

***CITY OF SAN MARINO  
ANNUAL FINANCIAL REPORT OF THE  
PROPOSITION A LOCAL RETURN FUND  
PROPOSITION C LOCAL RETURN FUND  
MEASURE R LOCAL RETURN FUND  
TRANSPORTATION DEVELOPMENT ACT  
ARTICLE 3 FUND  
FOR THE FISCAL YEARS ENDED  
JUNE 30, 2018 AND 2017  
  
AND MEASURE M LOCAL RETURN FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018***



**Metro<sup>®</sup>**



Simpson & Simpson, LLP  
Certified Public Accountants

***CITY OF SAN MARINO***  
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***FINANCIAL SECTION***

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## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the Proposition A Local Return Fund (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), and Transportation Development Act Article 3 Fund (TDAA3F) (collectively, the Funds), of the City of San Marino, California (the City) as of and for the years ended June 30, 2018 and 2017, and Measure M Local Return Fund (MMLRF) (the Fund) of the City of San Marino, California (the City) as of and for the year ended June 30, 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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



### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the PALRF, PCLRF, MRLRF and TDAA3F of the City of San Marino, California, as of June 30, 2018 and 2017, and MMLRF of the City of San Marino, California, as of June 30, 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 San Marino, California, as of June 30, 2018 and 2017, 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 as a whole. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic 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 October 7, 2018, 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 &amp; Simpson".

Los Angeles, California  
October 7, 2018

**CITY OF SAN MARINO**  
**PROPOSITION A LOCAL RETURN FUND**  
**BALANCE SHEETS**  
June 30

	2018	2017
<b>ASSETS</b>		
Cash and investments	\$ 566,119	\$ 437,969
Due from Metro	41,442	38,452
Interest receivable	1,329	451
Total assets	\$ 608,890	\$ 476,872
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 134,921	\$ 28,124
Total liabilities	134,921	28,124
 <b>Fund Balance</b>		
Restricted	473,969	448,748
Total fund balance	473,969	448,748
Total liabilities and fund balance	\$ 608,890	\$ 476,872

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

**CITY OF SAN MARINO**  
**PROPOSITION A LOCAL RETURN FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
For the Fiscal Years Ended June 30

	2018	2017
<b>REVENUES</b>		
Proposition A	\$ 256,040	\$ 245,154
Interest income	5,320	2,161
Total revenues	261,360	247,315
<b>EXPENDITURES</b>		
Various projects	236,139	244,590
Total expenditures	236,139	244,590
Excess of revenues over expenditures	25,221	2,725
Fund balance at beginning of year	448,748	446,023
Fund balance at end of year	\$ 473,969	\$ 448,748

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



**CITY OF SAN MARINO**  
**PROPOSITION A LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES**  
**ACTUAL AND METRO APPROVED PROJECT BUDGET**  
For the Fiscal Year Ended June 30, 2018  
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2017)

Project Code	Project Name	2018			2017 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
120-01	Dial-A-Ride	\$ 4,000	\$ 8,103	\$ (4,103)	\$ 7,952
140-03	Recreational Transit Athletics Trips	110,000	110,000	-	123,688
140-04	Recreational Transit Merchant Events	3,000	3,268	(268)	3,118
140-06	Recreational Trips	131,297	114,768	16,529	109,832
160-02	Bus Benches	1	-	1	-
Total expenditures		\$ 248,298	\$ 236,139	\$ 12,159	\$ 244,590

See accompanying independent auditor's report.

**CITY OF SAN MARINO**  
**PROPOSITION A LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
June 30, 2018

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 7/1/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2018</u>
2006	Recreational Van (Ford E-350)	\$ 24,236	\$ -	\$ -	\$ 24,236
	Total	\$ 24,236	\$ -	\$ -	\$ 24,236

See accompanying independent auditor's report.

**CITY OF SAN MARINO**  
**PROPOSITION C LOCAL RETURN FUND**  
**BALANCE SHEETS**  
June 30

	2018	2017
<b>ASSETS</b>		
Cash and investments	\$ 396,201	\$ 253,610
Due from Metro	34,375	31,895
Interest receivable	1,009	236
Total assets	\$ 431,585	\$ 285,741
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 6,000	\$ -
Total liabilities	6,000	-
<b>Fund Balance</b>		
Restricted	425,585	285,741
Total fund balance	425,585	285,741
Total liabilities and fund balance	\$ 431,585	\$ 285,741

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

**CITY OF SAN MARINO**  
**PROPOSITION C LOCAL RETURN FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
For the Fiscal Years Ended June 30

	<u>2018</u>	<u>2017</u>
<b>REVENUES</b>		
Proposition C	\$ 212,136	\$ 203,580
Interest income	3,708	1,254
Total revenues	<u>215,844</u>	<u>204,834</u>
<b>EXPENDITURES</b>		
Various projects	<u>76,000</u>	<u>118,645</u>
Total expenditures	<u>76,000</u>	<u>118,645</u>
Excess of revenues over expenditures	139,844	86,189
Fund balance at beginning of year	<u>285,741</u>	<u>199,552</u>
Fund balance at end of year	<u>\$ 425,585</u>	<u>\$ 285,741</u>

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

**CITY OF SAN MARINO**  
**PROPOSITION C LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES**  
**ACTUAL AND METRO APPROVED PROJECT BUDGET**  
For the Fiscal Year Ended June 30, 2018  
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2017)

Project Code	Project Name	2018			2017 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
450-01	Huntington Drive Street Light Improvement - Granada Avenue to South Albans Road	\$ 1	\$ -	\$ 1	\$ 118,645
450-02	Street Overlay and Median Irrigation Replacement - Sierra Madre Boulevard	70,000	76,000	(6,000)	-
	Total expenditures	\$ 70,001	\$ 76,000	\$ (5,999)	\$ 118,645

See accompanying independent auditor's report.

**CITY OF SAN MARINO**  
**PROPOSITION C LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
June 30, 2018

Date Acquired	Description	Balance 7/1/2017	Additions	Deletions	Balance 6/30/2018
2006	Huntington Drive Improvements	\$ 26,438	\$ -	\$ -	\$ 26,438
2007	AC Pavements	118,789	-	-	118,789
2009	Sierra Madre and Garfield Improvements	472,743	-	-	472,743
2010	Garfield Avenue Improvements	8,510	-	-	8,510
2010	Sierra Madre Boulevard Sreet Rehabilitation/Irrigation	464,234	-	-	464,234
Total		\$ 1,090,714	\$ -	\$ -	\$ 1,090,714

See accompanying independent auditor's report.

**CITY OF SAN MARINO**  
**MEASURE R LOCAL RETURN FUND**  
**BALANCE SHEETS**  
June 30

	2018	2017
<b>ASSETS</b>		
Cash and investments	\$ 68,883	\$ 160,986
Due from Metro	25,779	23,996
Interest receivable	221	39
Total assets	\$ 94,883	\$ 185,021
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
<b>Fund Balance</b>		
Restricted	94,883	185,021
Total fund balance	94,883	185,021
Total liabilities and fund balance	\$ 94,883	\$ 185,021

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

**CITY OF SAN MARINO**  
**MEASURE R LOCAL RETURN FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
For the Fiscal Years Ended June 30

	2018	2017
<b>REVENUES</b>		
Measure R	\$ 158,995	\$ 152,621
Interest income	784	697
Total revenues	159,779	153,318
<b>EXPENDITURES</b>		
Various projects	249,917	256,738
Total expenditures	249,917	256,738
Deficiency of revenues under expenditures	(90,138)	(103,420)
Fund balance at beginning of year	185,021	288,441
Fund balance at end of year	\$ 94,883	\$ 185,021

The accompanying notes are an integral part of the financial statements



**CITY OF SAN MARINO**  
**MEASURE R LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES**  
**ACTUAL AND METRO APPROVED PROJECT BUDGET**  
For the Fiscal Year Ended June 30, 2018  
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2017)

Project Code	Project Name	2018			2017 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	Street Repairs and Maintenance - Various Street Rehabilitation	\$ 274,503	\$ 249,917	\$ 24,586	\$ -
1.05	Street Repairs and Maintenance - Huntington Drive Winston to Virginia	3,262	-	3,262	-
1.05	Huntington Drive Pavement Rehabilitation Westbound from Winston	-	-	-	256,738
	Total expenditures	\$ <u>277,765</u>	\$ <u>249,917</u>	\$ <u>27,848</u>	\$ <u>256,738</u>

See accompanying independent auditor's report.

***CITY OF SAN MARINO***  
**MEASURE R LOCAL RETURN FUND**  
**SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
 June 30, 2018

Date Acquired	Description	Balance 7/1/2017	Additions	Deletions	Balance 6/30/2018
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

**CITY OF SAN MARINO**  
**MEASURE M LOCAL RETURN FUND**  
**BALANCE SHEET**  
June 30

	<u>2018</u>
<b>ASSETS</b>	
Due from Metro	\$ <u>29,936</u>
Total assets	\$ <u><u>29,936</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>	
<b>Liabilities</b>	
Due to General Fund	\$ <u>17,330</u>
Total liabilities	<u>17,330</u>
 <b>Fund Balance</b>	
Restricted	<u>12,606</u>
Total fund balance	<u>12,606</u>
 Total liabilities and fund balance	 \$ <u><u>29,936</u></u>

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

**CITY OF SAN MARINO**  
**MEASURE M LOCAL RETURN FUND**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGE IN FUND BALANCE**  
For the Fiscal Years Ended June 30

	<u>2018</u>
<b>REVENUES</b>	
Measure M	\$ <u>172,406</u>
Total revenues	<u>172,406</u>
<b>EXPENDITURES</b>	
Street Rehabilitation - Various Streets	<u>159,800</u>
Total expenditures	<u>159,800</u>
Excess of revenues over expenditures	12,606
Fund balance at beginning of year	<u>-</u>
Fund balance at end of year	\$ <u><u>12,606</u></u>

The accompanying notes are an integral part of the financial statements

**CITY OF SAN MARINO**  
**MEASURE M LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES**  
**ACTUAL AND METRO APPROVED PROJECT BUDGET**  
**For the Fiscal Year Ended June 30, 2018**

Project Code	Project Name	2018		Variance Favorable (Unfavorable)
		Metro Budget	Actual	
1.05	Street Rehabilitation - Various Streets	\$ 159,800	\$ 159,800	\$ -
	Total expenditures	\$ 159,800	\$ 159,800	\$ -

See accompanying independent auditor's report.

**CITY OF SAN MARINO**  
**MEASURE M LOCAL RETURN FUND**  
**SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
June 30, 2018

Date Acquired	Description	Balance 7/1/2017	Additions	Deletions	Balance 6/30/2018
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

**CITY OF SAN MARINO**  
**TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND**  
**(PURSUANT TO PUBLIC UTILITIES CODE SECTION 99234)**  
**BALANCE SHEETS**  
**June 30**

	2018	2017
<b>ASSETS</b>		
Cash and investments	\$ -	\$ 12
Due from Metro	8,720	-
Total assets	\$ 8,720	\$ 12
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Due to General Fund	\$ 8,720	\$ -
Total liabilities	8,720	-
 <b>Fund Balance</b>		
Restricted	-	12
Total fund balance	-	12
Total liabilities and fund balance	\$ 8,720	\$ 12

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

**CITY OF SAN MARINO**  
**TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
For the Fiscal Years Ended June 30

	2018	2017
<b>REVENUES</b>		
TDA 3	\$ 8,720	\$ -
Total revenues	8,720	-
<b>EXPENDITURES</b>		
FY 2018 Street Rehabilitation Project	8,720	-
Total expenditures	8,720	-
<b>OTHER FINANCING USE</b>		
Funds returned to Metro	12	-
Total other financing use	12	-
Deficiency of revenues under expenditures and other financing use	(12)	-
Fund balance at beginning of year	12	12
Fund balance at end of year	\$ -	\$ 12

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



**CITY OF SAN MARINO**  
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF TRANSPORTATION DEVELOPMENT ACT  
ALLOCATION FOR SPECIFIC PROJECTS  
For the Fiscal Year Ended June 30, 2018

<u>Project Description</u>	<u>Program Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended Allocations</u>	<u>Project Status</u>
<b>Local allocations</b>					
FY 2018 Street Rehabilitation Project	2017-18	\$ <u>8,720</u>	\$ <u>8,720</u>	\$ -	Completed
Total		\$ <u><u>8,720</u></u>	\$ <u><u>8,720</u></u>	-	
Fund balance at beginning of year				12	
Funds returned to Metro				<u>(12)</u>	
Fund balance at end of year				\$ <u><u>-</u></u>	

See accompanying independent auditor's report.

**CITY OF SAN MARINO**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2018 and 2017

**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.

Transportation Development Act Article 3 Fund (TDAA3F) is a Special Revenue Fund that accounts for the City’s share of the Transportation Development Act Article 3 allocations which are legally restricted for specific purposes.

*Basis of Accounting and Measurement Focus*

PALRF, PCLRF, MRLRF, 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 SAN MARINO**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2018 and 2017  
(Continued)

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Fair Value Measurement*

In accordance with Governmental 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 2018 Comprehensive Annual Financial Report for detailed disclosures regarding the City's investments 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, 2018:

- 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 SAN MARINO**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2018 and 2017  
(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. The first revenue allocation was received in the current period. 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 SAN MARINO**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2018 and 2017  
(Continued)

**NOTE 8 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION**

The revenue allocation for the years ended June 30, 2018 and 2017 consisted of the following:

	2018	2017
FY 2014-15 allocation	\$ 3,835	\$ -
FY 2015-16 allocation	4,885	-
Total payment requested	<u>\$ 8,720</u>	<u>\$ -</u>

**NOTE 9 – 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, 2018 and 2017, the City has funds on reserve as follows:

	2018	2017
FY 2014-15 allocation	\$ -	\$ 3,835
FY 2015-16 allocation	3,630	8,515
FY 2016-17 allocation	8,901	8,901
FY 2017-18 allocation	8,849	-
Available reserve balance	<u>\$ 21,380</u>	<u>\$ 21,251</u>

**NOTE 10 – SUBSEQUENT EVENTS**

The City has evaluated events or transactions that occurred subsequent to June 30, 2018 through October 7, 2018, 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  
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**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

To the Honorable Members of the City Council of the  
City of San Marino, 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 San Marino, California (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated October 7, 2018.

**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 &amp; Simpson".

Los Angeles, California  
October 7, 2018

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*COMPLIANCE SECTION*

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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 San Marino, California and the  
Los Angeles County Metropolitan Transit Authority

### Report on Compliance

We have audited the compliance of the City of San Marino, 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, 2018.

### *Management's Responsibility*

Management is responsible for the City's compliance with those Guidelines.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the City's compliance based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Guidelines referred to in the preceding paragraph. Those standards and the Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on 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, 2018.





### ***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. 2018-001, 2018-002, 2018-003, and 2018-004. Our opinion on each local return program and Transportation Development Act Article 3 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, we did identify deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Recommendations as Finding Nos. 2018-002 and 2018-004.

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.

*Simpson & Simpson*

Los Angeles, California  
October 7, 2018

**CITY OF SAN MARINO**  
**COMPLIANCE MATRIX**  
June 30, 2018

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
<b>A. Proposition A and Proposition C Local Return Funds</b>						
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	See Finding No. 2018-001 on the Schedule of Findings and Recommendations.
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. 2018-002 on 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. 2018-003 on the Schedule of Findings and Recommendations.
11.	Pavement Management System (PMS) 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.	Assurances and Understandings form was on file.	X			None	
15.	Recreational transit form was submitted on time.	X			None	

**CITY OF SAN MARINO**  
**COMPLIANCE MATRIX**  
June 30, 2018  
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
<b>B. Measure R Local Return Fund</b>						
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 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	See Finding No. 2018-004 on 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.	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 SAN MARINO**  
**COMPLIANCE MATRIX**  
June 30, 2018  
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
<b>C. Measure M Local Return Fund</b>						
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 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 SAN MARINO**  
**COMPLIANCE MATRIX**  
 June 30, 2018  
 (Continued)

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

**CITY OF SAN MARINO**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
 June 30, 2018

**PALRF: Finding No. 2018-001**

<b>Compliance Reference</b>	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), “Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 5) a 25 percent or greater change in an approved Local Return project budget or scope on all operating or capital Local Return projects.”
<b>Condition</b>	The City exceeded more than 25 percent of LACMTA's approved budget on PALRF Project Code 120-01, Dial-A-Ride in the amount of \$3,103. However, the City submitted a Project Description Form (Form A) to obtain the budget increase from LACMTA and received subsequent approval on September 21, 2018.
<b>Cause</b>	Due to late submission of the fourth quarter billing, the Finance Department’s estimates were too low for the fiscal year. The City submitted the final budget prior to the actual receipt of the invoice.
<b>Effect</b>	The City’s PALRF project expenditure exceeded 25 percent of LACMTA’s approved budget without LACMTA’s prior approval and the City did not comply with the Guidelines.
<b>Recommendation</b>	We recommend that the City establish procedures to ensure that project expenditures are within the 25 percent cap of the LACMTA’s approved budget and an amended Form A (Project Description Form) is properly prepared and submitted prior to the expenditure of funds for approved projects.
<b>Management’s Response</b>	The City has created new controls to ensure that all are submitted and paid before submitting any final budgets to LACMTA.
<b>Finding Corrected During the Audit</b>	LACMTA Program Manager granted retroactive budget approval in the amount of \$8,000 for the project aforementioned on September 21, 2018. No follow-up is required.



**CITY OF SAN MARINO**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
 June 30, 2018  
 (Continued)

**PALRF and PCLRF: Finding No. 2018-002**

<b>Compliance Reference</b>	According to Proposition A and Proposition C 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.”
<b>Condition</b>	The City did not meet the August 1, 2017 deadline for submission of the Annual Project Update (Form B). However, the City submitted the Form B on August 23, 2017.  This is a repeat finding from the prior year.
<b>Cause</b>	Due to City staff turnover and oversight, the form was not submitted by the deadline.
<b>Effect</b>	The City’s Form B was not submitted in a timely manner.
<b>Recommendation</b>	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 C Local Return Funds will be in accordance with LACMTA’s approval and the Guidelines. Furthermore, we recommend the City to retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner.
<b>Management’s Response</b>	Moving forward, the City has established new controls in place to ensure budgets are submitted once the City-wide budget is approved. The City has also added multiple contacts to the LACMTA email list to ensure the City is aware of deadlines as they approach.
<b>Finding Corrected During the Audit</b>	The City subsequently submitted the Form B on August 23, 2017. No follow-up is required.

**CITY OF SAN MARINO**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
 June 30, 2018  
 (Continued)

**PALRF: Finding No. 2018-003**

<b>Compliance Reference</b>	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...”
<b>Condition</b>	To support the propriety of expenditures being charged to the Proposition A Local Return Fund, non-payroll expenditures should be supported by properly executed contracts, purchase orders, invoices, and cancelled checks. Although payments to the vendor, San Marino School District, for Recreational Transit Athletics Trips project in the amount of \$110,000 were properly supported by invoices and cancelled checks, the expenditures were not supported by an existing contract or purchase order.
<b>Cause</b>	There was an oversight by the previous City administration to ensure that the reimbursement made the City with the San Marino School District for transportation services was covered by a duly executed contract.
<b>Effect</b>	No contract or purchase order form to support the payments made to the vendor, San Marino School District, indicates a weakness in the City’s internal control.
<b>Recommendation</b>	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, invoices, canceled checks or similar documentation so that Local Return expenditures are in compliance with the Guidelines.
<b>Management’s Response</b>	The City is working with the District to create a contract moving forward to ensure that both parties are aware of the proper use of the funds, as well as, the Guidelines are followed. Legal counsel is currently working on the preparation of the contract. In addition, the City is in the beginning stage of creating a comprehensive procurement system that will require purchase orders and contracts for transactions.

**CITY OF SAN MARINO**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
 June 30, 2018  
 (Continued)

**MRLRF: Finding No. 2018-004**

<b>Compliance Reference</b>	According to Measure R Local Return Guidelines, Section B (II.1), Expenditure Plan (Form One): “Jurisdictions shall submit to LACMTA an Expenditure Plan, annually, on or before August 1st of each fiscal year.”
<b>Condition</b>	The City did not meet the August 1, 2017 deadline for submission of Form One. However, the City submitted the Form One on August 15, 2017.  This is a repeat finding from the prior year.
<b>Cause</b>	Due to City staff turnover and oversight, the form was not submitted by the deadline set by LACMTA.
<b>Effect</b>	The City’s Form One was not submitted timely.
<b>Recommendation</b>	We recommend that the City establish procedures to ensure that the Form One (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 that the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner.
<b>Management’s Response</b>	The City has established new controls in place to ensure budgets are submitted once the City-wide budget is approved. The City has also added multiple contacts to the LACMTA email list to ensure the City is aware of the deadlines as they approach.
<b>Finding Corrected During the Audit</b>	The City subsequently submitted the Form One on August 15, 2017. No follow-up is required.

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***EXIT CONFERENCE***

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***CITY OF SAN MARINO***  
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, 2018

An exit conference was held on November 29, 2018 with the City of San Marino. Those in attendance were:

***Simpson & Simpson Representative:***

Yung Dang, Senior Auditor  
Oliver Rafols, Staff Auditor

***City's Representative:***

Josh Betta, Finance Director  
Mark Siegfried, Accounting Manager

***Matters Discussed:***

Results of the audit disclosed two (2) significant control deficiencies and four (4) 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:

Josh Betta, Finance Director  
Mark Siegfried, Accounting Manager

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

RE: CITY OF SAN MARINO ANNUAL FINANCIAL REPORT OF THE PROPOSITION A LOCAL RETURN FUND, PROPOSITION C LOCAL RETURN FUND, MEASURE R LOCAL RETURN FUND, AND TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017, AND MEASURE M LOCAL RETURN FUND FOR THE FISCAL YEAR ENDED JUNE 30, 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, and Transportation Development Act Article 3 Fund for the years ended June 30, 2018 and 2017, and Measure M Local Return Fund for the year ended June 30, 2018 for the City of San Marino and agree with the contents of the report except as indicated below:

(Attach additional pages if necessary)

Very truly yours,

\_\_\_\_\_  
Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date