 405-04 | Fund Exchange | 1,200,000 | 1,200,000 | - | - |
| 480-05 | Direct Administration | 10,000 | 6,271 | 3,729 | 7,350 |
| | Total expenditures | <u>\$ 1,494,882</u> | <u>\$ 1,237,628</u> | <u>\$ 257,254</u> | <u>\$ 70,096</u> |

See accompanying independent auditor's report

CITY OF SAN GABRIEL

PROPOSITION A LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

June 30, 2017

| <u>Date</u> <u>Acquired</u> | <u>Description</u> | <u>Balance</u> <u>7/1/2016</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>6/30/2017</u> |
|--------------------------------|-----------------------|-----------------------------------|------------------|------------------|------------------------------------|
| 1980 | Park and Ride Lot | \$ 890,668 | \$ - | \$ - | \$ 890,668 |
| 1984 | Park and Ride Lot | 1,171,269 | - | - | 1,171,269 |
| 1985 | Storage Building | 10,200 | - | - | 10,200 |
| 1988 | Improvements | 194,700 | - | - | 194,700 |
| 2006 | Improvements | 5,000 | - | - | 5,000 |
| 2012 | Improvements | 3,387 | - | - | 3,387 |
| 2013 | Improvements | 6,117 | - | - | 6,117 |
| 2014 | Improvements | 9,212 | - | - | 9,212 |
| 2015 | Bus Shelters and Pads | 109,574 | - | - | 109,574 |
| 2016 | Bus Shelters and Pads | 6,912 | - | - | 6,912 |
| | | <u>Total</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,407,039</u> |

See accompanying independent auditor's report.

CITY OF SAN GABRIEL

PROPOSITION C LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

| | <u>2017</u> | <u>2016</u> |
|---|--------------------------------|--------------------------------|
| ASSETS | | |
| Cash and investments | \$ <u>1,387,009</u> | \$ <u>1,380,528</u> |
| Total assets | \$ <u><u>1,387,009</u></u> | \$ <u><u>1,380,528</u></u> |
| LIABILITIES AND FUND BALANCE | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ <u>211,416</u> | \$ <u>34,926</u> |
| Total liabilities | <u>211,416</u> | <u>34,926</u> |
| Fund Balance | | |
| Restricted | <u>1,175,592</u> | <u>1,345,602</u> |
| Total fund balance | <u>1,175,592</u> | <u>1,345,602</u> |
| Total liabilities and fund balance | \$ <u><u>1,387,008</u></u> | \$ <u><u>1,380,528</u></u> |

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

CITY OF SAN GABRIEL

PROPOSITION C LOCAL RETURN FUND

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

For the Fiscal Years Ended June 30

| | <u>2017</u> | <u>2016</u> |
|---|---------------------|---------------------|
| REVENUES | | |
| Proposition C | \$ 614,911 | \$ 604,916 |
| Interest income | <u>12,640</u> | <u>9,880</u> |
| Total revenues | <u>627,551</u> | <u>614,796</u> |
| EXPENDITURES | | |
| Various projects | <u>797,561</u> | <u>510,784</u> |
| Total expenditures | <u>797,561</u> | <u>510,784</u> |
| (Deficiency) excess of revenues over expenditures | (170,010) | 104,012 |
| Fund balance at beginning of year | <u>1,345,602</u> | <u>1,241,590</u> |
| Fund balance at end of year | <u>\$ 1,175,592</u> | <u>\$ 1,345,602</u> |

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

CITY OF SAN GABRIEL

PROPOSITION C LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES

ACTUAL AND METRO APPROVED PROJECT BUDGET

For the Fiscal Year Ended June 30, 2017

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2016)

| Project Code | Project Name | 2017 | | | 2016 Actual |
|--------------|--|---------------------|-------------------|----------------------------------|-------------------|
| | | Metro Budget | Actual | Variance Favorable (Unfavorable) | |
| 130-01 | Senior Dial-A-Ride | \$ 400,000 | \$ 395,304 | \$ 4,696 | \$ 399,640 |
| 250-03 | Bus Fare Subsidy | 150,000 | 31,622 | 118,378 | 34,260 |
| 290-08 | Park and Ride Lot Maintenance | 175,000 | 28,510 | 146,490 | 29,638 |
| 380-18 | San Gabriel Boulevard Street Improvements | 765,000 | 249,365 | 515,635 | - |
| 450-17 | Del Mar-Alhambra Wash Bridge Rehabilitation/Reconstruction | 275,637 | - | 275,637 | 750 |
| 450-19 | Las Tunas Street Improvements | 700,000 | - | 700,000 | - |
| 480-05 | Direct Administration | 100,000 | 92,760 | 7,240 | 46,496 |
| 500-20 | Grade Separations | 340,000 | - | 340,000 | - |
| | Total expenditures | <u>\$ 2,905,637</u> | <u>\$ 797,561</u> | <u>\$ 2,108,076</u> | <u>\$ 510,784</u> |

See accompanying independent auditor's report.

CITY OF SAN GABRIEL

PROPOSITION C LOCAL RETURN FUND

**SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS**

June 30, 2017

| <u>Date Acquired</u> | <u>Description</u> | <u>Balance 7/1/2016</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance 6/30/2017</u> |
|--------------------------|---|-----------------------------|-------------------|------------------|------------------------------|
| 2003 to 2005 | Intersection Study Design | \$ 91,104 | \$ - | \$ - | \$ 91,104 |
| 2004 to 2010 | Improvements other than Buildings | 912,382 | - | - | 912,382 |
| 2006 | Controller Cabinet | 12,533 | - | - | 12,533 |
| 2015 | Las Tunas San Gabriel Muscatel | 780,349 | - | - | 780,349 |
| 2017 | San Gabrile/Mission Intersection Improvement | - | 249,365 | - | 249,365 |
| | | <u>\$ 1,796,368</u> | <u>\$ 249,365</u> | <u>\$ -</u> | <u>\$ 2,045,733</u> |

See accompanying independent auditor's report.

CITY OF SAN GABRIEL

MEASURE R LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

| | <u>2017</u> | <u>2016</u> |
|---|---------------------|---------------------|
| ASSETS | | |
| Cash and investments | \$ 1,457,571 | \$ 1,387,462 |
| Cash and investments - Restricted (Note 8) | <u>2,897,340</u> | <u>-</u> |
| Total assets | <u>\$ 4,354,911</u> | <u>\$ 1,387,462</u> |
| LIABILITIES AND FUND BALANCE | | |
| Liabilities | | |
| Accounts payable | \$ <u>115,202</u> | \$ <u>158,679</u> |
| Total liabilities | <u>115,202</u> | <u>158,679</u> |
| Fund Balance | | |
| Restricted | 1,342,369 | 1,429,278 |
| Restricted - Great Streets (Del Mar Avenue) Road Improvement Program (Note 8) | <u>2,897,340</u> | <u>(200,495)</u> |
| Total fund balance | <u>4,239,709</u> | <u>1,228,783</u> |
| Total liabilities and fund balance | <u>\$ 4,354,911</u> | <u>\$ 1,387,462</u> |

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

CITY OF SAN GABRIEL

MEASURE R LOCAL RETURN FUND

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

For the Fiscal Years Ended June 30

| | <u>2017</u> | <u>2016</u> |
|--|---------------------|---------------------|
| REVENUES | | |
| Measure R | \$ 460,051 | \$ 452,955 |
| Interest income | <u>10,852</u> | <u>11,015</u> |
| Total revenues | <u>470,903</u> | <u>463,970</u> |
| EXPENDITURES | | |
| Various projects | <u>1,259,977</u> | <u>613,442</u> |
| Total expenditures | <u>1,259,977</u> | <u>613,442</u> |
| Deficiency of revenues over expenditures | (789,074) | (149,472) |
| Other financing source | | |
| Measure R loan (Note 8) | <u>3,800,000</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures and other financing source | 3,010,926 | (149,472) |
| Fund balance at beginning of year | <u>1,228,783</u> | <u>1,378,255</u> |
| Fund balance at end of year | <u>\$ 4,239,709</u> | <u>\$ 1,228,783</u> |

The accompanying notes are an integral part of the financial statements

CITY OF SAN GABRIEL

MEASURE R LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES

ACTUAL AND METRO APPROVED PROJECT BUDGET

For the Fiscal Year Ended June 30, 2017

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2016)

| Project Code | Project Name | 2017 | | Variance Favorable (Unfavorable) | 2016 Actual |
|--------------|--|----------------------------|----------------------------|----------------------------------|--------------------------|
| | | Metro Budget | Actual | | |
| 1.10 | San Gabriel and Mission Intersection Improvements | \$ 118,975 | \$ 26,956 | \$ 92,019 | \$ 42,343 |
| 1.10 | Las Tunas Drive Rehabilitation | 131,314 | 5,793 | 125,521 | 363,463 |
| 1.10 | Great Streets (Del Mar Avenue) Road Improvement Program * | 3,599,504 | 81,106 | 3,518,398 | 7,141 |
| 1.90 | Great Streets Road Improvement Program Loan Repayments | 445,000 | 443,957 | 1,043 | - |
| 5.15 | Alameda Corridor East Railroad Trench | 250,158 | - | 250,158 | - |
| | <i>Expenditures Funded by Measure R Local Return Fund</i> | <u>4,544,951</u> | <u>557,812</u> | <u>3,987,139</u> | <u>412,947</u> |
| 1.10 | Great Streets (Del Mar Avenue) Road Improvement Program * (Note 8) | - | 702,165 | (702,165) | 200,495 |
| | <i>Expenditures Funded by the Loan</i> | - | 702,165 | (702,165) | 200,495 |
| | Total expenditures | <u><u>\$ 4,544,951</u></u> | <u><u>\$ 1,259,977</u></u> | <u><u>\$ 3,284,974</u></u> | <u><u>\$ 613,442</u></u> |

* The LACMTA budget for Great Streets (Del Mar Avenue) Road Improvement Program Project Code 1.10 of \$3,599,504 also applies to the expenditures incurred on the same project funded by the loan in the amount of \$702,165.

See accompanying independent auditor's report.

CITY OF SAN GABRIEL

MEASURE R LOCAL RETURN FUND

**SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS**

June 30, 2017

| <u>Date Acquired</u> | <u>Description</u> | <u>Balance 7/1/2016</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance 6/30/2017</u> |
|--------------------------|--|-----------------------------|-------------------|------------------|------------------------------|
| 2013 | I-10 Gateway Monument Sign | \$ 33,882 | \$ - | \$ - | \$ 33,882 |
| 2013 | San Gabriel and Mission Intersection Improvements | 77,303 | - | - | 77,303 |
| 2014 | San Gabriel and Mission Intersection | 50,974 | - | - | 50,974 |
| 2014 | Las Tunas San Gabriel Muscatel | 42,135 | - | - | 42,135 |
| 2015 | Las Tunas San Gabriel Muscatel | 785,919 | - | - | 785,919 |
| 2016 | Las Tunas San Gabriel Muscatel | 363,463 | 5,793 | - | 369,256 |
| 2016 | San Gabriel/Mission Intersection Improvement | 42,343 | 26,956 | - | 69,299 |
| 2016 | Del Mar-Valley to I-10 | 5,210 | 55,061 | - | 60,271 |
| 2016 | Del Mar-Wells to Valley | 9,526 | - | - | 9,526 |
| 2016 | Del Mar-Wells to Mission | 192,900 | 728,210 | - | 921,110 |
| | Total | <u>\$ 1,603,655</u> | <u>\$ 816,020</u> | <u>\$ -</u> | <u>\$ 2,419,675</u> |

See accompanying independent auditor's report.

CITY OF SAN GABRIEL

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

**BALANCE SHEETS
JUNE 30**

| | <u>2017</u> | <u>2016</u> |
|-------------------------------------|-------------|-------------|
| ASSETS | | |
| Cash and investments | \$ - | \$ - |
| Total assets | \$ - | \$ - |
| LIABILITIES AND FUND BALANCE | | |
| Liabilities | | |
| Due to General Fund | \$ - | \$ - |
| Total liabilities | - | - |
| Fund Balance | | |
| Restricted | - | - |
| Total fund balance | - | - |
| Total liabilities and fund balance | \$ - | \$ - |

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

CITY OF SAN GABRIEL

TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND

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

For the Fiscal Years Ended June 30

| | <u>2017</u> | <u>2016</u> |
|--|---------------|---------------|
| REVENUES | | |
| TDA 3 | \$ 19,856 | \$ 29,740 |
| Total revenues | <u>19,856</u> | <u>29,740</u> |
| EXPENDITURES | | |
| Sidewalk and ADA Ramps | <u>19,856</u> | <u>29,741</u> |
| Total expenditures | <u>19,856</u> | <u>29,741</u> |
| Deficiency of revenues over expenditures | - | (1) |
| Fund balance at beginning of year | <u>-</u> | <u>1</u> |
| Fund balance at end of year | <u>\$ -</u> | <u>\$ -</u> |

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

CITY OF SAN GABRIEL

**TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
SUPPLEMENTARY INFORMATION**

**SCHEDULE OF TRANSPORTATION DEVELOPMENT ACT
ALLOCATION FOR SPECIFIC PROJECTS**

For the Fiscal Year Ended June 30, 2017

| <u>Project Description</u> | <u>Program Year</u> | <u>Allocations</u> | <u>Expenditures</u> | <u>Unexpended Allocations</u> | <u>Project Status</u> |
|-----------------------------------|-------------------------|-------------------------|-------------------------|-----------------------------------|---------------------------|
| Local allocations | | | | | |
| Sidewalk and ADA Ramps | 2016-17 | \$ <u>19,856</u> | \$ <u>19,856</u> | \$ - | Ongoing |
| Total | | \$ <u><u>19,856</u></u> | \$ <u><u>19,856</u></u> | - | |
| Fund balance at beginning of year | | | | - | |
| Fund balance at end of year | | | | \$ <u><u>-</u></u> | |

See accompanying independent auditor's report.

CITY OF SAN GABRIEL

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 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.

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 and Measurement Focus

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.

Special Revenue Funds are reported on a spending or “financial flow” measurement focus. This means that generally only current assets, current liabilities and deferred inflows and outflows of resources are included on their balance sheets. Statements of revenues, expenditures and changes in fund balances for Special Revenue Funds generally present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

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.

CITY OF SAN GABRIEL

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement

In accordance with GASB Statement No. 72, Fair Value Measurement and Application, which became effective for the fiscal year ended June 30, 2016, the City categorizes its fair value measurement within the fair value hierarchy that is based on the valuation inputs used to measure the fair value of the

investment. Level 1 inputs are quoted prices in active markets for identical investments; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Accordingly, the City reports its investments at fair value and recognizes unrealized gain (loss) on investments.

Refer to the City's 2017 Comprehensive Annual Financial Report for detailed disclosures regarding the City's investments policy and fair value measurements.

Fund Balance Reporting

Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, establishes the fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The PALRF, PCLRF, MRLRF, and TDAA3F report the following fund balance classification as of June 30, 2017:

- Restricted- Amounts that are constrained for specific purposes, which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation. The use of the Funds' remaining fund balances are restricted for projects approved by LACMTA.

Information regarding the fund balance reporting policy adopted by the City is described in Note 1 to the City's Comprehensive Annual Financial Report.

The fiscal year 2016 fund balance line items have been reclassified to conform with 2017 financial statement presentation for MRLRF. The reclassifications had no effect on the changes in fund balance.

CITY OF SAN GABRIEL

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2017 and 2016
(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 balances to the total of the pooled cash and investments.

NOTE 7 – PARKING RENTAL INCOME - PALRF

The City entered an agreement with TSCP Investment, LLC to utilize the Parking Lot for Restaurant parking that operates during non-transit usage hours in accordance with Proposition A regulations. For the years ended June 30, 2017 and 2016, the City received \$6,000 of parking rental income.

CITY OF SAN GABRIEL

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

NOTE 8 – RESTRICTED CASH AND RESTRICTED FUND BALANCE – GREAT STREETS (DEL MAR AVENUE) ROAD IMPROVEMENT PROGRAM - MRLRF

On May 1, 2015, the City entered into an installment sale agreement (loan) with the California Infrastructure and Economic Development Bank (IBank) to finance the accelerated great streets program, which will upgrade, reconstruct, and rehabilitate approximately 1.6 lane miles of public streets within the City. IBank has made available a credit facility in an amount up to \$3,800,000 for which the City will submit reimbursement requests upon incurring project costs. Interest accrues on the entire principal balance, whether or not disbursed, at an interest rate of 3.5% per annum.

Principal and interest payments are due on each August 1 and February 1, commencing on August 1, 2016 and maturing on August 1, 2029. In addition, on August 1 of each year, the City must pay an annual fee of 0.3% on the outstanding principal component of the remaining principal balance.

The MRLRF allocation revenues are used to pay the debt service and the annual fee on the loan. The loan proceeds, however, are used to finance the costs of the project that was originally approved by LACMTA on July 31, 2014 for fiscal year ended June 30, 2015 and on July 31, 2015 for the fiscal year ended June 30, 2016.

The loan cash and fund balances for the year ended June 30, 2017 are as follows:

| | | |
|---|----|------------------|
| Loan Proceeds Received | \$ | 3,800,000 |
| Less: | | |
| FY 2016 Great Streets Road Improvement Program Expenditures | | (200,495) |
| FY 2017 Great Streets Road Improvement Program Expenditures | | <u>(702,165)</u> |
| Loan Cash and Fund Balances at June 30, 2017 | \$ | <u>2,897,340</u> |

NOTE 9 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION

The revenue allocation for the years ended June 30, 2017 and 2016 consisted of the following:

| | 2017 | 2016 |
|-----------------------|------------------|------------------|
| FY 2011-12 allocation | \$ - | \$ 19,003 |
| FY 2012-13 allocation | 19,856 | 10,737 |
| Total | <u>\$ 19,856</u> | <u>\$ 29,740</u> |

CITY OF SAN GABRIEL

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

NOTE 10 – 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, 2017 and 2016, the City has funds on reserve as follows:

| | 2017 | 2016 |
|---------------------------|------------|------------|
| FY 2012-13 allocation | \$ - | \$ 19,856 |
| FY 2013-14 allocation | 32,544 | 32,544 |
| FY 2014-15 allocation | 26,508 | 26,508 |
| FY 2015-16 allocation | 25,696 | 25,696 |
| FY 2016-17 allocation | 26,854 | - |
| Available reserve balance | \$ 111,602 | \$ 104,604 |

NOTE 11 – SUBSEQUENT EVENTS

The City has evaluated events or transactions that occurred subsequent to June 30, 2017 through October 28, 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
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**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Honorable Members of the City Council of the
City of San Gabriel, California and the
Los Angeles County Metropolitan Transportation 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 Fund (TDAA3F) of the City of San Gabriel, 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 October 28, 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 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 & Simpson".

Los Angeles, California
October 28, 2017

COMPLIANCE SECTION



SIMPSON & SIMPSON
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Independent Auditor's Report on Compliance

To the Honorable Members of the City Council of the
City of San Gabriel, California and the
Los Angeles County Metropolitan Transit Authority

Report on Compliance

We have audited the compliance of the City of San Gabriel, 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, 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 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 San Gabriel 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, 2017.





Report on Internal Control Over Compliance

Management of the City of San Gabriel 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 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 black ink, reading "Simpson & Simpson".

Los Angeles, California
October 28, 2017

CITY OF SAN GABRIEL
COMPLIANCE MATRIX
Year Ended June 30, 2017

| Compliance Requirement | In Compliance | | Questioned Costs | If no, provide details and management response. |
|--|---------------|----|------------------|---|
| | Yes | No | | |
| A. Proposition A and Proposition C Local Return Funds | | | | |
| 1. Timely use of funds. | X | | None | |
| 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 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 SAN GABRIEL
COMPLIANCE MATRIX
Year Ended June 30, 2017
(Continued)

| Compliance Requirement | | In Compliance | | Questioned Costs | If no, provide details and management response. |
|---------------------------------------|--|---------------|----|------------------|---|
| | | Yes | No | | |
| 11. | Revenues received including allocations, project generated revenues, and interest income were properly credited to the PALRF and PCLRF accounts. | X | | None | |
| B. Measure R Local Return Fund | | | | | |
| 1. | Timely use of funds. | X | | None | |
| 2. | Expenditures were approved before being incurred. | X | | None | |
| 3. | Funds were used on approved projects only and expenditures were supported and allowable per Guidelines. | X | | None | |
| 4. | Funds 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 SAN GABRIEL
COMPLIANCE MATRIX
Year Ended June 30, 2017
(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 | |
| C. Transportation Development Act Article 3 Fund | | | | | |
| 1. | Timely use of funds. | X | | None | |
| 2. | Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities. | X | | None | |

CITY OF SAN GABRIEL

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

June 30, 2017

No findings were noted.

EXIT CONFERENCE

CITY OF SAN GABRIEL

PROPOSITION A, PROPOSITION C, MEASURE R LOCAL RETURN FUNDS, AND
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
EXIT CONFERENCE

June 30, 2017

An exit conference was held on December 18, 2017 via telephone conference. Those in attendance were:

Simpson & Simpson Representative:

John Longoria, Auditor

City's Representative:

Linda Tang, Financial Services Manager

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:

Linda Tang, Financial Services Manager

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

RE: CITY OF SAN GABRIEL ANNUAL FINANCIAL REPORT OF THE PROPOSITION A LOCAL RETURN FUND, PROPOSITION C LOCAL RETURN FUND, MEASURE R LOCAL RETURN FUND, AND TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016.

I have received the annual financial report of the Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, and Transportation Development Act Article 3 Fund for the years ended June 30, 2017 and 2016 for the City of San Gabriel and agree with the contents of the report except as indicated below:

(Attach additional pages if necessary)

Very truly yours,

Name

Title

Date