

***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, 2020 AND 2019***



Metro[®]



Simpson & Simpson, LLP
Certified Public Accountants

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FINANCIAL SECTION



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditor's Report

To the Honorable Members of the City Council of the
City of 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, 2020 and 2019, 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.





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, 2020 and 2019, 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, 2020 and 2019, 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 November 30, 2020, 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
November 30, 2020

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

	2020	2019
ASSETS		
Cash and investments	\$ 1,245,247	\$ 1,012,495
Interest receivable	2,677	4,386
Total assets	\$ 1,247,924	\$ 1,016,881
 LIABILITIES AND FUND BALANCE		
Liabilities		
Retention payable	\$ 6,028	\$ -
Accrued payroll and employee benefits	2,070	2,395
Total liabilities	8,098	2,395
 Fund Balance		
Restricted	1,239,826	1,014,486
Total fund balance	1,239,826	1,014,486
Total liabilities and fund balance	\$ 1,247,924	\$ 1,016,881

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>2020</u>	<u>2019</u>
REVENUES		
Proposition A	\$ 505,425	\$ 521,818
Proposition A Discretionary Incentive Grant (Note 8)	12,156	-
Interest income	28,682	33,472
Project generated revenue (Note 9)	5,709	4,472
Unrealized gain on investments	14,595	7,894
Total revenues	<u>566,567</u>	<u>567,656</u>
 EXPENDITURES		
Various projects	<u>341,227</u>	<u>307,920</u>
Total expenditures	<u>341,227</u>	<u>307,920</u>
Excess of revenues over expenditures	225,340	259,736
Fund balance at beginning of year	<u>1,014,486</u>	<u>754,750</u>
Fund balance at end of year	<u>\$ 1,239,826</u>	<u>\$ 1,014,486</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, 2020
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2019)

Project Code	Project Name	2020		Variance	2019 Actual
		Metro Budget	Actual	Favorable (Unfavorable)	
130-05	Senior Dial-A-Ride Program	\$ 231,774	\$ 217,782	\$ 13,992	\$ 213,864
140-01	Recreational Transit Service	34,600	19,421	15,179	27,722
180-01	Purchase Paratransit Van	23,101	-	23,101	-
180-03	Purchase and Installation of Charging Station	57,000	-	57,000	-
250-03	Bus Pass Subsidy Program *	10,000	13,740	(3,740)	5,470
270-01	Transit Planning	85,477	50,405	35,072	32,228
290-01	Mission - Meridian Park and Ride Lot	60,741	33,396	27,345	22,577
290-03	Generator for Park and Ride Lot	80,000	-	80,000	-
480-01	Proposition A Administration	14,908	6,483	8,425	6,059
	Total expenditures	\$ 597,601	\$ 341,227	\$ 256,374	\$ 307,920

* The actual variance after considering the project generated revenue is calculated as follows:

Metro Budget		\$ 10,000
Total expenditures	\$ 13,740	
Less: Bus Pass Fares (Note 9)	<u>(3,040)</u>	
Bus Pass Subsidy Program expenditures, net		<u>10,700</u>
Actual variance		<u><u>\$ (700)</u></u>

See accompanying independent auditor's report.

CITY OF SOUTH PASADENA
PROPOSITION A LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2020

Date Acquired	Description	Balance 7/1/2019	Additions	Deletions	Balance 6/30/2020
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

	2020	2019
ASSETS		
Cash and investments	\$ 941,278	\$ 668,338
Interest receivable	2,053	3,092
Prepaid expense	-	4,326
Total assets	\$ 943,331	\$ 675,756
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 23,210	\$ -
Accrued salaries and benefits	2,992	2,654
Total liabilities	26,202	2,654
 Fund Balance		
Restricted	917,129	673,102
Total fund balance	917,129	673,102
Total liabilities and fund balance	\$ 943,331	\$ 675,756

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>2020</u>	<u>2019</u>
REVENUES		
Proposition C	\$ 419,251	\$ 432,833
Interest income	20,291	22,670
Parking revenue (Note 10)	38,877	45,775
Unrealized gain on investments	<u>11,047</u>	<u>5,210</u>
Total revenues	<u>489,466</u>	<u>506,488</u>
 EXPENDITURES		
Various projects	<u>245,439</u>	<u>297,390</u>
Total expenditures	<u>245,439</u>	<u>297,390</u>
 Excess of revenues over expenditures	 244,027	 209,098
 Fund balance at beginning of year	 <u>673,102</u>	 <u>464,004</u>
 Fund balance at end of year	 \$ <u><u>917,129</u></u>	 \$ <u><u>673,102</u></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, 2020
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2019)

Project Code	Project Name	2020			2019 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
130-05	Senior Dial-A-Ride	\$ 275,228	\$ 202,106	\$ 73,122	\$ 212,373
180-01	Purchase Paratransit Van	32,080	-	32,080	-
180-02	CNG Fuel Station Upgrade	-	-	-	80,000
400-01	Fair Oaks Avenue Integrated Central Advanced Traffic Management and Control System	24,900	3,565	21,335	-
400-02	Fair Oaks Avenue Integrated Central Advinned Traffic Management and Control System	24,900	-	24,900	-
430-01	South Pasadena Business District Pedestrian Improvement Project	50,000	-	50,000	-
470-01	Pavement Management System Update	54,000	35,076	18,924	-
480-01	Proposition C Administration	6,389	4,692	1,697	5,017
Total expenditures		\$ 467,497	\$ 245,439	\$ 222,058	\$ 297,390

See accompanying independent auditor's report.

CITY OF SOUTH PASADENA
PROPOSITION C LOCAL RETURN FUND
SUPPLEMENTAL INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2020

Date Acquired	Description	Balance 7/1/2019	Additions	Deletions	Balance 6/30/2020
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		\$ 246,795	\$ -	\$ -	\$ 246,795

See accompanying independent auditor's report.

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

	2020	2019
ASSETS		
Cash and investments	\$ 1,164,346	\$ 993,630
Interest receivable	2,437	4,243
Total assets	\$ 1,166,783	\$ 997,873
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 86,181	\$ -
Total liabilities	86,181	-
 FUND BALANCE		
Restricted	1,080,602	997,873
Total fund balance	1,080,602	997,873
Total liabilities and fund balance	\$ 1,166,783	\$ 997,873

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>2020</u>	<u>2019</u>
REVENUES		
Measure R	\$ 313,988	\$ 324,718
Interest income	25,277	34,083
Unrealized gain on investments	<u>13,580</u>	<u>7,748</u>
Total revenues	<u>352,845</u>	<u>366,549</u>
 EXPENDITURES		
Various projects	<u>270,116</u>	<u>50,855</u>
Total expenditures	<u>270,116</u>	<u>50,855</u>
 Excess of revenues over expenditures	 82,729	 315,694
 Fund balance at beginning of year	 <u>997,873</u>	 <u>682,179</u>
 Fund balance at end of year	 <u>\$ 1,080,602</u>	 <u>\$ 997,873</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, 2020
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2019)

Project Code	Project Name	2020			2019 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	Hawthorne Street Improvements *	\$ -	\$ 270,116	\$ (270,116)	\$ -
1.05	Monterey Road Improvements	-	-	-	50,855
	Total expenditures	\$ -	\$ 270,116	\$ (270,116)	\$ 50,855

* The City received a retroactive approval from Metro on October 13, 2020 to amend the budget for Project 1.05, Hawthorne Street Improvements, in the amount to \$271,000. See Compliance Matrix and Schedule of Findings and Recommendations - Finding No. 2020-002.

See accompanying independent auditor's report.

CITY OF SOUTH PASADENA
MEASURE R LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2020

Date Acquired	Description	Balance 7/1/2019	Additions	Deletions	Balance 6/30/2020
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		\$ 822,607	\$ -	\$ -	\$ 822,607

See accompanying independent auditor's report.

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

	2020	2019
ASSETS		
Cash and investments	\$ 958,573	\$ 659,917
Interest receivable	1,964	2,764
Total assets	\$ 960,537	\$ 662,681
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
 FUND BALANCE		
Restricted	960,537	662,681
Total fund balance	960,537	662,681
Total liabilities and fund balance	\$ 960,537	\$ 662,681

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>2020</u>	<u>2019</u>
REVENUES		
Measure M	\$ 353,424	\$ 365,736
Interest income	19,241	17,213
Unrealized gain on investments	<u>11,191</u>	<u>6,258</u>
Total revenues	<u>383,856</u>	<u>389,207</u>
 EXPENDITURES		
Diamond Avenue Street Improvements	<u>86,000</u>	<u>-</u>
Total expenditures	<u>86,000</u>	<u>-</u>
 Excess of revenues over expenditures	 297,856	 389,207
 Fund balance at beginning of year	 <u>662,681</u>	 <u>273,474</u>
 Fund balance at end of year	 <u>\$ 960,537</u>	 <u>\$ 662,681</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, 2020
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2019)

Project Code	Project Name	2020		Variance	2019 Actual
		Metro Budget	Actual	Favorable (Unfavorable)	
1.05	Diamond Avenue Street Improvements *	\$ -	\$ 86,000	\$ (86,000)	\$ -
	Total expenditures	\$ -	\$ 86,000	\$ (86,000)	\$ -

* The City received a retroactive approval from Metro on October 13, 2020 to amend the budget for Project 1.05, Diamond Avenue Street Improvements, in the amount to \$86,000. See Compliance Matrix and Schedule of Findings and Recommendations - Finding No. 2020-004.

See accompanying independent auditor's report.

CITY OF SOUTH PASADENA
MEASURE M LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
 June 30, 2020

Date Acquired	Description	Balance 7/1/2019	Additions	Deletions	Balance 6/30/2020
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

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>2020</u>	<u>2019</u>
ASSETS		
Cash and investments	\$ <u>10,251</u>	\$ <u>12</u>
Total assets	\$ <u><u>10,251</u></u>	\$ <u><u>12</u></u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ <u>-</u>	\$ <u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
 Fund Balance		
Restricted	<u>10,251</u> *	<u>12</u>
Total fund balance	<u>10,251</u>	<u>12</u>
Total liabilities and fund balance	\$ <u><u>10,251</u></u>	\$ <u><u>12</u></u>

* See Compliance Matrix and Schedule of Findings and Recommendations. Finding No. 2020-006.

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

	2020	2019
REVENUES		
TDA 3	\$ 48,280	\$ -
Total revenues	48,280	-
EXPENDITURES		
Citywide Bike Parking	38,041	-
Total expenditures	38,041	-
Excess of revenues over expenditures	10,239	-
Fund balance at beginning of year	12	12
Fund balance at end of year *	\$ 10,251	\$ 12

* See Compliance Matrix and Schedule of Findings and Recommendations. Finding No. 2020-006.

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

CITY OF 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, 2020

<u>Project Description</u>	<u>Program Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended Allocations</u>	<u>Project Status</u>
Local allocations					
Citywide Bike Parking	2019-20	\$ 48,280	\$ 38,041	\$ 10,239	Completed
Total		<u>\$ 48,280</u>	<u>\$ 38,041</u>	10,239	
Fund balance at beginning of the year				<u>12</u>	
Fund balance at end of year				<u>\$ 10,251</u>	*

* See Compliance Matrix and Schedule of Findings and Recommendations. Finding No. 2020-006.

See accompanying independent auditor's report.

CITY OF SOUTH PASADENA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2020 and 2019

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 the 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. The statement of revenues, expenditures and changes in fund balance 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, 2020 and 2019
(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 2020 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, 2020:

- 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, 2020 and 2019
(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, 2020 and 2019
(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, 2020 and 2019 consisted of the following:

Agreement Date	Period	NTD Voluntary Reporting	MOU Amount	Amount Received	
				2020	2019
July 31, 2018	7/1/18 - 6/30/22	FY 2015-16	\$ 12,156	\$ 12,156	\$ -
			Total	\$ 12,156	\$ -

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, 2020 and 2019 consisted of the following:

	2020	2019
Dial-A-Ride Fares	\$ 2,669	\$ 4,472
Bus Pass Fares	3,040	-
Total	\$ 5,709	\$ 4,472

NOTE 10 – 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 \$38,877 and \$45,775 for the years ended June 30, 2020 and June 30, 2019, respectively.

CITY OF SOUTH PASADENA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2020 and 2019
(Continued)

NOTE 11 – 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, 2020, 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 12 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION

The revenue allocation for the years ended June 30, 2020 and 2019 consisted of the following:

	2020	2019
FY 2017-18 allocation	\$ 16,962	\$ -
FY 2018-19 allocation	17,630	-
FY 2019-20 allocation	13,688	-
Total payment requested	\$ <u>48,280</u>	\$ <u>-</u>

CITY OF SOUTH PASADENA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2020 and 2019
(Continued)

NOTE 13 – 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, 2020 and 2019, the City has funds on reserve as follows:

		2020		2019
FY 2017-18 allocation	\$	-	\$	16,962
FY 2018-19 allocation		-		17,630
FY 2019-20 allocation		5,133		-
Available reserve balance	\$	5,133	\$	34,592

NOTE 14 – SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries. To date, it is unknown how long these conditions will last and what the complete financial effect will be to businesses and other affected organizations, including local governmental entities

The City has evaluated subsequent events through November 30, 2020, the date the financial statements were available to be issued and concluded no other events have occurred that require disclosure or adjustments to the 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, 2020, and the related notes to the financial statements, and have issued our report thereon dated November 30, 2020.

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. 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 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is 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
November 30, 2020

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, 2020.

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, the City complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2020.





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. 2020-001, 2020-002, 2020-003, 2020-004, 2020-005 and 2020-006. 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.

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. *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.

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

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

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

Los Angeles, California
November 30, 2020

CITY OF SOUTH PASADENA
COMPLIANCE MATRIX
Year Ended June 30, 2020

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.				None	
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	
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	See Finding No. 2020-001 in the Schedule of Findings and Recommendations.

CITY OF SOUTH PASADENA
COMPLIANCE MATRIX
Year Ended June 30, 2020
(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	See Finding No. 2020-002 in the Schedule of Findings and Recommendations.
7.	Expenditure Plan (Form One) was submitted on time.		X		None	See Finding No. 2020-003 in the Schedule of Findings and Recommendations.
8.	Expenditure Report (Form Two) was submitted on time.	X			None	
9.	Timely use of funds.	X			None	
10.	Accounting procedures, record keeping and documentation were adequate.	X			None	
11.	Administrative expenditures are within the 20% cap.			X	None	
12.	Fund exchanges were approved by Metro.			X	None	
13.	A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.			X	None	
14.	Recreational transit form was submitted on time.			X	None	

CITY OF SOUTH PASADENA
COMPLIANCE MATRIX
Year Ended June 30, 2020
(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	See Finding No. 2020-004 in the Schedule of Findings and Recommendations.
7.	Expenditure Plan (Form M-One) was submitted on time.		X		None	See Finding No. 2020-005 in the Schedule of Findings and Recommendations.
8.	Expenditure Report (Form M-Two) was submitted on time.	X			None	
9.	Timely use of funds.	X			None	
10.	Accounting procedures, record keeping and documentation were adequate.	X			None	
11.	Administrative expenses are within the 20% cap.			X	None	
12.	Fund exchanges were approved by Metro.			X	None	
13.	A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.			X	None	
14.	Recreational transit form was submitted timely.			X	None	

CITY OF SOUTH PASADENA
COMPLIANCE MATRIX
Year Ended June 30, 2020
(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		\$9,959	See Finding No. 2020-006 in the Schedule of Findings and Recommendations.
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, 2020

PALRF: Finding No. 2020-001

Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II.A.1.3, Recreational Transit Service, “Jurisdictions shall submit a Listing of Recreational Transit Services no later than October 15 after the fiscal year.”
Condition	The City did not meet the October 15, 2020 deadline for submission of the Listing of Recreational Transit Services. However, the City submitted the listing on November 18, 2020.
Cause	The staff responsible for the submission of the form was out of the office for an extended period of time. As a result, the submission of the form was overlooked.
Effect	The City’s Listing of Recreational Transit Services was not submitted timely as required by the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Recreational Transit Services Listing is properly prepared and submitted before the due date of October 15th so that the City’s expenditures of the Proposition A Local Return Fund 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.
Management’s Response	The City will provide proper training to handle the submission of form to several staff in case the staff who is primarily responsible for the submission of the form is unavailable.
Finding Corrected During Audit	The City subsequently submitted the Listing of Recreational Transit Services on November 18, 2020. No follow-up is required.

CITY OF SOUTH PASADENA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 June 30, 2020
 (Continued)

MRLRF: Finding No. 2020-002

Compliance Reference	According to Measure R Local Return Guidelines, Section B.VII.A, Financial and Compliance Provisions, “The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines: Verification that funds were expended with Metro’s approval.”
Condition	The expenditures for MRLRF’s Hawthorne Street Improvements Project Code 1.05 in the amount of \$270,116 were incurred prior to LACMTA’s approval. However, the City subsequently received an approved budget amount of \$271,000 from LACMTA for the MRLRF project on October 13, 2020.
Cause	Due to miscommunication, the City’s Public Works Department incurred expenditures on the project assuming that the approval for the project was submitted and approved by LACMTA. However, the staff who was responsible for submitting and receiving the project’s budget approval from LACMTA was out of the office for an extended period of time. As a result, the approval for the project was not received by the City in a timely manner.
Effect	The City did not comply with the Guidelines and expenditures for the MRLRF projects were incurred prior to LACMTA’s approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from LACMTA prior to implementing any Measure R Local Return projects, and Form One (Expenditure Plan) should be properly prepared and submitted before the due date of August 1st so that the City’s expenditures of Measure R Local Return Funds are in accordance with LACMTA’s approval and the Guidelines. In accordance with the Guidelines, the City should include all approved on-going and carryover Local Return projects in Form One.
Management’s Response	The City will provide proper training and ensure better communication with various departments to prevent expenditures from occurring for any projects prior to receiving approval from LACMTA.
Finding Corrected During the Audit	LACMTA Program Manager granted retroactive approval of the said project on October 13, 2020. No follow-up is required.

CITY OF SOUTH PASADENA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 June 30, 2020
 (Continued)

MRLRF: Finding No. 2020-003

Compliance Reference	According to Measure R Local Return Guidelines, Section B. II.1, “To maintain legal eligibility and meet Measure R LR Program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year.”
Condition	The City did not meet the August 1, 2019 deadline for submission of the Expenditure Plan (Form One). However, the City submitted the Form One on October 13, 2020.
Cause	The staff responsible for the submission of the form was out of the office for an extended period of time. As a result, the submission of the form was overlooked.
Effect	The City’s Expenditure Plan (Form One) was not submitted to LACMTA by August 1st as required by Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Form One (Expenditure Plan) 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 the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner.
Management’s Response	The City will provide proper training to handle the submission of form to several staff in case the staff who is primarily responsible for the submission of the form is unavailable.
Finding Corrected During the Audit	The City subsequently submitted the Form One on October 13, 2020. No follow up is required.

CITY OF SOUTH PASADENA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 June 30, 2020
 (Continued)

MMLRF: Finding No. 2020-004

Compliance Reference	According to Measure M Local Return Guidelines, Section XXV Administrative, Form Submission Timeline, “New, amended, ongoing and carryover projects must file an Expenditure Plan Form M-One by August 1st. In addition, the Audit Requirements, Financial and Compliance Provisions of the section states, “The Measure M LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines: Verification that funds were expended with Metro’s approval.”
Condition	The City incurred expenditures prior to receiving approval from LACMTA for MMLRF’s Project Code 1.05 Diamond Avenue in the amount of \$86,000. However, the City subsequently received an approved budget amount of \$86,000 from LACMTA for the MMLRF project on October 13, 2020.
Cause	Due to miscommunication, the City’s Public Works Department incurred expenditures on the project assuming that the approval for the project was submitted and approved by LACMTA. However, the staff who was responsible for submitting and receiving the project’s budget approval from LACMTA was out of the office for an extended period of time. As a result, the approval for the project was not received by the City in a timely manner.
Effect	The City did not comply with the Guidelines and expenditures for the MMLRF project were incurred before LACMTA’s approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from LACMTA prior to implementing any Measure M Local Return projects. Form M-One (Expenditure Plan) should be properly prepared and submitted before the due date of August 1st so that the City’s expenditures of Measure M Local Return Funds are in accordance with LACMTA’s approval and the Guidelines.
Management’s Response	The City will provide proper training and ensure better communication with various departments to prevent expenditures from occurring for any projects prior to receiving approval from LACMTA.
Finding Corrected During the Audit	LACMTA Program Manager granted retroactive approval of the said project on October 13, 2020. No follow-up is required.

CITY OF SOUTH PASADENA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 June 30, 2020
 (Continued)

MMLRF: Finding No. 2020-005

Compliance Reference	According to Measure M Local Return Guidelines, Section XXV Administrative: Reporting Requirements - Expenditure Plan (Form M-One), "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdictions shall submit to Metro an Expenditure Plan (Form M-One), annually, by August 1 of each year."
Condition	The City did not meet the August 1, 2019 deadline for submission of Form M-One. However, the City submitted the Form M-One on October 13, 2020.
Cause	The staff responsible for the submission of the form was out of the office for an extended period of time. As a result, the submission of the form was overlooked.
Effect	The City's Form M-One was not submitted timely as required by the Measure M Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure the Form M-One (Expenditure Plan) is properly prepared and submitted before the due date of August 1st so that the City's expenditures of Measure M 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.
Management's Response	The City will provide proper training to handle the submission of form to several staff in case the staff who is primarily responsible for the submission of the form is unavailable.
Finding Corrected During the Audit	The City subsequently submitted the Form M-One on October 13, 2020. No follow-up is required.

CITY OF SOUTH PASADENA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 June 30, 2020
 (Continued)

TDAA3F: Finding No. 2020-006

Compliance Reference	According to the Los Angeles County Metropolitan Transportation Authority Transportation Development Act Article 3 Bicycle and Pedestrian Funds, Funding and Allocation Guidelines, General Guidelines section: "Agencies may only draw down the funds that they can spend during the fiscal year in which they were allocated. Agencies are not allowed to have a fund balance at the end of the fiscal year. Any funds drawn down and that remain unspent after the end of the fiscal year must be returned to Metro to be placed on reserve for the city under the fiscal year in which they were originally allocated. Agencies must also fully spend any interest accumulated by these funds by the end of the fiscal year in which the funds were allocated."
Condition	As of June 30, 2020, the City had an unspent TDA 3 ending fund balance of \$10,251. The City has a project in place and encumbered \$292 of the balance to spend in fiscal year 2020-21. The remaining funds of \$9,959 were not placed on a reserve account with LACMTA as required by the Guidelines.
Cause	The City's Public Works Department was unaware that there was a 10% local match required by TDA to utilize the funds for the project. The actual expenditures incurred were lower than the amount estimated for the project resulting in unspent funds of \$9,959 as of June 30, 2020.
Effect	The City is not in compliance with the requirements of the Guidelines.
Recommendation	In accordance with the Guidelines, we recommend that the City return to LACMTA the unspent funds of \$9,959. In addition, we recommend that the City establish procedures to ensure that it only draws down funds that will be spent or encumbered on eligible projects before the end of the fiscal year and returns any unspent funds to LACMTA to be placed on reserve for the City as required by the Guidelines.
Management's Response	In the future, the City's Public Works Department will handle the submission of project request and will consider all contract requirements prior to requesting TDA 3 funds. Furthermore, the City plans to return the unspent funds of \$9,959 to LACMTA.

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, 2020

An exit conference was held on December 17, 2020 with the City of South Pasadena. Those in attendance were:

Simpson & Simpson Representative:

Yung Dang, Senior Auditor

City's Representatives:

Elaine Aguilar, Interim Assistant City Manager
Albert Trinh, Finance Manager
Armine Trashian, Accounting Manager
Esteban Alvarez, Accounting Technician

Matters Discussed:

Results of the audit disclosed no significant control deficiencies and six (6) 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:

Albert Trinh, Finance Manager

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, 2020 AND 2019

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, 2020 and 2019 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