

***CITY OF SOUTH PASADENA  
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***



**Metro<sup>®</sup>**



Simpson & Simpson, LLP  
Certified Public Accountants

**CITY OF SOUTH PASADENA**  
**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
Supplementary 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
Supplementary 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
Supplementary 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
Supplementary 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>	23
<b>COMPLIANCE SECTION</b>	
Independent Auditor’s Report on Compliance	25
Compliance Matrix	28
Schedule of Findings and Recommendations	31
<b>EXIT CONFERENCE</b>	35

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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 South Pasadena, 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 Pasadena, 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 South Pasadena, 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 South Pasadena, 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 South Pasadena, 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 November 30, 2017, on our consideration of the City of South Pasadena'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 in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Simpson &amp; Simpson". The signature is written in a cursive, flowing style.

Los Angeles, California  
November 30, 2017

**CITY OF SOUTH PASADENA**

**PROPOSITION A LOCAL RETURN FUND**

**BALANCE SHEETS**

**JUNE 30**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 655,500	\$ 690,373
Interest receivable	832	528
Due from LACMTA	-	14,122
Other receivable	<u>100</u>	<u>-</u>
Total assets	<u>\$ 656,432</u>	<u>\$ 705,023</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 5,403	\$ 4,250
Accrued payroll and employee benefits	<u>2,544</u>	<u>2,369</u>
Total liabilities	<u>7,947</u>	<u>6,619</u>
 <b>Fund Balance</b>		
Restricted	<u>648,485</u>	<u>698,404</u>
Total fund balance	<u>648,485</u>	<u>698,404</u>
 Total liabilities and fund balance	 <u>\$ 656,432</u>	 <u>\$ 705,023</u>

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

**CITY OF SOUTH PASADENA**

**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>
<b>REVENUES</b>		
Proposition A	\$ 477,606	\$ 469,505
Proposition A Discretionary Incentive Grant (Note 7)	10,452	14,122
Project generated revenue (Note 8)	4,403	4,934
Interest income	10,363	7,167
Unrealized gain (loss) on investment	(9,625)	1,234
Other income	-	1,014
	<u>493,199</u>	<u>497,976</u>
<b>EXPENDITURES</b>		
Various projects	<u>543,118</u>	<u>363,663</u>
	<u>543,118</u>	<u>363,663</u>
(Deficiency) excess of revenues over expenditures	(49,919)	134,313
Fund balance at beginning of year	<u>698,404</u>	<u>564,091</u>
Fund balance at end of year	<u>\$ 648,485</u>	<u>\$ 698,404</u>

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

**CITY OF SOUTH PASADENA**

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)	
130-01	Transit Software	\$ 35,034	\$ 35,034	\$ -	\$ 28,194
130-05	Senior Dial-A-Ride Program	314,900	221,210	93,690	187,587
140-01	Recreational Transit Service	32,475	29,527	2,948	26,085
150-01	Bus Stop Improvement Program	90,000	15,528	74,472	-
150-02	Mission Street Business District Pedestrian Improvement Project	30,929	30,929	-	-
180-01	Purchase Paratransit Van	133,924	133,924	-	88,763
250-03	Bus Pass Subsidy Program	6,910	6,910	-	7,125
270-01	Transit Planning	71,031	53,826	17,205	-
480-01	Administration	14,997	16,230	(1,233)	25,909
	Total expenditures	<u>\$ 730,200</u>	<u>\$ 543,118</u>	<u>\$ 187,082</u>	<u>\$ 363,663</u>

See accompanying independent auditor's report.



**CITY OF SOUTH PASADENA**

**PROPOSITION A 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>
1977	WAS Memorial Building Park	\$ 108,861	\$ -	\$ -	\$ 108,861
2003	Chavy Van with Wheelchair	37,644	-	-	37,644
2014	CNG Deluxe Passenger Vehicle	59,100	-	-	59,100
2016	Transit Demand Response Transportation Management System	28,194	-	-	28,194
2016	2016 Ford E450 Cutaway CNG Passenger Van	88,762	-	-	88,762
2017	2016 Phoenix Zeus Electric Passenger Bus	-	114,501	-	114,501
2017	Clipper Creek CS-100 PEV Charger	-	16,450	-	16,450
	Total	\$ <u>322,561</u>	\$ <u>130,951</u>	\$ <u>-</u>	\$ <u>453,512</u>

See accompanying independent auditor's report.

**CITY OF SOUTH PASADENA**

**PROPOSITION C LOCAL RETURN FUND**

**BALANCE SHEETS**

**JUNE 30**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and investments	\$ 736,017	\$ 466,129
Interest receivable	726	325
Miscellaneous receivable	<u>-</u>	<u>3,545</u>
Total assets	<u>\$ 736,743</u>	<u>\$ 469,999</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accrued salaries and benefits	\$ <u>2,248</u>	\$ <u>1,527</u>
Total liabilities	<u>2,248</u>	<u>1,527</u>
 <b>Fund Balance</b>		
Restricted	<u>734,495</u>	<u>468,472</u>
Total fund balance	<u>734,495</u>	<u>468,472</u>
 Total liabilities and fund balance	 <u>\$ 736,743</u>	 <u>\$ 469,999</u>

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

**CITY OF SOUTH PASADENA**

**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>
<b>REVENUES</b>		
Proposition C	\$ 395,586	\$ 388,693
Interest income	8,049	4,569
Unrealized gain (loss) on investment	(7,420)	889
Parking revenue (Note 9)	37,508	38,525
Total revenues	<u>433,723</u>	<u>432,676</u>
<b>EXPENDITURES</b>		
Various projects	<u>167,700</u>	<u>305,534</u>
Total expenditures	<u>167,700</u>	<u>305,534</u>
Excess of revenues over expenditures	266,023	127,142
Fund balance at beginning of year	<u>468,472</u>	<u>341,330</u>
Fund balance at end of year	<u>\$ 734,495</u>	<u>\$ 468,472</u>

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

**CITY OF SOUTH PASADENA**

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)	
130-05	Senior Dial-A-Ride	\$ 242,746	\$ 160,779	\$ 81,967	\$ 216,215
150-01	Bus Stop Improvement Program	90,000	-	90,000	-
150-02	Bus Stop Improvement Program	-	-	-	8,842
200-01	Purchase New CNG Transit Van	-	-	-	33,985
290-01	Mission-Meridian Park and Ride Lot	-	-	-	20,089
430-01	South Pasadena Business District Pedestrian Improvement Project	500,000	-	500,000	-
480-01	Administration	6,989	6,921	68	26,403
	Total expenditures	<u>\$ 839,735</u>	<u>\$ 167,700</u>	<u>\$ 672,035</u>	<u>\$ 305,534</u>

See accompanying independent auditor's report.

**CITY OF SOUTH PASADENA**

**PROPOSITION C LOCAL RETURN FUND**

**SUPPLEMENTAL 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>
2005	Engineering Svd Pavement Management	\$ 21,312	\$ -	\$ -	\$ 21,312
2012	Transit Dispatching Equipment and Software	13,834	-	-	13,834
2012	MV-1 CNG Vehicle	51,721	-	-	51,721
2015	Mission Street Improvements	81,089	-	-	81,089
2016	CNG Ford F250 Regular Cab Truck	33,985	-	-	33,985
	Total	\$ 201,941	\$ -	\$ -	\$ 201,941

See accompanying independent auditor's report.

**CITY OF SOUTH PASADENA**

**MEASURE R LOCAL RETURN FUND**

**BALANCE SHEETS**

**JUNE 30**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and investments	\$ 829,909	\$ 967,611
Interest receivable	<u>911</u>	<u>666</u>
Total assets	<u>\$ 830,820</u>	<u>\$ 968,277</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ <u>42,605</u>	\$ <u>-</u>
Total liabilities	<u>42,605</u>	<u>-</u>
<b>FUND BALANCE</b>		
Restricted	<u>788,215</u>	<u>968,277</u>
Total fund balance	<u>788,215</u>	<u>968,277</u>
Total liabilities and fund balance	<u>\$ 830,820</u>	<u>\$ 968,277</u>

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

**CITY OF SOUTH PASADENA**

**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>
<b>REVENUES</b>		
Measure R	\$ 297,193	\$ 292,258
Interest income	12,719	8,931
Unrealized gain (loss) on investment	<u>(14,190)</u>	<u>1,868</u>
Total revenues	<u>295,722</u>	<u>303,057</u>
<b>EXPENDITURES</b>		
Various projects	<u>475,784</u>	<u>28,989</u>
Total expenditures	<u>475,784</u>	<u>28,989</u>
(Deficiency) excess of revenues over expenditures	(180,062)	274,068
Fund balance at beginning of year	<u>968,277</u>	<u>694,209</u>
Fund balance at end of year	<u>\$ 788,215</u>	<u>\$ 968,277</u>

The accompanying notes are an integral part of the financial statements

**CITY OF SOUTH PASADENA**

**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			2016 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	Citywide Sidewalk Repairs	\$ 92,000	\$ -	\$ 92,000	\$ -
1.05	Monterey Road Street Improvements	696,000	475,784	220,216	28,989
1.05	Citywide Slurry Seal Program	1	-	1	-
1.05	Hawthorne Street Improvements	1	-	1	-
1.05	Pasadena Avenue Street Improvement	1	-	1	-
1.05	Via Del Rey Street Improvement	1	-	1	-
1.05	Mission Street Improvement	1	-	1	-
1.05	Alhambra Road Reconfiguration	1	-	1	-
	Total expenditures	<u>\$ 788,006</u>	<u>\$ 475,784</u>	<u>\$ 312,222</u>	<u>\$ 28,989</u>

See accompanying independent auditor's report.



**CITY OF SOUTH PASADENA**

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>
2015	Hawthorne Street Improvements	\$ 295,968	\$ -	\$ -	\$ 295,968
2017	Monterey Road Improvements	-	475,784	-	475,784
	Total	<u>\$ 295,968</u>	<u>\$ 475,784</u>	<u>\$ -</u>	<u>\$ 771,752</u>

See accompanying independent auditor's report.

**CITY OF SOUTH PASADENA**

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

**BALANCE SHEETS  
JUNE 30**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and investments	\$ 8	\$ -
Total assets	<u>\$ 8</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>
<b>Fund Balance</b>		
Restricted	<u>8</u>	<u>-</u>
Total fund balance	<u>8</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 8</u>	<u>\$ -</u>

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

**CITY OF SOUTH PASADENA**

**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>
<b>REVENUES</b>		
TDA 3	\$ 11,205	\$ -
Interest income	<u>8</u>	<u>-</u>
Total revenues	<u>11,213</u>	<u>-</u>
<b>EXPENDITURES</b>		
Preliminary Engineering Arroyo Seco Bike and Ped Trail	<u>11,205</u>	<u>-</u>
Total expenditures	<u>11,205</u>	<u>-</u>
Excess of revenues over expenditures	8	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>
Fund balance at end of year	\$ <u><u>8</u></u>	\$ <u><u>-</u></u>

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

**CITY SOUTH PASADENA**

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>
<b>Local allocations</b>					
Preliminary Engineering Arroyo Seco Bike and Ped Trail	2016-17	\$ 11,205	\$ 11,205	-	Complete
	Total	<u>\$ 11,205</u>	<u>\$ 11,205</u>	-	
Interest income				8	
Fund balance at beginning of the year				-	
Fund balance at end of year				<u>\$ 8</u>	

See accompanying independent auditor's report.

**CITY OF SOUTH PASADENA**

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.

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 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 SOUTH PASADENA**

**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 categorized 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 recognized 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 of the City's Comprehensive Annual Financial Report.

**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.

**CITY OF SOUTH PASADENA**

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

**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 – PROPOSITION A DISCRETIONARY INCENTIVE GRANTS - PALRF**

The City entered into various Memorandum of Understanding (MOU) agreements with the Los Angeles County Metropolitan Transportation Authority (LACMTA) 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, 2017 and 2016 consisted of the following:

Agreement <u>Date</u>	<u>Period</u>	NTD Voluntary <u>Reporting</u>	MOU <u>Amount</u>	Amount Received	
				<u>2017</u>	<u>2016</u>
May 21, 2016	7/1/15 – 6/30/17	FY 2013-14	\$ 10,452	\$ 10,452	\$ -
September 14, 2015	7/1/14 – 6/30/16	FY 2012-13	\$ 14,122	-	14,122
Total				\$ 10,452	\$ 14,122
				\$ 10,452	\$ 14,122

The Proposition A discretionary incentive grants were recorded under PALRF.

**CITY OF SOUTH PASADENA**

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

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

Project generated revenue for the years ended June 30, 2017 and 2016 consisted of the following:

	2017	2016
Dial-A-Ride Charges	\$ 4,403	\$ 4,934
Total	\$ 4,403	\$ 4,934

**NOTE 9 – PARKING REVENUE – PCLRF**

The City entered a Paid Parking at Mission-Meridian Village Garage professional service agreement with Clancy International, Inc. to operate the permit program. The City received parking revenues of \$37,508 and \$38,525 for the years ended June 30, 2017 and June 30, 2016, respectively.

**NOTE 10 – TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND REVENUE ALLOCATION**

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

	2017	2016
FY 2015-16 allocation	\$ 11,205	\$ -
Total	\$ 11,205	\$ -

**NOTE 11 – TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 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 2015-16 allocation	\$ 5,381	\$ 16,586
FY 2016-17 allocation	17,354	-
Available reserve balance	\$ 22,735	\$ 16,586



***CITY OF SOUTH PASADENA***

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

**NOTE 12 – CONTINGENCIES**

The City, as a member of the Mission-Meridian Village Property Owners Association (POA) is obligated to make payments to the POA in the form of dues and utilities for the City's portion as stipulated in the Covenants, Conditions and Restrictions (CC&Rs) and the annual adopted budget. A portion of the payments are charged to Proposition C for parking spaces made available to Proposition C project vehicles.

On December 8, 2015, the City sent a letter to the POA in an attempt to correct what the City believed to be the accurate amounts that the City is obligated to pay. The City believed that it has established the amount based on its staff and council review of the CC&R and available billing documentation provided by POA. Although discussions are ongoing, the City and the POA has not reached an agreement as of June 30, 2016.

As of June 30, 2017, the POA parking charge statement presented an accumulated balance due from the City in the amount of \$201,873. Although the City is disputing the accuracy of the dues and utilities calculation provided by the POA, there is a chance that the City will be liable to pay a portion or the entire outstanding amount of \$201,873 to the Mission-Meridian Village POA utilizing PCLRF monies.

**NOTE 13 – SUBSEQUENT EVENTS**

The City has evaluated events or transactions that occurred subsequent to June 30, 2017 through November 30, 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

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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 South Pasadena, 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 Fund (TDAA3F) of the City of South Pasadena, 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 30, 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 black ink that reads "Simpson &amp; Simpson". The signature is written in a cursive, flowing style.

Los Angeles, California  
November 30, 2017

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*COMPLIANCE SECTION*

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SIMPSON & SIMPSON  
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## Independent Auditor's Report on Compliance

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

### Report on Compliance

We have audited the compliance of the City of South Pasadena, 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, except as noted in the Compliance Matrix and the Schedule of Findings and Recommendations, the City of South Pasadena 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 (TDAA3F) for the year ended June 30, 2017.





### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and which are described in the accompanying Schedule of Findings and Recommendations as Finding #2017-001, #2017-002, #2017-003, and #2017-004. Our opinion on each local return program is not modified with respect to these matters.

The City's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Recommendations. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

Management of the City of South Pasadena 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 as defined above. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Recommendations as Finding #2017-002.

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



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 that reads "Simpson &amp; Simpson". The signature is written in a cursive, flowing style.

Los Angeles, California  
November 30, 2017

**CITY OF SOUTH PASADENA**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2017

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	See Finding #2017-001 on the Schedule of Findings and Recommendations.
3. Funds were used on approved projects only and expenditures were supported and allowable per Guidelines.	X		None	
4. Expenditures did not exceed 25% of Metro's approved budget.		X	None	See Finding #2017-002 on the Schedule of Findings and Recommendations.
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	See Finding #2017-003 on the Schedule of Findings and Recommendations.
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	
11. Revenues received including allocations, project generated revenues, and interest income were properly credited to the PALRF and PCLRF accounts.	X		None	



**CITY OF SOUTH PASADENA**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2017  
(Continued)

Compliance Requirement	In Compliance		Questioned Costs	If no, provide details and management response.
	Yes	No		
<b>B. Measure R Local Return Fund</b>				
1. Timely use of funds.	X		None	
2. Expenditures were approved before being incurred.	X		None	
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	See Finding #2017-004 on the Schedule of Findings and Recommendations.
7. Expenditure Report (Form Two) was submitted on time.	X		None	
8. Cash or cash equivalents were maintained.	X		None	
9. Accounting procedures, record keeping and documentation were adequate.	X		None	
10. Revenues received including allocations, project generated revenues, and interest income were properly credited to the Measure R account.	X		None	
11. Funds were not used to supplant existing local revenues being used for transportation purpose.	X		None	

**CITY OF SOUTH PASADENA**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2017  
(Continued)

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

**CITY OF SOUTH PASADENA**

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

June 30, 2017

**PALRF: Finding #2017-001**

<b>Compliance Reference</b>	<p>According to Proposition A and Proposition C Local Return Guidelines, Section I (B.3), “If Local Return Funds have been expended prior to Metro approval and/or used for ineligible purposes, Jurisdictions will be required to reimburse their Proposition A Local Return account...”</p> <p>To maintain eligibility and meet Local Return (LR) Program compliance requirements, the Guidelines also state under Section I (C) that jurisdictions shall:</p> <ul style="list-style-type: none"> <li>a) submit for approval a Project Description Form (Form A) prior to the expenditure of funds for: 1) a new project...</li> <li>b) submit on or before August 1 of each fiscal year an Annual Project Update (Form B) to provide current information on all approved ongoing and carryover LR projects...</li> </ul>
<b>Condition</b>	<p>The City incurred PALRF expenditures prior to receiving approval from LACMTA for the following projects:</p> <p><i>New project:</i></p> <ul style="list-style-type: none"> <li>a) Project Code 150-02, Mission Street Business District Pedestrian Improvement Project in the amount of \$30,929;</li> </ul> <p><i>Ongoing projects:</i></p> <ul style="list-style-type: none"> <li>b) Project Code 130-01, Transit Software in the amount of \$35,034;</li> <li>c) Project Code 250-03, Bus Pass Subsidy Program in the amount of \$6,910.</li> </ul> <p>However, Form A was subsequently approved on December 12, 2017.</p>
<b>Cause</b>	<p>Due to an oversight, the City was not able to submit Form A for the new project under Project Code 150-02, and Form B for the ongoing projects under Project Codes 130-01 and 250-03, prior to incurring the expenditures. Also, it was the City’s understanding that ongoing projects did not have to be submitted for approval every year.</p>
<b>Effect</b>	<p>The City did not comply with the Guidelines when expenditures for new and ongoing PALRF projects are incurred prior to LACMTA’s approval.</p>
<b>Recommendation</b>	<p>We recommend that the City establish procedures to ensure that it obtains approval from LACMTA prior to incurring PALRF expenditures. Form A should be prepared for all new projects and submitted to LACMTA anytime during the year, and ongoing projects should be included in Form B to be submitted on or before August 1 of each fiscal year.</p>
<b>Management’s Response</b>	<p>In the future, the City’s staff will ensure that all new and ongoing projects are approved prior to incurring expenditures.</p>
<b>Finding Corrected During Audit</b>	<p>The City filed Form A and was subsequently approved by LACMTA Program Manager on December 12, 2017.</p>

**CITY OF SOUTH PASADENA**

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

June 30, 2017

(Continued)

**PALRF: Finding #2017-002**

<b>Compliance Reference</b>	According to Proposition A and C Local Return Guidelines, Section I (C), Project Description Form (Form A), Item 5: “Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for a 25 percent or greater change in an approved Local Return project budget or scope on all operating or capital Local Return projects.”
<b>Condition</b>	<p>The City expended more than 25 percent of LACMTA’s approved budget on PALRF Project Code 180-01, Purchase Paratransit Van in the amount of \$43,924. However, the City filed the Form A to obtain a retroactive approval on the budget amendment for the project from LACMTA. The Form A was subsequently approved on October 16, 2017.</p> <p>This is a repeat finding from the prior year.</p>
<b>Cause</b>	The City Council approved the purchase of an electric (alternative fuel) paratransit van as opposed to a CNG van. A paratransit van normally costs more than a CNG van. The purchase amount includes the cost and installation of the electric charger for the van resulting to expenditures exceeding the budget by over 25%.
<b>Effect</b>	The City’s PALRF expenditures for Project Code 180-01, Purchase Paratransit Van Project exceeded 25 percent of LACMTA’s approved budget without LACMTA’s approval and the City did not comply with the Guidelines.
<b>Recommendation</b>	We recommend that the City establish procedures to ensure that project expenditures are within the 25 percent cap of the LACMTA’s approved budget and an amended Form A is properly prepared and submitted prior to the expenditure of funds which would result in a 25 percent or greater change in an approved Local Return project budget or scope on all operating or capital Local Return projects.
<b>Management’s Response</b>	The City’s staff will monitor the budget and submit the appropriate forms to LACMTA if there are necessary adjustments to the budget.
<b>Finding Corrected During Audit</b>	The City filed Form A and was subsequently approved on October 16, 2017. No follow up is required.

**CITY OF SOUTH PASADENA**

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

June 30, 2017

(Continued)

**PALRF and PCLRF: Finding #2017-003**

<b>Compliance Reference</b>	According to Proposition A and C Local Return Guidelines, Section I-C, “Jurisdictions shall submit on or before August 1 of each fiscal year an Annual Project Update to provide current information on all approved on-going and carryover Local Return projects.”
<b>Condition</b>	The City did not meet the August 1, 2016 deadline for submission of the Annual Project Update (Form B). However, the City subsequently submitted the Form B on August 15, 2017.
<b>Cause</b>	Due to an oversight, the City missed the deadline submission of Form B to LACMTA. The City submitted the Form B on August 15, 2017.
<b>Effect</b>	The City’s Form B was not submitted timely.
<b>Recommendation</b>	We recommend that the City establish controls to ensure that the Form B is properly prepared and submitted before the due date of August 1 <sup>st</sup> so that the City’s expenditures of the Proposition A & C Local Return Funds will be in accordance with LACMTA’s approval and the guidelines. Furthermore, we recommend the City to retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner.
<b>Management’s Response</b>	In the future, the City’s staff will ensure that the Form B for the proper fiscal year will be submitted to LACMTA in a timely manner.
<b>Finding Corrected During Audit</b>	The City submitted the Form B on August 15, 2017. No follow up is required.

**CITY OF SOUTH PASADENA**

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

June 30, 2017

(Continued)

**MRLRF: Finding #2017-004**

<b>Compliance Reference</b>	According to Measure R Guidelines, Section B (II.1), Expenditure Plan (Form One): "Jurisdictions shall submit to LACMTA an Expenditure Plan, annually, on or before August 1st of each fiscal year."
<b>Condition</b>	The City did not meet the August 1, 2016 deadline for submission of the Form One. However, the City submitted the Form One on August 8, 2016.
<b>Cause</b>	The Form One for fiscal year 2016, instead of, for fiscal year 2017, was submitted by the City to LACMTA on August 1, 2016. The proper fiscal year 2017 Form One was submitted to LACMTA when the error was discovered on August 8, 2016.
<b>Effect</b>	The City's Form One was not submitted timely.
<b>Recommendation</b>	We recommend that the City establish procedures to ensure that the Form One is properly prepared and submitted before the due date of August 1st so that the City's expenditures of the Measure R Local Return Funds will be in accordance with LACMTA's approval and the guidelines. Furthermore, we recommend that the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner.
<b>Management's Response</b>	In the future, the City's staff will ensure that the Form One for the proper fiscal year will be submitted to LACMTA in a timely manner.
<b>Finding Corrected During the Audit</b>	The City submitted the Form One on August 8, 2016. No follow-up is required.

**CITY OF SOUTH PASADENA**

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 15, 2017 via telephone conference. Those in attendance were:

***Simpson & Simpson Representative:***

Elizabeth Mendoza, Senior Auditor

***City's Representative:***

David Batt, Finance Director

Sonia Cruz, Assistant Finance Director

***Matters Discussed:***

Results of the audit disclosed one (1) significant control deficiency and four (4) 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:

David Batt, Finance Director

Simpson & Simpson, LLP  
633 West 5<sup>th</sup> Street, Suite 3320  
Los Angeles, CA 90071

RE: CITY OF SOUTH PASADENA 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 South Pasadena and agree with the contents of the report except as indicated below:

(Attach additional pages if necessary)

Very truly yours,

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Name

---

Title

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Date