

***CITY OF SOUTH PASADENA
ANNUAL FINANCIAL REPORT OF THE
PROPOSITION A LOCAL RETURN FUND
PROPOSITION C LOCAL RETURN FUND
MEASURE R LOCAL RETURN FUND
MEASURE M LOCAL RETURN FUND
TRANSPORTATION DEVELOPMENT ACT
ARTICLE 3 FUND
FOR THE FISCAL YEARS ENDED
JUNE 30, 2019 AND 2018***



Metro[®]



Simpson & Simpson, LLP
Certified Public Accountants

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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), Measure M Local Return Fund (MMLRF), and Transportation Development Act Article 3 Fund (TDAA3F) (collectively, the Funds), of the City of South Pasadena, California (the City) as of and for the years ended June 30, 2019 and 2018, 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 of material misstatement.

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

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



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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the PALRF, PCLRF, MRLRF, MMLRF, and TDAA3F of the City of South Pasadena, California, as of June 30, 2019 and 2018, 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, MMLRF, and TDAA3F of the City and do not purport to, and do not, present fairly the financial position of the City of South Pasadena, California, as of June 30, 2019 and 2018, and the changes in its financial position 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 audits were conducted for the purpose of forming opinions on each of the Funds' financial statements. 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 Funds' financial statements. Such 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 Funds' financial statements or to the Funds' 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 each of the Funds' financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated December 3, 2019, on our consideration of the City's internal control over the Funds' 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 the Funds' financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over the Funds' 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 the Funds' financial reporting and compliance.

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

Los Angeles, California
December 3, 2019

CITY OF SOUTH PASADENA
PROPOSITION A LOCAL RETURN FUND
BALANCE SHEETS
JUNE 30

	2019	2018
ASSETS		
Cash and investments	\$ 1,012,495	\$ 756,992
Interest receivable	4,386	2,863
Total assets	\$ 1,016,881	\$ 759,855
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ 2,940
Accrued payroll and employee benefits	2,395	-
Due to PCLRF	-	2,165
Total liabilities	2,395	5,105
 Fund Balance		
Restricted	1,014,486	754,750
Total fund balance	1,014,486	754,750
Total liabilities and fund balance	\$ 1,016,881	\$ 759,855

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

	2019	2018
REVENUES		
Proposition A	\$ 521,818	\$ 485,507
Proposition A Discretionary Incentive Grant (Note 8)	-	13,049
Project generated revenue (Note 9)	4,472	4,956
Interest income	33,472	10,644
Unrealized gain (loss) on investments	7,894	(8,468)
Sale of Vehicle (Note 10)	-	1,238
	567,656	506,926
 EXPENDITURES		
Various projects	307,920	400,661
Total expenditures	307,920	400,661
Excess of revenues over expenditures	259,736	106,265
Fund balance at beginning of year	754,750	648,485
Fund balance at end of year	\$ 1,014,486	\$ 754,750

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, 2019
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2018)

Project Code	Project Name	2019		Variance	2018 Actual
		Metro Budget	Actual	Favorable (Unfavorable)	
130-05	Senior Dial-A-Ride Program	\$ 278,271	\$ 213,864	\$ 64,407	\$ 182,182
140-01	Recreational Transit Service	35,871	27,722	8,149	33,149
150-01	Bus Stop Improvement Program	-	-	-	65,938
180-01	Purchase of Paratransit Van	40,000	-	40,000	-
180-03	Purchase and Installation of Charging Station	57,000	-	57,000	-
250-03	Bus Pass Subsidy Program	10,000	5,470	4,530	3,081
270-01	Transit Planning	69,600	32,228	37,372	65,835
290-01	Mission-Meridian Park and Ride Lot	32,041	22,577	9,464	20,121
290-02	Park and Ride Lot Parking Pass Machine	13,000	-	13,000	12,997
290-03	Generator for Park and Ride Lot	80,000	-	80,000	-
480-01	Proposition A Administration	13,680	6,059	7,621	17,358
Total expenditures		\$ 629,463	\$ 307,920	\$ 321,543	\$ 400,661

See accompanying independent auditor's report.

CITY OF SOUTH PASADENA
PROPOSITION A LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2019

Date Acquired	Description	Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019
1977	WAS Memorial Building Park	\$ 108,861	\$ -	\$ -	\$ 108,861
2014	Compressed Natural Gas Deluxe Passenger Vehicle	59,100	-	-	59,100
2016	Transit Demand Response Transportation Management System	28,194	-	-	28,194
2016	2017 Ford E450 Cutaway Compressed Natural Gas Passenger Bus	88,762	-	-	88,762
2017	2017 Phoenix Zeus Electric Passenger Bus	114,501	-	-	114,501
2017	Clipper Creek I x I CS-100 PEV Charger	16,450	-	-	16,450
2018	Meridian Parking Garage Vending Machine	12,997	-	-	12,997
	Total	<u>\$ 428,865</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 428,865</u>

See accompanying independent auditor's report.

CITY OF SOUTH PASADENA
PROPOSITION C LOCAL RETURN FUND
BALANCE SHEETS
JUNE 30

	2019	2018
ASSETS		
Cash and investments	\$ 668,338	\$ 462,870
Interest receivable	3,092	1,595
Due from PALRF	-	2,165
Prepaid expense	4,326	-
Total assets	\$ 675,756	\$ 466,630
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ 2,626
Accrued salaries and benefits	2,654	-
Total liabilities	2,654	2,626
 Fund Balance		
Restricted	673,102	464,004
Total fund balance	673,102	464,004
Total liabilities and fund balance	\$ 675,756	\$ 466,630

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>2019</u>	<u>2018</u>
REVENUES		
Proposition C	\$ 432,833	\$ 403,270
Interest income	22,670	9,035
Unrealized gain (loss) on investments	5,210	(7,399)
Parking revenue (Note 11)	45,775	34,387
Total revenues	<u>506,488</u>	<u>439,293</u>
EXPENDITURES		
Various projects	<u>297,390</u>	<u>709,784</u>
Total expenditures	<u>297,390</u>	<u>709,784</u>
Excess (deficiency) of revenues over (under) expenditures	209,098	(270,491)
Fund balance at beginning of year	<u>464,004</u>	<u>734,495</u>
Fund balance at end of year	<u>\$ 673,102</u>	<u>\$ 464,004</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, 2019
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2018)

Project Code	Project Name	2019			2018 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
130-05	Senior Dial-A-Ride	\$ 240,426	\$ 212,373	\$ 28,053	\$ 205,517
180-02	CNG Fuel Station Upgrade	80,000	80,000	-	-
430-01	South Pasadena Business District Pedestrian Improvement Project	50,000	-	50,000	496,610
480-01	Proposition C Administration	5,860	5,017	843	7,657
	Total expenditures	<u>\$ 376,286</u>	<u>\$ 297,390</u>	<u>\$ 78,896</u>	<u>\$ 709,784</u>

See accompanying independent auditor's report.

CITY OF SOUTH PASADENA
PROPOSITION C LOCAL RETURN FUND
SUPPLEMENTAL INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2019

Date Acquired	Description	Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019
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
2019	CNG Fuel Station Upgrade	-	80,000	-	80,000
Total		\$ 166,795	\$ 80,000	\$ -	\$ 246,795

See accompanying independent auditor's report.

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

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and investments	\$ 993,630	\$ 922,364
Interest receivable	<u>4,243</u>	<u>3,770</u>
Total assets	<u>\$ 997,873</u>	<u>\$ 926,134</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ <u>-</u>	\$ <u>243,955</u>
Total liabilities	<u>-</u>	<u>243,955</u>
 FUND BALANCE		
Restricted	<u>997,873</u>	<u>682,179</u>
Total fund balance	<u>997,873</u>	<u>682,179</u>
Total liabilities and fund balance	<u>\$ 997,873</u>	<u>\$ 926,134</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>2019</u>	<u>2018</u>
REVENUES		
Measure R	\$ 324,718	\$ 301,630
Interest income	34,083	13,938
Unrealized gain (loss) on investments	7,748	(11,074)
Total revenues	<u>366,549</u>	<u>304,494</u>
 EXPENDITURES		
Monterey Road Improvements	<u>50,855</u>	<u>410,530</u>
Total expenditures	<u>50,855</u>	<u>410,530</u>
 Excess (deficiency) of revenues over (under) expenditures	 315,694	 (106,036)
 Fund balance at beginning of year	 <u>682,179</u>	 <u>788,215</u>
 Fund balance at end of year	 <u>\$ 997,873</u>	 <u>\$ 682,179</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, 2019
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2018)

Project Code	Project Name	2019			2018 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	Monterey Road Improvements	\$ 200,000	\$ 50,855	\$ 149,145	\$ 410,530
	Total expenditures	\$ 200,000	\$ 50,855	\$ 149,145	\$ 410,530

See accompanying independent auditor's report.

CITY OF SOUTH PASADENA
MEASURE R LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2019

Date Acquired	Description	Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019
2015	Hawthorne Street Improvements	\$ 295,968	\$ -	\$ -	\$ 295,968
2017	Monterey Road Improvements	475,784	-	-	475,784
2019	Monterey Road Improvements	-	50,855	-	50,855
Total		\$ 771,752	\$ 50,855	\$ -	\$ 822,607

See accompanying independent auditor's report.

CITY OF SOUTH PASADENA
MEASURE M LOCAL RETURN FUND
BALANCE SHEETS
JUNE 30

	2019	2018
ASSETS		
Cash and investments	\$ 659,917	\$ 272,551
Interest receivable	2,764	923
Total assets	\$ 662,681	\$ 273,474
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
 FUND BALANCE		
Restricted	662,681	273,474
Total fund balance	662,681	273,474
Total liabilities and fund balance	\$ 662,681	\$ 273,474

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

CITY OF SOUTH PASADENA
MEASURE M LOCAL RETURN FUND
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Fiscal Years Ended June 30

	<u>2019</u>	<u>2018</u>
REVENUES		
Measure M	\$ 365,736	\$ 273,345
Interest income	17,213	1,638
Unrealized gain (loss) on investments	6,258	(1,509)
Total revenues	<u>389,207</u>	<u>273,474</u>
 EXPENDITURES		
Various projects	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>
 Excess of revenues over expenditures	389,207	273,474
 Fund balance at beginning of year	<u>273,474</u>	<u>-</u>
 Fund balance at end of year	<u>\$ 662,681</u>	<u>\$ 273,474</u>

The accompanying notes are an integral part of the financial statements

CITY OF SOUTH PASADENA
MEASURE M LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2019
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2018)

Project Code	Project Name	2019		Variance Favorable (Unfavorable)	2018 Actual
		Metro Budget	Actual		
None		\$ -	\$ -	\$ -	\$ -
	Total expenditures	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

CITY OF SOUTH PASADENA
MEASURE M LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
 June 30, 2019

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 7/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2019</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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

	2019	2018
		as restated
ASSETS		
Cash and investments	\$ 12	\$ 12
Due from Metro	-	22,735
	12	22,735
Total assets	\$ 12	\$ 22,747
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable (Note 12)	\$ -	\$ 22,735
	-	22,735
Total liabilities	-	22,735
 Fund Balance		
Restricted	12	12
Total fund balance	12	12
Total liabilities and fund balance	\$ 12	\$ 22,747

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

	2019	2018 as restated
REVENUES		
TDA 3	\$ -	\$ 22,735
Interest income	-	4
Total revenues	-	22,739
EXPENDITURES		
ADA Sidewalk repair and replacement	-	22,735
Total expenditures	-	22,735
Excess of revenues over expenditures	-	4
Fund balance at beginning of year, as restated	12	8
Fund balance at end of year	\$ 12	\$ 12

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, 2019

<u>Project Description</u>	<u>Program Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended Allocations</u>	<u>Project Status</u>
Local allocations					
None	2018-19	\$ -	\$ -	\$ -	
	Total	<u>\$ -</u>	<u>\$ -</u>	-	
Fund balance at beginning of the year, as restated				<u>12</u>	
Fund balance at end of year				<u>\$ 12</u>	

See accompanying independent auditor's report.

CITY OF SOUTH PASADENA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The operations of the Proposition A Local Return Fund (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), Measure M Local Return Fund (MMLRF), and Transportation Development Act Article 3 Fund (TDAA3F) (collectively, the Funds) 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 is derived from 15% of a county-wide 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.

MMLRF is derived from 17% of a county-wide 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, MMLRF, 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 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. Statement of revenue, expenditures and changes in fund balance for Special Revenue Funds generally present increases (revenue 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, 2019 and 2018
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement

In accordance with Government Accounting Standard Board (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 investment at fair value and recognizes unrealized gain (loss) on investments.

Refer to City’s 2019 Comprehensive Annual Financial Report for detailed disclosures regarding the City’s investment policy and fair value measurement.

Fund Balance Reporting

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 resources reported in governmental funds.

The PALRF, PCLRF, MRLRF, MMLRF, and TDAA3F report the following fund balance classification as of June 30, 2019:

- Restricted – Amounts that are constrained for specific purpose, which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation. The uses of the funds’ remaining fund balances are restricted for projects approved by Los Angeles County Metropolitan Transportation Authority (Metro).

Information regarding the fund balance reporting policy adopted by the City is described in Note 1 to 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, MMLRF, and TDAA3F and their compliance with the Proposition A and Proposition C Local Return Program Guidelines, Measure R Local Return Program Guidelines, Measure M 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, 2019 and 2018
(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. See accompanying Compliance Matrix.

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. See accompanying Compliance Matrix.

NOTE 5 – MEASURE M LOCAL RETURN COMPLIANCE REQUIREMENTS

On June 23, 2016, the Metro Board of Directors approved the Los Angeles County Traffic Improvement Plan Ordinance, known as Measure M. In accordance with Measure M Local Return Program Guidelines, funds received pursuant to these guidelines may only be used for Measure M Local Return approved programs. See accompanying Compliance Matrix.

NOTE 6 – 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. See accompanying Compliance Matrix.

NOTE 7 – CASH AND INVESTMENTS

The PALRF, PCLRF, MRLRF, MMLRF, and TDAA3F's cash and investment balances were pooled with various other City funds for deposit and investment purposes. The share of each fund in the pooled cash and investments 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.

CITY OF SOUTH PASADENA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2019 and 2018
(Continued)

NOTE 8 – PROPOSITION A DISCRETIONARY INCENTIVE GRANT - PALRF

The City entered into a Memorandum of Understanding (MOU) agreement with Metro to receive Proposition A Discretionary Incentive Grant for participating in the Consolidated National Transit Database (NTD) Voluntary Reporting. The amounts received for the years ended June 30, 2019 and 2018 consisted of the following:

<u>Agreement</u> <u>Date</u>	<u>Period</u>	NTD <u>Voluntary</u> <u>Reporting</u>	<u>MOU</u> <u>Amount</u>	<u>Amount</u> <u>Received</u>	
				<u>2019</u>	<u>2018</u>
July 31, 2017	7/1/17 - 6/30/19	FY 2014-15	\$ 13,049	-	\$ 13,049
			Total	-	\$ 13,049

The Proposition A Discretionary Incentive Grant was recorded under PALRF.

NOTE 9 – PROJECT GENERATED REVENUE - PALRF

Project generated revenue for the years ended June 30, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Dial-A-Ride Charges	\$ 4,472	\$ 4,956
Total	<u>\$ 4,472</u>	<u>\$ 4,956</u>

NOTE 10 – SALE OF VEHICLE - PALRF

On August 28, 2017, the City sold a Chevy van at an auction for \$1,238. The proceeds were recorded under PALRF for the fiscal year ended June 30, 2018.

NOTE 11 – PARKING REVENUES – 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 \$45,775 and \$34,387 for the years ended June 30, 2019 and June 30, 2018, respectively.

CITY OF SOUTH PASADENA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2019 and 2018
(Continued)

NOTE 12 – CONTINGENCIES - PCLRF

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&Rs and available billing documentation provided by POA. On December 4, 2018, the City sent a final letter to Cardinal Management Group, the new management company of POA, detailing the issues and proposed a global settlement to include: a) a zeroing of both accounts (as each side of the dispute claims the other owes in excess of \$50,000); b) reimbursement by the City to POA for the City’s actual electric costs of the MMV Parking Garage; and c) POA adherence to the strict terms of the CC&Rs going forward. The City has not yet received a substantive response from the POA.

As of June 30, 2019, 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 POA utilizing PCLRF monies. Colantuono, Highsmith, Whatley PC, the legal counsel of the City, believed that even though the dispute involves over \$50,000, it has not yet ripened into a claim of lawsuit and is presently being handled administratively by the City staff with legal support of its firm.

NOTE 13 – RESTATEMENT OF TDAA3F’S 2018 FINANCIAL STATEMENTS

The 2018 financial statements of TDAA3F were restated to report for certain expenditures for the City’s ADA Sidewalk Repair and Replacement Project, related to prior fiscal year that were not previously reported.

		Accounts Payable		Expenditures		Fund Balance
Balance, as previously reported	\$	-	\$	-	\$	22,747
Adjustment		22,735		22,735		(22,735)
Balance, as restated	\$	22,735	\$	22,735	\$	12

CITY OF SOUTH PASADENA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2019 and 2018
(Continued)

NOTE 14 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION

The revenue allocation for the years ended June 30, 2019 and 2018 consisted of the following:

		2019		2018
FY 2015-16 allocation	\$	-	\$	5,381
FY 2016-17 allocation		-		17,354
Total payment requested	\$	-	\$	22,735

NOTE 15 – 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, 2019 and 2018, the City has funds on reserve as follows:

		2019		2018
FY 2017-18 allocation	\$	16,962	\$	16,962
FY 2018-19 allocation		17,630		-
Available reserve balance	\$	34,592	\$	16,962

NOTE 16 – SUBSEQUENT EVENTS

The City has evaluated events or transactions that occurred subsequent to June 30, 2019 through December 3, 2019, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined no subsequent matters require disclosure or adjustment to the accompanying financial statements.



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Honorable Members of the City Council of the
City of South 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, Proposition C Local Return Fund, Measure R Local Return Fund, Measure M Local Return Fund, and Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of South Pasadena, California (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated December 3, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the Funds' 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 Funds' 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control described in the accompanying Schedule of Findings on Internal Control over Financial Reporting as Finding No. FS 2019-001 that we consider to be a material weakness.





Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, Measure M Local Return Fund, and Transportation Development Act Article 3 Fund 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 audits, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings on Internal Control over Financial Reporting. The City's response was not subjected to the auditing procedures applied in the audit of the City's Proposition A Local Return Fund, Proposition C, Local Return Fund, Measure R Local Return Fund, Measure M Local Return Fund, and Transportation Development Act Article 3 Fund financial statements and, accordingly, we express no opinion on the response.

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
December 3, 2019

CITY OF SOUTH PASADENA
SCHEDULE OF FINDINGS ON INTERNAL CONTROL OVER FINANCIAL REPORTING
 June 30, 2019

Finding No. FS 2019-001: Bank Reconciliation

Compliance Reference	The Government Auditing Standards Section 5.26 lists examples of matters that may be reportable conditions: "e.g.: evidence of failure to perform tasks that are part of internal control, such as reconciliations not prepared or not timely prepared." Good internal controls require that cash be reconciled at least monthly and material reconciling items be properly supported." In addition, according to Proposition A and Proposition C Local Return Guidelines, Section V, Measure R Local Return Guidelines, Section VII, and Measure M Local Return Guidelines, Section XXV, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these guidelines..."
Condition	During the performance of audit procedures over cash, it was noted that the City did not prepare the bank reconciliation for the month ending June 30, 2019. As a result, we were unable to verify whether the cash balance was fairly stated for Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, Measure M Local Return Fund, and the Transportation Development Act Article 3 Fund in fiscal year 2018-19.
Cause	Due to shortage in staff, the City was unable to complete the bank reconciliation in a timely manner.
Effect	As bank reconciliation is an essential process to ensure actual cash disbursed agrees to the cash leaving an account at the end of a fiscal period, failure to reconcile and review bank reconciliation statements in a timely manner may lead to wrongful appropriation of funds or financial statement errors being undetected.
Recommendation	We recommend that the City ensure adherence to existing policies and procedures in relation to the preparation of bank reconciliation on a timely basis. Monthly bank reconciliations lead to more accurate records and quicker detection of errors in account balances, thus making them a vital part of the internal control process. We also recommend the City to exercise proper oversight over the person responsible for completing the bank reconciliation.
Management's Response	Additional staff has been hired and trained to ensure timely preparation of bank reconciliations in the future.

COMPLIANCE SECTION



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditor's Report on Compliance

To the Honorable Members of the City Council of the
City of 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 (the City) with the Proposition A and Proposition C Local Return Guidelines, Measure R Local Return Guidelines, Measure M 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, 2019.

Management's Responsibility

Management is responsible for the City's compliance with the 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 Proposition A Local Return Program, Proposition C Local Return Program, Measure R Local Return Program, Measure M Local Return Program, and Transportation Development Act Article 3 Program 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 with the Guidelines. However, our audit does not provide a legal determination of the City's compliance with the Guidelines.

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 complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2019.





Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and which are described in the accompanying Schedule of Findings and Recommendations as Finding Nos. 2019-001 and 2019-002. Our opinion on each local return program and Transportation Development Act Article 3 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 is responsible for establishing and maintaining effective internal control over compliance with the Guidelines referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, 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.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness and significant deficiencies.

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 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 Guidelines will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the Schedule Findings and Recommendations as Finding No. 2019-001 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Recommendations as Finding No. 2019-002 to be a significant deficiency.



The City's responses to the internal control over compliance 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.

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 requirements of the Guidelines. Accordingly, this report is not suitable for any other purpose.

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

Los Angeles, California
December 3, 2019

CITY OF SOUTH PASADENA
COMPLIANCE MATRIX
Year Ended June 30, 2019

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
A. Proposition A and Proposition C Local Return Funds						
1.	Uses the State Controller's Uniform System of Accounts and Records.	X			None	
2.	Timely use of funds.	X			None	
3.	Funds expended were approved and have not been substituted for property tax.	X			None	
4.	Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).	X			None	
5.	Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	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 No. 2019-001 in the Schedule of Findings and Recommendations.
8.	Annual Expenditure Report (Form C) was submitted on time.	X			None	
9.	Cash or cash equivalents are maintained.	X			None	
10.	Accounting procedures, record keeping and documentation are adequate.		X		None	See Finding No. 2019-002 in the Schedule of Findings and Recommendations.
11.	Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.			X	None	
12.	Local Return Account is credited for reimbursable expenditures.	X			None	
13.	Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.			X	None	
14.	Signed Assurances and Understandings form was on file.	X			None	
15.	Recreational transit form was submitted on time.	X			None	

CITY OF SOUTH PASADENA
COMPLIANCE MATRIX
Year Ended June 30, 2019
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
B. Measure R Local Return Fund						
1.	Funds were expended for transportation purposes.	X			None	
2.	Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	X			None	
3.	Signed Assurances and Understandings form was on file.	X			None	
4.	Separate Measure R Local Return Account was established.	X			None	
5.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X			None	
6.	Funds were expended with Metro's approval.	X			None	
7.	Expenditure Plan (Form One) was submitted on time.	X			None	
8.	Expenditure Report (Form Two) was submitted on time.	X			None	
9.	Timely use of funds.	X			None	
10.	Administrative expenditures are within the 20% cap.			X	None	
11.	Fund exchanges were approved by Metro.			X	None	
12.	A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.			X	None	
13.	Recreational transit form was submitted on time.			X	None	

CITY OF SOUTH PASADENA
COMPLIANCE MATRIX
Year Ended June 30, 2019
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
C. Measure M Local Return Fund						
1.	Funds were expended for transportation purposes.			X	None	
2.	Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.			X	None	
3.	Signed Assurances and Understandings form was on file.	X			None	
4.	Separate Measure M Local Return Account was established.	X			None	
5.	Revenue received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	X			None	
6.	Funds were expended with Metro's approval.			X	None	
7.	Expenditure Plan (Form M-One) was submitted on time.	X			None	
8.	Expenditure Report (Form M-Two) was submitted on time.	X			None	
9.	Timely use of funds.	X			None	
10.	Administrative expenses are within the 20% cap.			X	None	
11.	Fund exchanges were approved by Metro.			X	None	
12.	A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.			X	None	
13.	Recreational transit form was submitted timely.			X	None	

CITY OF SOUTH PASADENA
COMPLIANCE MATRIX
Year Ended June 30, 2019
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
D. 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 SOUTH PASADENA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2019

PALRF and PCLRF: Finding No. 2019-001

Compliance Reference	According to Proposition A & Proposition 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 LR projects."
Condition	The City did not meet the August 1, 2018 deadline for submission of the Annual Project Update (Form B). However, the City submitted the Form B on August 13, 2018. This is a repeat finding from the prior two fiscal years.
Cause	A new employee was assigned to manage the LACMTA audit awards. However, he was not aware of the form submission deadlines.
Effect	The City's Form B was not submitted timely as required by Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Form B is properly prepared and submitted before the due date of August 1st so that the City's expenditures of the Proposition A and Proposition 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.
Management's Response	Several employees in the City departments are currently trained with the required deadlines to ensure timely submission of the form.
Finding Corrected During Audit	The City subsequently submitted the Form B on August 13, 2018. No follow-up is required.

CITY OF SOUTH PASADENA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 June 30, 2019
 (Continued)

PCLRF: Finding No. 2019-002

Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II, “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance” and Section V, “It is jurisdictions’ responsibility to maintain proper accounting records and documentation...”
Condition	To support the propriety of expenditures being charged to the PCLRF, non-payroll expenditures should be supported by properly executed contracts, invoices, and payment vouchers. Although payments to vendors were allowable and were properly supported by invoices and cancelled checks, the expenditures for Senior Dial-A-Ride Program Project Code 130-05 were not supported by an existing contract or purchase order form for the following vendors: a) Seventeen (17) payments made to Jack’s Auto Repair in the total amount of \$6,955; b) Seven (7) payments made to Sunset Vans, Inc. in the total amount of \$2,020. This is a repeat finding from the prior year.
Cause	In fiscal year 2018-19, the Finance Department moved to a different location and could not locate the original copy of the purchase orders.
Effect	No contract or purchase order form to support the payments made to the vendors indicates a weakness in the City’s internal control.
Recommendation	We recommend that the City establish controls to ensure that the costs charged to the Local Return Funds, although allowable, are adequately supported by contracts, purchase orders, invoices, canceled checks or similar documentation so that Local Return expenditures are in compliance with the Guidelines.
Management’s Response	On July 1, 2019, the City transitioned to an electronic purchase order which will ensure easy access and availability in the future.

EXIT CONFERENCE

CITY OF SOUTH PASADENA
PROPOSITION A LOCAL RETURN FUND, PROPOSITION C LOCAL RETURN FUND,
MEASURE R LOCAL RETURN FUND, MEASURE M LOCAL RETURN FUND, AND
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
EXIT CONFERENCE
June 30, 2019

An exit conference was held on December 16, 2019 with the City of South Pasadena. Those in attendance were:

Simpson & Simpson Representative:

Yung Dang, Senior Auditor

City's Representatives:

Armine Trashian, Accounting Manager
Esteban Alvarez, Accounting Technician I

Matters Discussed:

Results of the audit disclosed one (1) material weakness, one (1) significant control deficiency, and two (2) non-compliance issues with Metro 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:

Armine Trashian, Accounting Manager
Esteban Alvarez, Accounting Technician I

Simpson & Simpson, LLP
633 West 5th 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, MEASURE M LOCAL RETURN FUND, AND TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

I have received the annual financial report of the Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, Measure M Local Return Fund, and Transportation Development Act Article 3 Fund for the years ended June 30, 2019 and 2018 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,

Name

Title

Date