



MetroTM

**City of Pico Rivera
Annual Financial Report of its**

**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**

**As of and for the Years Ended June 30, 2019 and 2018
with Report of Independent Auditors**

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FINANCIAL SECTION

Report of Independent Auditors

**To the Honorable Members of the City Council of the
City of Pico Rivera, 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, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Pico Rivera, California (the City) which comprise the Funds' balance sheets as of June 30, 2019 and 2018, and the related statements of revenues, expenditures and changes in fund balances for the years then ended, and the related notes to the financial statements.

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.

Auditors' 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the Funds' 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 City'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 Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund of the City of Pico Rivera, California, as of June 30, 2019 and 2018 and the respective changes in 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 Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund of the City of Pico Rivera, California, and do not purport to, and do not present fairly the financial position of the City as of June 30, 2019 and 2018, and the changes in its financial position for the years then ended in accordance 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 supplementary information identified 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 identified in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the Funds' basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the Funds' basic 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' basic financial statements or to the Funds' basic 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' basic financial statements as a whole.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2019 on our consideration of the City's internal control over the Funds' financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the City's 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 black ink that reads "Vasquez & Company LLP". The signature is written in a cursive, flowing style.

**Glendale, California
December 10, 2019**

City of Pico Rivera
Proposition A Local Return Fund
Balance Sheets

		June 30	
		2019	2018
ASSETS			
Cash and investments	\$	2,675,317	\$ 2,456,317
Due from LACMTA		-	22,105
Interest receivable		8,236	6,606
Total assets	\$	2,683,553	\$ 2,485,028
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	94,225	\$ 90,365
Accrued payroll and employee benefits		5,923	5,348
Total liabilities		100,148	95,713
Fund balance			
Restricted		2,583,405	2,389,315
Total fund balance		2,583,405	2,389,315
Total liabilities and fund balance	\$	2,683,553	\$ 2,485,028

See notes to Funds financial statements.

City of Pico Rivera
Proposition A Local Return Fund
Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2019	2018
Revenues		
Proposition A	\$ 1,285,794	\$ 1,198,883
Proposition A Discretionary Incentive Program grant	-	46,024
Investment income	58,170	28,332
Bus pass sales	6,768	5,714
Total revenues	1,350,732	1,278,953
Expenditures		
Various projects	1,156,642	1,087,625
Total expenditures	1,156,642	1,087,625
Excess of revenues over expenditures	194,090	191,328
Fund balance at beginning of year	2,389,315	2,197,987
Fund balance at end of year	\$ 2,583,405	\$ 2,389,315

See notes to Funds financial statements.

City of Pico Rivera
Proposition A Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2019
(With Comparative Actuals for 2018)

Project Code	Project Name	2019			2018 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
130-02	Special Service of U & H	\$ 650,000	\$ 535,899	\$ 114,101	\$ 549,817
140-01	Recreational Transit	64,200	62,364	1,836	51,529
150-01	Sidewalk Installation at Two Bus Stops Along Washington Boulevard	-	-	-	172
150-02	Bus Landing at Rosemead Blvd and Coffman and Pico Road	10,000	12,583	(2,583)	-
160-49	Bus Shelters Lighting Improvements Citywide	-	-	-	2,356
170-01	Bus Shelter Maintenance	180,000	185,764	(5,764)	180,163
220-01	Transit Security	100,000	120,074	(20,074)	80,663
250-06	MTA Bus Pass Buydown	20,000	20,554	(554)	16,410
270-01	Transit Feasibility Study	30,000	32,844	(2,844)	78,129
480-05	Administration	196,940	186,560	10,380	128,386
Total expenditures		\$ 1,251,140	\$ 1,156,642	\$ 94,498	\$ 1,087,625

See report of independent auditors.

City of Pico Rivera
Proposition A Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2019

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
2010	Bus for Dial-A-Ride Program	\$ 56,727	\$ -	\$ -	\$ 56,727
2010	Bus for Dial-A-Ride Program	56,727	-	-	56,727
2012	Pico Park Transit Hub-Pkg lot Expansion	700,000	-	-	700,000
2014	Bus Shelter Replacement	203,655	-	-	203,655
2015	Gold Line Extension Project	60,000	-	-	60,000
Total		<u>\$ 1,077,109</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,077,109</u>

See report of independent auditors.

**City of Pico Rivera
Proposition C Local Return Fund
Balance Sheets**

		June 30	
		2019	2018
ASSETS			
Cash and investments	\$	1,631,193	\$ 1,719,630
Interest receivable		4,600	4,735
Total assets	\$	<u>1,635,793</u>	<u>\$ 1,724,365</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	83,622	\$ 147,432
Accrued payroll and employee benefits		5,664	2,026
Total liabilities		<u>89,286</u>	<u>149,458</u>
Fund balance			
Restricted		<u>1,546,507</u>	<u>1,574,907</u>
Total fund balance		<u>1,546,507</u>	<u>1,574,907</u>
Total liabilities and fund balance	\$	<u>1,635,793</u>	<u>\$ 1,724,365</u>

See notes to Funds financial statements.

City of Pico Rivera
Proposition C Local Return Fund
Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2019	2018
Revenues		
Proposition C	\$ 1,066,530	\$ 991,680
Investment income	31,763	19,472
Total revenues	1,098,293	1,011,152
Expenditures		
Various projects	1,126,693	712,033
Total expenditures	1,126,693	712,033
Excess (deficiency) of revenues over expenditures	(28,400)	299,119
Fund balance at beginning of year	1,574,907	1,275,788
Fund balance at end of year	\$ 1,546,507	\$ 1,574,907

See notes to Funds financial statements.

City of Pico Rivera
Proposition C Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2019
(With Comparative Actuals for 2018)

Project Code	Project Name	2019			2018 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
210-09	HSIP Cycle 7 - Traffic Signal Upgrades Citywide	\$ 40,000	\$ 52,342	\$ (12,342)	\$ 484
210-10	HSIP Cycle 8 - Traffic Signal Upgrades Along Five Intersections of Major Arterials	5,000	5,446	(446)	9,433
210-11	Beverly Boulevard TSSP	250,000	575	249,425	-
210-45	HSIP Cycle 6, Traffic Safety and Sidewalk Improvements	169,000	159,544	9,456	47,483
220-03	Graffiti Removal Transfer	75,000	75,000	-	75,000
270-22	Gateway Cities COG SR-91 / I 605 Needs Assessment Study	20,000	20,000	-	20,000
270-41	Telegraph Road over Rio Hondo River Bridge Rehabilitation Project	15,000	21,556	(6,556)	26,728
270-42	Washington Blvd over Rio Hondo River Bridge Rehabilitation Project	10,000	10,768	(768)	26,176
450-32	Durfee Avenue Underpass Project	16,000	25,493	(9,493)	14,334
450-33	Whittier Blvd Rehabilitation Project	-	-	-	14,957
450-36	Rosemead Blvd/Telegraph Road Intersection Improvements	645,000	589,379	55,621	2,064
450-37	Paramount Blvd Raised Median Project	76,000	77,850	(1,850)	410,786
450-47	Bridge Preventative Maintenance Program	25,000	211	24,789	245
450-48	Telegraph Road Traffic Throughout and Safety Enhancement Project-Phase II	2,000	2,878	(878)	2,362
450-50	Whittier Boulevard Street Overlay	5,000	10,551	(5,551)	4,207
450-51	Passons Boulevard Underpass Project - Emergency Repairs	28,000	31,378	(3,378)	4,494
480-01	Administration	175,000	43,722	131,278	53,280
Total expenditures		\$ 1,556,000	\$ 1,126,693	\$ 429,307	\$ 712,033

See report of independent auditors.

City of Pico Rivera
Proposition C Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2019

Date Acquired	Description	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
2004	Bus Shelter Replacement	\$ 178,422	\$ -	\$ -	\$ 178,422
2005	W. Whittier Blvd Street	179,844	-	-	179,844
2006	SG River Pkwy/Beverly	144,853	-	-	144,853
2012	Pico Rivera Transit Hub - Parking Lot Expansion	211,224	-	-	211,224
2012	Beverly Blvd Rehabilitation	268,211	-	-	268,211
2014	Pavement Management System Update	45,068	-	-	45,068
2014	Beverly Blvd Median Island Improvement Rosemead Blvd. Rehabilitation	994,685	-	-	994,685
2014	Washington	420,370	-	-	420,370
2014	Rosemead/Whittier Improvements	221,795	-	-	221,795
2014	Construction In Progress - Various Projects Sidewalk Improvements and Bus Stop	2,415,796	-	-	2,415,796
2015	Improvements Rosemead Blvd/Mines Ave Intersection	50,000	-	-	50,000
2015	Improvements	785,383	-	-	785,383
Total		\$ 5,915,651	\$ -	\$ -	\$ 5,915,651

See report of independent auditors.

**City of Pico Rivera
Measure R Local Return Fund
Balance Sheets**

		June 30	
		2019	2018
ASSETS			
Cash and investments	\$	1,551,116	\$ 1,452,308
Interest receivable		6,299	12,328
Due from LACMTA		1,129,962	649,181
Total assets	\$	2,687,377	\$ 2,113,817
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	554,486	\$ 719
Accrued payroll and employee benefits		3,372	534
Total liabilities		557,858	1,253
Deferred inflows of resources			
Unavailable revenues		1,129,962	649,181
Total deferred inflows of resources		1,129,962	649,181
Fund balance			
Restricted		999,557	1,463,383
Total fund balance		999,557	1,463,383
Total liabilities, deferred inflows of resources and fund balance	\$	2,687,377	\$ 2,113,817

See notes to Funds financial statements.

City of Pico Rivera
Measure R Local Return Fund

Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2019	2018
Revenues		
Measure R	\$ 800,127	\$ 744,826
Investment income	45,158	24,719
Measure R Fund Highway Grants	849,807	1,089,643
Total revenues	1,695,092	1,859,188
Expenditures		
Expenditures funded by MRLRF	829,778	638,938
Expenditures funded by Measure R Fund Highway Grants	1,329,140	626,185
Total expenditures	2,158,918	1,265,123
Excess (deficiency) of revenues over expenditures	(463,826)	594,065
Fund balance at beginning of year	1,463,383	869,318
Fund balance at end of year	\$ 999,557	\$ 1,463,383

See notes to Funds financial statements.

City of Pico Rivera
Measure R Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2019
(With Comparative Actuals for 2018)

Project Code	Project Name	2019			2018 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
01-001	Beverly Blvd Rehabilitation and Landscape Median Improvements	\$ 344,369	\$ -	\$ 344,369	\$ -
01-002	Residential Road Resurfacing Project- Phase	150,000	-	150,000	-
01-003	Residential Road Resurfacing Project- Phase	845,000	-	845,000	-
01-004	Entrance Monument Replacement Project	260,000	-	260,000	-
01-005	Annual Sidewalk Improvement Project	200,000	-	200,000	-
01-006	Slauson Avenue Improvements	55,000	-	55,000	-
01-007	Residential Resurfacing Project - Phase F	600,000	-	600,000	-
01-008	Roadway Safety Improvements - Signage and Striping	150,000	-	150,000	-
01-009	Safe Routes to School - Safety Improvements Along Parsons/Beverly	80,000	-	80,000	-
01-010	Whittier Boulevard Rehabilitation Project	120,000	-	120,000	-
01-011	Signing and Striping	80,000	63,005	16,995	2,975
01-012	Annual Sidewalk Improvement Project	180,000	-	180,000	-
01-013	Asphalt Overlay Along San Gabriel Parkway, Construction of Curb	140,000	-	140,000	-
01-014	Residential Resurfacing Project - Phase G	500,000	-	500,000	484,834
01-015	Whittier Boulevard Overlay Project	15,000	286	14,714	-
01-016	Annual Sidewalk Improvement Project	100,000	-	100,000	99,523
01-017	Residential Resurfacing Project - Phase H	1,000,000	753,632	246,368	1,574
01-018	CDBG Sidewalk Improvements Project CIP	30,000	-	30,000	27,192
01-019	Annual Sidewalk Improvement Project	100,000	1,003	98,997	-
01-020	Annual Signing and Striping	100,000	1,969	98,031	-
02-001	Left Turn Phasing Installation to Update Antiquated Traffic Signal	120,000	-	120,000	-
02-002	Left Turn Phasing/Other Signal Improvements Throughout the City	202,000	-	202,000	-
02-003	Battery Backup System Project	50,000	-	50,000	-
02-005	Rewiring of Traffic Signals	80,000	-	80,000	-
02-007	Traffic Signal Improvement at Loch Lomond and Paramount Blvd	25,000	-	25,000	-
03-001	Transportation Enhancements to Pedestrian Bridge	250,000	-	250,000	22,840
03-002	Traffic Calming/Pedestrian and Bike Safety Signage	45,000	-	45,000	-
05-001	Installation of Transit Hub at Rio Vista Park	125,000	-	125,000	-
05-002	Installation of Transit Hub at Smith Park	100,000	-	100,000	-
07-001	Corridor Study for the Development of Lakewood/Rosemead Blvd	65,000	67	64,933	-
07-002	SSARP (Safety Analysis) Study	50,000	9,816	40,184	-
08-001	SRTS Non Infrastructure Project - Federal Reporting	5,000	-	5,000	-
	Total expenditures	\$ 6,166,369	\$ 829,778	\$ 5,336,591	\$ 638,938

See report of independent auditors.

City of Pico Rivera
Measure R Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2019

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
2013	Residential Resurfacing Project - Phase D	\$ 148,125	\$ -	-	\$ 148,125
2015	Construction in Progress - Various Projects	701,696	-	-	701,696
2015	Rio Vista Park	125,000	-	-	125,000
2015	Residential Resurfacing Project	843,349	-	-	843,349
2015	Entrance Monument Replacement	221,914	-	-	221,914
2015	Slauson Ave Street Improvement	53,709	-	-	53,709
2015	Annual Sidewalk Improvement	100,000	-	-	100,000
	Total	<u>\$ 2,193,793</u>	<u>\$ -</u>	<u>-</u>	<u>\$ 2,193,793</u>

See report of independent auditors.

**City of Pico Rivera
Measure M Local Return Fund
Balance Sheets**

		June 30	
		2019	2018
ASSETS			
Cash and investments	\$	903,073	\$ 677,092
Interest receivable		3,584	1,610
Total assets	\$	906,657	\$ 678,702
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	-	\$ -
Total liabilities		-	-
Fund balance			
Restricted		906,657	678,702
Total fund balance		906,657	678,702
Total liabilities and fund balance	\$	906,657	\$ 678,702

See notes to Funds financial statements.

City of Pico Rivera
Measure M Local Return Fund

Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2019	2018
Revenues		
Measure M	\$ 901,383	\$ 674,983
Investment income	22,995	3,719
Total revenues	924,378	678,702
Expenditures		
Various projects	696,423	-
Total expenditures	696,423	-
Excess of revenues over expenditures	227,955	678,702
Fund balance at beginning of year	678,702	-
Fund balance at end of year	\$ 906,657	\$ 678,702

See notes to Funds financial statements.

City of Pico Rivera
Measure M Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2019
(With Comparative Actuals for 2018)

Project Code	Project Name	2019			2018 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
1.05	Street and Road Project Bond Remittance	\$ 700,000	\$ 694,346	\$ 5,654	\$ -
3.05	Bike Pedestrian	300,000	2,077	297,923	-
	Total expenditures	\$ 1,000,000	\$ 696,423	\$ 303,577	\$ -

See report of independent auditors.

City of Pico Rivera
Measure M Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2019

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See report of independent auditors.

City of Pico Rivera
Transportation Development Act Article 3 Fund
Pursuant to Public Utilities Code Section 99234
Balance Sheets

		June 30	
		2019	2018
ASSETS			
Due from LACMTA		\$ 128,953	\$ 96,751
	Total assets	\$ 128,953	\$ 96,751
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE (DEFICIT)			
Liabilities			
Due to other funds		\$ 23,173	\$ 14,278
Accounts payable		32	96
Accrued payroll and employee benefits		1,428	58
	Total liabilities	24,633	14,432
Deferred inflows of resources			
Unavailable revenues		116,159	85,533
	Total deferred inflows of resources	116,159	85,533
Fund balance (deficit)			
Restricted		(11,839)	(3,214)
	Total fund balance (deficit)	(11,839)	(3,214)
	Total liabilities, deferred inflows of resources and fund balance (deficit)	\$ 128,953	\$ 96,751

See notes to Funds financial statements.

City of Pico Rivera
 Transportation Development Act Article 3 Fund
 Pursuant to Public Utilities Code Section 99234
Statements of Revenues, Expenditures and Changes in Fund Balance

		Years ended June 30	
		2019	2018
Revenues			
Intergovernmental Allocations:			
Article 3	\$	12,794	\$ 11,218
Total revenues		12,794	11,218
Expenditures			
Various projects			
		21,419	12,226
Total expenditures		21,419	12,226
Deficiency of revenues over expenditures		(8,625)	(1,008)
Fund deficit at beginning of year		(3,214)	(2,206)
Fund deficit at end of year		\$ (11,839)	\$ (3,214)

See notes to Funds financial statements.

City of Pico Rivera
Transportation Development Act Article 3 Fund
Pursuant to Public Utilities Code Section 99234
Supplementary Information
Schedule of Transportation Development Act Allocation for Specific Projects
Year ended June 30, 2019

Project Description	<u>Program Year</u>	Totals to Date		<u>Unexpended Allocations</u>	<u>Project Status</u>
		<u>Allocations</u>	<u>Expenditures</u>		
Local Allocations:					
Pico Rivera Regional Bikeway Project	2019	\$ 12,794	\$ 21,419	\$ (8,625)	Ongoing
Totals		<u>\$ 12,794</u>	<u>\$ 21,419</u>	(8,625)	
Fund deficit at beginning of year				<u>(3,214)</u>	
Fund deficit at end of year				<u>\$ (11,839)</u>	

See report of independent auditors.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The operations of the Proposition A Local Return Fund (PALRF), the Proposition C Local Return Fund (PCLRF), the Measure R Local Return Fund (MRLRF), the Measure M Local Return Fund (MMLRF) and the 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 the county-wide ½ cent Measure R 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 the county-wide ½ cent Measure M 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

The PALRF, PCLRF, MRLRF, MMLRF and TDAA3F are reported as Special Revenue Funds of the City and are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become "susceptible to accrual", that is, measurable and available to finance expenditures of the current period. Expenditures are recorded when the liability is incurred.

Special Revenue Funds are reported on a spending or "financial flow" measurement focus. This means that generally, only current assets, current liabilities and deferred inflows and outflows of resources are included on their balance sheets. Statements of revenues, expenditures and changes in fund balances for Special Revenue Funds generally present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Budgets and Budgetary Accounting

The budgeted amounts presented in this report for comparison to the actual amounts are based on budgets approved by LACMTA and are presented in accordance with accounting principles generally accepted in the United States of America.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, 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 investments at fair value and recognizes unrealized gain (loss) on investments.

Refer to the City's Comprehensive Annual Financial Report for detailed disclosures regarding the City's investments policy and fair value measurement disclosures.

Fund Balance Reporting

Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes the fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The PALRF, PCLRF, MRLRF, MMLRF and TDAA3F report the following fund balance classification as of June 30, 2019 and 2018:

- Restricted - Amounts that are constrained for specific purposes, which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation. The use of the Funds' remaining fund balances is restricted for projects approved by LACMTA.

Information regarding the fund balance reporting policy adopted by the City is described in the City's Comprehensive Annual Financial Report.

Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the City recognizes deferred outflows and deferred inflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period.

Deferred inflows of resources reported by the City represent resources that are not available for spending as of June 30, 2019 and 2018.

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 do not purport to, and do not present fairly the City's financial position as of June 30, 2019 and 2018, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

NOTE 3 PROPOSITION A AND PROPOSITION C LOCAL RETURN COMPLIANCE REQUIREMENTS

The Proposition A Ordinance requires that Local Return (LR) funds be used exclusively to benefit public transit. Expenditures related to fixed route and paratransit services, Transportation Demand Management, Transportation Systems Management and fare subsidy programs that exclusively benefit transit are all eligible uses of Proposition A LR funds. Proposition A LR funds may also be traded with other Jurisdictions in exchange for general or other funds.

The Proposition C Ordinance directs that LR funds also be used to benefit public transit, as described above, but provides an expanded list of eligible project expenditures including Congestion Management Programs, bikeways and bike lanes, street improvements supporting public transit service, and Pavement Management System projects. Proposition C LR funds cannot be traded.

Proposition A and Proposition C LR funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated.

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

The Measure R Ordinance specifies that LR funds be used exclusively for transportation purposes.

Measure R LR funds must be expended within five years of the first day of the fiscal year in which funds were originally allocated or received.

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

Measure M was approved by the voters of Los Angeles County on November 8, 2016 to improve transportation and ease traffic congestion consistent with the Los Angeles County Traffic Improvement Plan Ordinance approved by the Metro Board of Directors on June 23, 2016. The Measure M Ordinance specifies that LR funds be used exclusively for transportation purposes.

Measure M LR funds must be expended within five years of the first day of the fiscal year in which funds were originally allocated or received.

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 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.

Please refer to the City's Comprehensive Annual Financial Report (CAFR) for a full description of risks relating to cash and investments.

NOTE 8 PROPOSITION A DISCRETIONARY INCENTIVE PROGRAM GRANT

Proposition A Discretionary Incentive Program grant represents additional funds received from LACMTA for participating in the National Transit Database Reporting Program. The Proposition A Discretionary Incentive Program grant was recorded under PALRF. The City received \$0 and \$46,024 for the years ended June 30, 2019 and 2018, respectively, for participating in the program.

NOTE 9 MEASURE R HIGHWAY GRANTS

In March 2014, LACMTA Board approved to fund “Project Approval and Environmental Documentation (PAED), Plans, Specifications, and Estimates (PSE), Right of Way (ROW), and Construction phases of the following projects:

<u>Project Description</u>	<u>MOU No.</u>	<u>Agreement No.</u>	<u>Year ended June 30, 2019</u>	
			<u>Revenues</u>	<u>Expenditures</u>
Rosemead Boulevard/Beverly Boulevard Intersection Improvements	MOU.MR315.05	14-1490	\$ 777,407	\$ 1,121,313
Rosemead/Whittier Intersection Improvements	MOU.MR315.09	14-1491	27,953	61,897
Rosemead Boulevard/Washington Boulevard Intersection Improvements	MOU.MR315.21	14-1492	745	197
Rosemead Boulevard/Slauson Avenue Intersection Improvements	MOU.MR315.19	14-1493	43,702	145,733
			<u>\$ 849,807</u>	<u>\$ 1,329,140</u>

Under the agreements, to the extent the Measure R funds are available, LACMTA shall make to the City a grant of the Measure R funds for these Projects. The funds will be released to the City on a reimbursement basis in accordance with invoices submitted in support of the monthly progress report and the quarterly expenditure report submitted to LACMTA a few days after the close of each quarter. The City recognized \$849,807 and \$1,089,643 of revenue from these projects during the years ended June 30, 2019 and 2018, respectively. A portion of the FY 2018 revenue recognized is the reimbursement for an acquisition, by the City using its general fund, of a property required for the Rosemead Boulevard and Beverly Boulevard Intersection Improvements Project. This amount was spent on project related costs in FY 2019.

NOTE 10 LOCAL TRANSPORTATION SALES TAX REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2018 – PCLRF, MRLRF and MMLRF

In August 2018, the City issued \$14,695,000, Local Transportation Sales Tax Revenue Certificates of Participation, Series 2018. The proceeds will be used to finance the design, acquisition, and construction of certain local roadway and street improvement projects within the jurisdiction, purchase a debt service reserve policy from the reserve fund for the Certificates and to pay costs incurred in connection with the execution, sale and delivery of the Certificates.

PCLRF, MRLRF and MMLRF receipts have been pledged for the payment of the interest and principal on the bonds. Interest on the bonds is payable semi-annually each June 1 and December 1, beginning December 1, 2018. Principal matures each June 1 beginning 2019 and maturing in 2048. Interest rates on the bonds vary between 3.50% and 4.00% with annual principal and interest payments ranging from \$690,000 to \$840,000. Proceeds from the issuance was recorded under a separate Bond Fund. The principal balance of \$14,490,000 is outstanding at June 30, 2019.

In FY2018/19, the City has MMLRF expenditures which pertains to payment applied to principal and interest amounting to \$694,346.

NOTE 11 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND REVENUE ALLOCATION

The revenue allocations for the years ended June 30, 2019 and 2018 is as follows:

		<u>2019</u>		<u>2018</u>
FY 2015/16 allocation	\$	1,144	\$	11,218
FY 2016/17 allocation		11,650		-
	\$	<u>12,794</u>	\$	<u>11,218</u>

NOTE 12 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUNDS RESERVED

In accordance with TDA Article 3 (SB821) Guidelines, funds which will not be 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 LACMTA. As of June 30, 2019 and 2018, the City has funds on reserve as follows:

		<u>2019</u>		<u>2018</u>
FY 2015/16 reserve	\$	-	\$	1,144
FY 2016/17 reserve		30,880		42,530
FY 2017/18 reserve		41,861		41,861
FY 2018/19 allocation		43,420		-
	\$	<u>116,161</u>	\$	<u>85,535</u>

For FY 2018/19, any TDA Article 3 funds left on reserve for FY 2014/15 or prior, are subject to lapse if not claimed by the City by June 30, 2019. There were no funds that lapsed in FY 2018/19.

NOTE 13 SUBSEQUENT EVENTS

The City has evaluated subsequent events through December 10, 2019, the date the financial statements were available to be issued, and concluded no events have occurred that require disclosure or adjustments to the financial statements.

**Report of Independent Auditors 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 Pico Rivera, California and the
Los Angeles County Metropolitan Transportation Authority**

We have audited, in accordance with the 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, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Pico Rivera, California (the City) as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated December 10, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the Funds' financial statements, we considered the City's internal control over the Funds' 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 Funds' 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 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 results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Glendale, California
December 10, 2019**

COMPLIANCE SECTION

Report of Independent Auditors on Compliance

**To the Honorable Members of the City Council of the
City of Pico Rivera, California and the
Los Angeles County Metropolitan Transportation Authority**

Report on Compliance

We have audited the compliance of the City of Pico Rivera, 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 Transportation Development Act Article 3 Bicycle and Pedestrian Funds (collectively, the Guidelines) for the year ended June 30, 2019.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on the City's compliance with the Guidelines based on our audit. We conducted our audit of compliance in accordance with the 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. Those standards and the Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the Proposition A Local Return Program, Proposition C Local Return Program, Measure R Local Return Program, Measure M Local Return Fund 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

In our opinion, the City of Pico Rivera, California complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2019.



Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements 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 a combination of deficiencies, in internal control over compliance with the requirements, such that there is a reasonable possibility that material noncompliance 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 might 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 black ink that reads "Vaqueria & Company LLP".

**Glendale, California
December 10, 2019**

**City of Pico Rivera
Compliance Matrix
Year ended June 30, 2019**

Compliance Requirements	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				
2. Timely use of funds.	X				
3. Funds expended were approved and have not been substituted for property tax.	X				
4. Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A)	X				
5. Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	X				
6. All on-going and carryover projects were reported in Form B.	X				
7. Annual Project Summary Report (Form B) was submitted timely.	X				
8. Annual Expenditure Report (Form C) was submitted timely.	X				
9. Cash or cash equivalents are maintained.	X				
10. Accounting procedures, record keeping and documentation are adequate.	X				
11. Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	X				
12. Local Return Account is credited for reimbursable expenditures.			X		
13. Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.			X		
14. Assurances and Understandings form was on file.	X				
15. Recreational Transit Form was submitted timely.			X		

See report of independent auditors on compliance.

**City of Pico Rivera
Compliance Matrix
Year ended June 30, 2019**

Compliance Requirements	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				
2. Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	X				
3. Signed Assurances and Understandings on file.	X				
4. Separate Measure R Local Return Account was established.	X				
5. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X				
6. Funds were expended with LACMTA's approval.	X				
7. Expenditure Plan (Form One) was submitted timely.	X				
8. Expenditure Report (Form Two) was submitted timely.	X				
9. Timely use of funds.	X				
10. Administrative expenses are within the 20% cap.			X		There were no administrative expenditures charged to MRLRF.
11. Fund exchanges were approved by LACMTA.			X		
12. A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.			X		
13. Recreational transit form was submitted timely.			X		

See report of independent auditors on compliance.

**City of Pico Rivera
Compliance Matrix
Year ended June 30, 2019**

Compliance Requirements	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				
2. Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a fund shortfall.	X				
3. Signed Assurances and Understandings on file.	X				
4. Separate Measure M Local Return Account was established.	X				
5. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	X				
6. Funds were expended with LACMTA's approval.	X				
7. Expenditure Plan (Form M-One) was submitted timely.	X				
8. Expenditure Report (Form M-Two) was submitted timely.	X				
9. Timely use of funds.	X				
10. Administrative expenses are within the 20% cap.			X		There were no administrative expenditures charged to MMLRF.
11. Fund exchanges were approved by LACMTA.			X		
12. A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.			X		
13. Recreational transit form was submitted timely.			X		

See report of independent auditors on compliance.

**City of Pico Rivera
Compliance Matrix
Year ended June 30, 2019**

Compliance Requirements	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				
2. Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.	X				

See report of independent auditors on compliance.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**City of Pico Rivera
Schedule of Findings and Questioned Costs
Year ended June 30, 2019**

There were no findings noted.

EXIT CONFERENCE

An exit conference was held on December 10, 2019 with the City of Pico Rivera representatives. Those in attendance were:

Vasquez and Company LLP representative:
Marialyn Salvador – Audit Senior Manager

City of Pico Rivera representatives:
Carlos Carrazco – Director of Finance
Hazel Vitancol-De Guzman – Senior Accountant

Matters discussed:

Results of the audit disclosed no significant compliance and financial statement issues.

A copy of this report was forwarded to the following City of Pico Rivera representatives for comments prior to the issuance of the final report:

Carlos Carrazco – Director of Finance
Hazel Vitancol-De Guzman – Senior Accountant



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Vasquez & Company LLP has 50 years of experience in performing audit, accounting & consulting services for all types of nonprofit organizations, for-profit companies, governmental entities and publicly traded companies. Vasquez is a member of the RSM US Alliance. RSM US Alliance provides its members with access to resources of RSM US LLP. RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International. Visit [rsmus.com/about us](http://rsmus.com/about-us) for more information regarding RSM US LLP and RSM International. The RSM™ logo is used under license by RSM US LLP. RSM US Alliance products and services are proprietary to RSM US LLP.