

***CITY OF ROSEMEAD
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, 2015 AND 2014***



CITY OF ROSEMEAD
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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 Rosemead, California and the
Los Angeles County Metropolitan Transportation Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Proposition A Local Return Fund (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), and Transportation Development Act Article 3 Fund (TDAA3F) of the City of Rosemead, California (City) as of and for the years ended June 30, 2015 and 2014, and the related notes to 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 audit. We conducted our audit 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, and TDAA3F of the City of Rosemead, California, as of June 30, 2015 and 2014, and the respective changes in their financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the PALRF, PCLRF, MRLRF, and TDAA3F and do not purport to, and do not, present fairly the financial position of the City of Rosemead, California, as of June 30, 2015 and 2014, and the changes in financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rosemead, California's PALRF, PCLRF, MRLRF, and TDAA3F Fund financial statements as a whole. The accompanying supplemental 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 supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated December 14, 2015, on our consideration of the City of Rosemead's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Los Angeles, California
December 14, 2015

CITY OF ROSEMEAD

PROPOSITION A LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and investments	\$ 414,252	\$ 296,623
Due from other funds	-	-
Total assets	<u>\$ 414,252</u>	<u>\$ 296,623</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 48,965	\$ 47,435
Due to Proposition C	6,100	-
Accrued payroll	<u>7,213</u>	<u>8,827</u>
Total liabilities	<u>62,278</u>	<u>56,262</u>
Fund Balance		
Restricted	<u>351,974</u>	<u>240,361</u>
Total fund balance	<u>351,974</u>	<u>240,361</u>
Total liabilities and fund balance	<u>\$ 414,252</u>	<u>\$ 296,623</u>

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

CITY OF ROSEMEAD

PROPOSITION A LOCAL RETURN FUND

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

For the Fiscal Years Ended June 30

	<u>2015</u>	<u>2014</u>
REVENUES		
Proposition A	\$ 963,211	\$ 924,352
Proposition A Discretionary Incentive (Note 9)	72,572	28,628
Project generated revenues (Note 6)	28,342	32,290
Interest income	1,975	2,699
Total revenues	<u>1,066,100</u>	<u>987,969</u>
EXPENDITURES		
Various projects	<u>954,487</u>	<u>909,761</u>
Total expenditures	<u>954,487</u>	<u>909,761</u>
Excess of revenues over expenditures	111,613	78,208
Fund balance at beginning of year	<u>240,361</u>	<u>162,153</u>
Fund balance at end of year	<u>\$ 351,974</u>	<u>\$ 240,361</u>

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

CITY OF ROSEMEAD

PROPOSITION A LOCAL RETURN FUND

**SUPPLEMENTAL INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET**

For the Fiscal Year Ended June 30, 2015

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2014)

Project Code	Project Name	2015			2014 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
110-03	Explorer (formerly Shopper Shuttle)	\$ 630,000	\$ 670,302	\$ (40,302)	\$ 585,298
110-08	Vehicle Maintenance	8,000	4,203	3,797	2,272
130-04	Dial A Ride	-	-	-	-
140-05	Recreational Transit	20,000	13,483	6,517	18,860
170-06	Bus Shelter Maintenance	57,800	52,850	4,950	46,306
270-12	Transportation Planning	110,200	71,855	38,345	121,517
270-13	SGVCOG Transportation Dues	15,000	15,485	(485)	14,944
280-01	Public Transportation Promotions	7,500	7,479	21	10,415
480-01	Administration	149,200	118,830	30,370	110,149
	Total expenditures	<u>\$ 997,700</u>	<u>\$ 954,487</u>	<u>\$ 43,213</u>	<u>\$ 909,761</u>

See accompanying independent auditor's report.

CITY OF ROSEMEAD

PROPOSITION A LOCAL RETURN FUND

**SUPPLEMENTAL INFORMATION
SCHEDULE OF CAPITAL ASSETS**

June 30, 2015

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 7/1/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2015</u>
02/2001	2004 Ford Truck	\$ 18,708	\$ -	\$ -	\$ 18,708
03/2004	2005 E-350 Duty Van	24,186	-	-	24,186
05/2004	2006 Ford Truck	20,205	-	-	20,205
	Total	<u>\$ 63,099</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,099</u>

See accompanying independent auditor's report.

CITY OF ROSEMEAD

PROPOSITION C LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and investments	\$ -	\$ 117,802
Total assets	\$ -	\$ 117,802
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 57,819	\$ 48,082
Due to other fund	10,537	0
Accrued payroll	2,710	2,980
Total liabilities	71,066	51,062
Fund Balance		
Restricted	(71,066)	66,740
Total fund balance (deficit)	(71,066)	66,740
Total liabilities and fund balance	\$ -	\$ 117,802

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

CITY OF ROSEMEAD

PROPOSITION C LOCAL RETURN FUND

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

For the Fiscal Years Ended June 30

	<u>2015</u>	<u>2014</u>
REVENUES		
Proposition C	\$ 800,703	\$ 768,325
Project generated revenues (Note 6)	6,788	6,576
Bus pass revenue (Note 6)	38,011	29,308
Interest income	1,087	730
Total revenues	<u>846,589</u>	<u>804,939</u>
EXPENDITURES		
Various projects	<u>984,395</u>	<u>595,911</u>
Total expenditures	<u>984,395</u>	<u>595,911</u>
Excess (deficiency) of revenues over expenditures	(137,806)	209,028
Fund balance (deficit) at beginning of year	<u>66,740</u>	<u>(142,288)</u>
Fund balance (deficit) at end of year	\$ <u><u>(71,066)</u></u>	\$ <u><u>66,740</u></u>

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

CITY OF ROSEMEAD

PROPOSITION C LOCAL RETURN FUND

**SUPPLEMENTAL INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET**

For the Fiscal Year Ended June 30, 2015
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2014)

Project Code	Project Name	2015			2014 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
130-04	Dial-A-Ride	\$ 300,000	\$ 375,000	\$ (75,000)	\$ 449,221
170-06	Bus Shelter Maintenance	68,200	63,052	5,148	55,077
220-01	Bus/ Shelter Public Safety	17,700	22,674	(4,974)	24,036
250-10	FTZ Bus Pass Subsidy	90,000	86,169	3,831	67,577
440-05	Montebello Blvd/Towne Center Dr.	350,000	437,500	(87,500)	-
	Total expenditures	<u>\$ 825,900</u>	<u>\$ 984,395</u>	<u>\$ (158,495)</u>	<u>\$ 595,911</u>

See accompanying independent auditor's report.

CITY OF ROSEMEAD

PROPOSITION C LOCAL RETURN FUND

**SUPPLEMENTAL INFORMATION
SCHEDULE OF CAPITAL ASSETS**

June 30, 2015

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 7/1/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2015</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

CITY OF ROSEMEAD

MEASURE R LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and investments	\$ <u>228,473</u>	\$ <u>230,260</u>
Total assets	\$ <u><u>228,473</u></u>	\$ <u><u>230,260</u></u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 19,313	\$ 22,794
Accrued payroll	<u>1,424</u>	<u>2,462</u>
Total liabilities	<u>20,737</u>	<u>25,256</u>
 Fund Balance		
Restricted	<u>207,736</u>	<u>205,004</u>
Total fund balance	<u>207,736</u>	<u>205,004</u>
 Total liabilities and fund balance	 \$ <u><u>228,473</u></u>	 \$ <u><u>230,260</u></u>

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

CITY OF ROSEMEAD

MEASURE R LOCAL RETURN FUND

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

For the Fiscal Years Ended June 30

	<u>2015</u>	<u>2014</u>
REVENUES		
Measure R	\$ 599,355	\$ 572,201
Interest income	<u>1,952</u>	<u>4,696</u>
Total revenues	<u>601,307</u>	<u>576,898</u>
EXPENDITURES		
Various projects	<u>598,575</u>	<u>864,851</u>
Total expenditures	<u>598,575</u>	<u>864,851</u>
Excess (deficiency) of revenues over expenditures	2,732	(287,953)
Fund balance at beginning of year	<u>205,004</u>	<u>492,957</u>
Fund balance at end of year	\$ <u><u>207,736</u></u>	\$ <u><u>205,004</u></u>

The accompanying notes are an integral part of the financial statements

CITY OF ROSEMEAD

MEASURE R LOCAL RETURN FUND

SUPPLEMENTAL INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET

For the Fiscal Year Ended June 30, 2015
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2014)

Project Code	Project Name	2015			2014 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	Mission Drive Resurfacing Phase II	\$ -	\$ -	-	562,654
1.05	Montebello Bl/Towne Center Dr. Resurface	250,000	361,650	(111,650)	
1.20	Rosemead Blvd HSIP Project	20,000	-	20,000	32,168
2.29	Highway Safety Improvement Program - Garvey Ave, Walnut Grove	50,000	-	50,000	50,000
7.10	SR60 Coalition- Advocacy	30,000	24,000	6,000	24,000
7.90	Transportation Planning & Design	170,500	181,304	(10,804)	140,367
8.10	Transportation Program Administration	53,600	31,621	21,979	55,662
	Total expenditures	<u>\$ 574,100</u>	<u>\$ 598,575</u>	<u>\$ (24,475)</u>	<u>\$ 864,851</u>

See accompanying independent auditor's report.

CITY OF ROSEMEAD

MEASURE R LOCAL RETURN FUND

**SUPPLEMENTAL INFORMATION
SCHEDULE OF CAPITAL ASSETS**

June 30, 2015

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 7/1/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2015</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

CITY OF ROSEMEAD

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

**BALANCE SHEETS
JUNE 30**

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and investments	\$ -	\$ -
Account receivable	-	-
	<u>-</u>	<u>-</u>
Total assets	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Due to General Fund	\$ <u>-</u>	\$ <u>-</u>
	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
 Fund Balance		
Restricted	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Total fund balance	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Total liabilities and fund balance	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

See accompanying independent auditor's report.

CITY OF ROSEMEAD

TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND

STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE

For the Fiscal Years Ended June 30

	<u>2015</u>	<u>2014</u>
REVENUES		
From FY 2012 allocation	\$ 27,832	\$ -
From FY 2013 allocation	41,102	-
From FY 2014 allocation	31,066	-
	<u>100,000</u>	<u>-</u>
Total revenues	<u>100,000</u>	<u>-</u>
EXPENDITURES		
Various projects	<u>100,000</u>	<u>-</u>
Total expenditures	<u>100,000</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report.

CITY OF ROSEMEAD

TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
SUPPLEMENTAL INFORMATION

SCHEDULE OF TRANSPORTATION DEVELOPMENT ACT
ALLOCATION FOR SPECIFIC PROJECTS

For the Fiscal Year Ended June 30, 2015

<u>Project Description</u>	<u>Program Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended Allocations</u>	<u>Project Status</u>
Local allocations					
Sidewalk curb & gutter replacement	2015	\$ 100,000	\$ 100,000	\$ -	Completed
	Total	<u>\$ 100,000</u>	<u>\$ 100,000</u>	-	
Fund balance at beginning of year				-	
Fund balance at end of year				<u>\$ -</u>	

See accompanying independent auditor's report.

CITY OF ROSEMEAD

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2015 and 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The operations of the Proposition A Local Return Fund (PALRF) and Proposition C Local Return Funds (PCLRF), and Measure R Local Return Fund (MRLRF) are accounted for in separate sets of self-balancing accounts that comprise their assets, liabilities, fund balance, revenues, and expenditures.

PALRF and PCLRF represent 25% and 20% respectively, of the ½ cent Proposition A and ½ cent Proposition C sales taxes which are distributed to the jurisdictions within Los Angeles County based on population and must be used exclusively for transportation related programs and projects.

MRLRF represents 15% of the ½ cent sales tax which is distributed to the jurisdictions within Los Angeles County based on a per capita basis and must be used exclusively for transportation purposes.

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

Basis of Accounting

PALRF, PCLRF, MRLRF, and TDAA3F are accounted for using the modified accrual basis of accounting whereby revenues are recognized when they become both measurable and available to finance expenditures of the current period and expenditures are generally recognized when the related fund liabilities are incurred.

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.

NOTE 2 – ANNUAL FINANCIAL STATEMENTS

The financial statements reflect only the financial position and results of operations of the PALRF, PCLRF, and MRLRF and their compliance with the Proposition A and Proposition C Local Return Program Guidelines, and Measure R Local Return Program Guidelines

CITY OF ROSEMEAD

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2015 and 2014
(Continued)

NOTE 3 – PROPOSITION A AND PROPOSITION C LOCAL RETURN COMPLIANCE REQUIREMENTS

In accordance with Proposition A and Proposition C Local Return Program Guidelines, funds received pursuant to these guidelines may only be used for Proposition A and Proposition C Local Return approved programs.

NOTE 4 – MEASURE R LOCAL RETURN COMPLIANCE REQUIREMENTS

In accordance with Measure R Local Return Program Guidelines, funds received pursuant to these guidelines may only be used for Measure R Local Return approved programs.

NOTE 5 – CASH AND INVESTMENTS

The PALRF, PCLRF, and MRLRF cash balances were pooled with various other City funds for deposit and investment purposes. The share of each fund in the pooled cash account was separately maintained and interest income was apportioned to the participating funds based on the relationship of their average quarterly balances to the total of the pooled cash and investments.

NOTE 6 – PROJECT GENERATED REVENUE

PALRF

Project generated revenue for PALRF for the years ended June 30, 2015 and 2014 amounting to \$28,342 and \$32,290 respectively, pertains to the Fare Box revenue.

PCLRF

Project generated revenue for PCLRF for the years ended June 30, 2015 and 2014 consisted of the following:

	2015	2014
Bus Pass Sales	\$ 38,011	\$ 29,308
Fare Box Sales	6,788	6,576
	<u>\$ 44,799</u>	<u>\$ 35,884</u>

CITY OF ROSEMEAD

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2015 and 2014
(Continued)

NOTE 7 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION

The revenue allocation for the years ended June 30, 2015 and 2014 consisted of the following:

	2015	2014
FY 2011/12 reserve	\$ 27,832	\$ -
FY 2012/13 reserve	41,102	-
FY 2013/14 reserve	31,066	-
Total payment received	\$ 100,000	\$ -

NOTE 8 – 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, 2015 and 2014, the City has funds on reserve as follows:

	2015	2014
FY 2011-12 allocation	\$ -	\$ 27,832
FY 2012-13 allocation	-	41,102
FY 2013-14 allocation	13,073	44,139
FY 2014-15 allocation	35,950	-
Available reserve balance	\$ 49,023	\$ 113,073

NOTE 9 – PROPOSITION A DISCRETIONARY INCENTIVE GRANT

Proposition A Discretionary Incentive Grant amounting to \$72,572 and \$28,628 for the years ended June 30, 2015 and 2014, respectively, represents additional funds received from Metro for participating in the National Transit Database Reporting Program. The Proposition A Discretionary Incentive Grant was recorded under PALRF.

NOTE 10 – SUBSEQUENT EVENTS

The City has evaluated events or transactions that occurred subsequent to June 30, 2015 through December 14, 2015, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined no subsequent matters require disclosure or adjustment to the accompanying financial statements.



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Proposition A Local Return Fund (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), and Transportation Development Act Article 3 (TDAA3F) Fund of the City of Rosemead, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated December 14, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's local return funds and TDAA3F financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify any deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that 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
December 14, 2015

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 Rosemead, California and the
Los Angeles County Metropolitan Transit Authority

Report on Compliance

We have audited the compliance of the City of Rosemead, California (City) with the Proposition A and Proposition C Local Return Guidelines, Measure R Local Return Guidelines, Transportation Development Act Article 3, and the Los Angeles County Metropolitan Transportation Authority's Funding and Allocation Guidelines for the Transportation Development Act Article 3 Bicycle and Pedestrian Funds (Guidelines) for the year ended June 30, 2015.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Guidelines referred to in the preceding paragraph. Those standards and the Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a local return program and the transportation development Act Article 3 occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance. Our audit does not provide a legal determination of the City's compliance with those requirements.

Opinion on Each Local Return Program and Transportation Development Act Article 3

In our opinion, the City of Rosemead complied, in all material respects, with the compliance requirements referred to above that apply to Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, and Transportation Development Act Article 3 (TDAA3F) Fund for the year ended June 30, 2015.



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. F-15-01 and F-15-02. Our opinion on Proposition A, Proposition C and Measure R Local Return Funds 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 response.

Report on Internal Control Over Compliance

Management of the City of Rosemead is responsible for establishing and maintaining effective internal control over compliance with the Requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the Requirements that could have a direct and material effect on the Local Return programs and the TDAA3F to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Requirements, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance under the Requirements on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance under the Requirements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the Requirements that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Los Angeles, California
December 14, 2015

CITY OF ROSEMEAD
COMPLIANCE MATRIX
Year Ended June 30, 2015

Compliance Requirement	In Compliance		Questioned Costs	If no, provide details and management response.	
	Yes	No			
A. Proposition A and Proposition C Local Return Funds					
1.	Timely use of funds.	X		None	
2.	Expenditures were approved before being incurred.	X		None	
3.	Funds were used on approved projects only and expenditures were supported and allowable per Guidelines.		X	\$1,547	See Finding no. F-15-01 in the Schedule of Findings and Recommendations. PALRF - \$682 PCLRF - \$865
4.	Expenditures did not exceed 25% of Metro's approved budget.		X	None	See Finding no. F-15-02 in the Schedule of Findings and Recommendations.
5.	Administrative expenses were within the 20% cap.	X		None	
6.	All on-going and carryover projects were reported in Form B.	X		None	
7.	Annual Project Summary Report (Form B) was submitted on time.	X		None	
8.	Annual Expenditure Report (Form C) and Recreational Transit Certification were submitted on time.	X		None	
9.	Cash or cash equivalents were maintained.	X		None	
10.	Accounting procedures, record keeping and documentation were adequate.	X		None	

CITY OF ROSEMEAD
COMPLIANCE MATRIX
Year Ended June 30, 2015
(Continued)

Compliance Requirement		In Compliance		Questioned Costs	If no, provide details and management response.
		Yes	No		
11.	Revenues received including allocations, project generated revenues, and interest income were properly credited to the PALRF and PCLRF accounts.	X		None	
B. Measure R Local Return Fund					
1.	Timely use of funds.	X		None	
2.	Expenditures were approved before being incurred.	X		None	
3.	Funds were used on approved projects only and expenditures were supported and allowable per Guidelines.		X	\$92	See Finding no. F-15-01 in the Schedule of Findings and Recommendations.
4.	Fund were not substituted for property tax.	X		None	
5.	Administrative expenses were within the 20% cap.	X		None	
6.	Expenditure Plan (Form One) was submitted on time.	X		None	
7.	Expenditure Report (Form Two) was submitted on time.	X		None	
8.	Cash or cash equivalents were maintained.	X		None	
9.	Accounting procedures, record keeping and documentation were adequate.	X		None	
10.	Revenues received including allocations, project generated revenues, and interest income were properly credited to the Measure R account.	X		None	

CITY OF ROSEMEAD
COMPLIANCE MATRIX
Year Ended June 30, 2015
(Continued)

Compliance Requirement		In Compliance		Questioned Costs	If no, provide details and management response.
		Yes	No		
11.	Funds were not used to supplant existing local revenues being used for transportation purpose.	X		None	
C. Transportation Development Act Article 3 Fund					
1.	Timely use of funds.	X		None	
2.	Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.	X		None	

CITY OF ROSEMEAD

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
June 30, 2015

Finding No. F-15-01 – Fund: Payroll Charges in PALRF, PCLRF and MRLRF

Criteria:

According to Section II – Project Eligibility A-15 of the Guidelines – Proposition A and Proposition C Local Return, the Guideline states: “Direct Administration is defined as those fully burdened costs which are directly associated with administrating Local Return program or projects, and includes salaries and benefits, office supplies and equipment, and other overhead costs.”

“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...”

According to the Measure R Guidelines, “It is the Jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these guidelines.”

Condition:

Upon testing the payroll expenditures charged to PALRF, PCLRF and MRLRF, we found that the payroll charges were based on estimated percentage of actual salaries, determined by the City to be attributable to the funds for the period 7/1/2014 through 1/4/2015. The payroll charges are supported by timesheets; however, actual timesheet documentation did not accurately equal the estimated percentages used to allocate the employees’ salaries to the local return funds for the period 7/1/2014 through 1/4/2015. Some pay periods are over the estimates and some are under the estimates. No true-up of the estimates is done at the end of the fiscal year. There were a total of 23 employees tested, and some were the same employee charged to all three funds where the hours on the timesheet did not equal the estimated percentages.

Starting 1/5/2015, the City implemented a timekeeping system through their Tyler software that tracks the hours spent on the local return funds; however, for two employees, after the period 1/5/2015, under the Bus Shelter Maintenance project under PALRF and PCLRF, the percentages utilized cannot be supported by timesheets or similar time and effort documentation to demonstrate that the salaries charged were expended on administering approved PALRF and PCLRF project. However, based on the employees’ job titles, it is reasonable to assume that such employees worked on the local return fund projects.

CITY OF ROSEMEAD

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
June 30, 2015
(Continued)

Cause:

The City uses its best estimate of percentage of its employees' salaries to determine its payroll charges to PALRF, PCLRF and MRLRF. Actual timesheets filled out by employees may or may not equal the estimates used by the City's payroll system to automatically charge the local return funds.

Effect:

Insufficient supporting documentation (activity report, timesheets, and/or time study) to substantiate the charges for "Direct Administrative" could result in disallowed costs claimed to the PALRF, PCLRF and MRLRF.

Questioned Costs:

We tested all employees who charged their payroll to the local return funds for 3 out of the 26 pay periods during FY 2015. Based on our payroll expenditures tested for pay periods 12/11/2014, 4/2/2015 and 6/11/2015, we question the following costs:

Proposition A – \$682

Proposition C – \$865

Measure R - \$92

Recommendation:

We recommend that the City ensure employees track the hours spent on the local return funds to ensure salaries and related fringe benefits are supported by adequate documentation (i.e. activity reports, timesheets, or time study).

Management's Response:

The City will meet with staff under the Bus Shelter Maintenance department to reinforce the procedures for tracking time on these programs.

CITY OF ROSEMEAD

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
June 30, 2015
(Continued)

Finding No. F-15-02 – Fund: PCLRF

Criteria:

According to Proposition A and C Local Return Guidelines, “projects with greater than 25% change from the approved budget has been amended by submitting amended Project Description Form (Form A).”

Condition:

Expenditures of Prop C’s project code 220-01, Bus Shelter Public Safety project, exceeded the LACMTA’s approved budget by \$549. However, the City did not submit an amended Form A.

Cause:

This was an oversight by the City.

Effect:

The City’s PCLRF project expenditures exceeded 25 percent of LACMTA’s approved budget without LACMTA’s approval and the City did not comply with the Guidelines.

Questioned Costs:

None

Recommendation:

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 which would result in a 25 percent or greater change in an approved Local Return project budget or scope on all operating or capital Local Return projects.

Management’s Response:

The City will work hard to comply with MTA budget requirements in the future and to ensure that a Form A is submitted when required.

EXIT CONFERENCE

CITY OF ROSEMEAD

PROPOSITION A, PROPOSITION C, MEASURE R LOCAL RETURN FUNDS, AND
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
EXIT CONFERENCE
June 30, 2015

An exit conference was held on December 17, 2015 with the City of Rosemead. Those in attendance were:

Simpson & Simpson Representative:

Susan Hum, Auditor

City's Representative:

Carolyn Chu, Finance Director

Matters Discussed:

Results of the audit disclosed one significant control deficiency and one non-compliance issue with LACMTA's Guidelines.

A copy of this report was forwarded to the following City representative(s) for their comments prior to the issuance of the final report:

Carolyn Chu, Finance Director