



MetroTM

**City of Azusa
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 Azusa, 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 Azusa, 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 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 Azusa, 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.

Other Matter

As discussed in Note 15, the fiscal year 2018 financial statements of Proposition C Local Return Fund have been restated to recognize the receipt of the LACMTA Call for Projects grant. Measure R Local Return Fund have been restated to remove certain expenditures related to Sierra Madre Street Improvement (Bond) from Measure R Local Return Fund that were funded by other grants. Our opinion is not modified with respect to these matters.

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 Azusa, 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 16, 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 "Vazquez & Company LLP". The signature is written in a cursive, flowing style.

**Glendale, California
December 16, 2019**

**City of Azusa
Proposition A Local Return Fund
Balance Sheets**

		June 30	
		2019	2018
ASSETS			
Cash and investments	\$	2,289,809	\$ 2,026,453
Accounts receivable		26,859	39,947
Interest receivable		11,669	4,220
Prepaid expense		145	150
Total assets	\$	<u>2,328,482</u>	<u>\$ 2,070,770</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	51,776	\$ 43,715
Accrued payroll and employee benefits		30,856	23,975
Accrued expenses		2,392	1,421
Total liabilities		<u>85,024</u>	<u>69,111</u>
Deferred inflow of resources			
Unavailable revenue		24,305	36,041
Total deferred inflow of resources		<u>24,305</u>	<u>36,041</u>
Fund balance			
Restricted		2,219,153	1,965,618
Total fund balance		<u>2,219,153</u>	<u>1,965,618</u>
Total liabilities, deferred inflow of resources and fund balance	\$	<u>2,328,482</u>	<u>\$ 2,070,770</u>

See notes to Funds financial statements.

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

	Years ended June 30	
	2019	2018
Revenues		
Proposition A	\$ 999,027	\$ 923,057
Proposition A Discretionary Incentive Program grant	-	43,235
Interest income	30,537	27,594
Project generated revenues	149,992	116,315
Other revenues	844	510
Total revenues	1,180,400	1,110,711
 Expenditures		
Various projects	926,865	724,633
Total expenditures	926,865	724,633
 Excess of revenues over expenditures	 253,535	 386,078
 Fund balance at beginning of year	 1,965,618	 1,579,540
 Fund balance at end of year	 \$ <u><u>2,219,153</u></u>	 \$ <u><u>1,965,618</u></u>

See notes to Funds financial statements.

City of Azusa
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)	
130-01	Demand Response	\$ 835,000	\$ 774,217	\$ 60,783	\$ 636,988
130-02	Passenger Van Rental	18,750	-	18,750	-
150-01	Bus Stop Improvements	760,000	14,173	745,827	-
160-01	Bus Shelter Construction	14,180	-	14,180	-
170-03	Transit Shelter Maintenance	45,000	19,555	25,445	20,181
180-01	Bus Replacement and Dispatch Equipment	45,000	-	45,000	-
300-02	Transportation Office Remodel	-	-	-	13,640
410-01	Rideshare Program	21,890	16,051	5,839	-
480-01	Direct Administration	150,000	102,869	47,131	53,824
Total expenditures		\$ 1,889,820	\$ 926,865	\$ 962,955	\$ 724,633

See report of independent auditors.

City of Azusa
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>
1992	5 Drawer Lateral File	\$ 771	\$ -	\$ -	\$ 771
1992	Training Video recorder	866	-	-	866
1993	2-Way Radios	9,411	-	-	9,411
1993	1993 Ford Collins #78-11 Passenger Vehicle	40,987	-	-	40,987
1994	1994 Ford Collins #79-11 Passenger Vehicle	40,987	-	-	40,987
1995	1995 Ford Collins #80-11 Passenger Vehicle	40,987	-	-	40,987
1996	HP LaserJet 4 Printer and Accessories	1,688	-	-	1,688
1996	HP Plain Paper Fax Machine	509	-	-	509
1996	GE 18 Cubic Foot Refrigerator	541	-	-	541
1996	46" RCA Television	1,623	-	-	1,623
1997	Bearcom Wireless-6 ea. Low Band 2-Way Radio	3,601	-	-	3,601
1997	5 Drawer Lateral File Cabinet	708	-	-	708
1997	"U" Shaped Workstation	592	-	-	592
1997	Lucent Technologies-Telephone Switch	16,950	-	-	16,950
1997	L&T Sink Co.	725	-	-	725
1997	Vega Audio/Radio Console	1,366	-	-	1,366
2001	1994 Ford Collins#79-11 Rebuild Transmission	2,948	-	-	2,948
2012	12 Starcraft Allstar 22' Unit # 42083	64,306	-	-	64,306
2012	12 Starcraft Allstar 22' Unit # 42084	64,306	-	-	64,306
Total		\$ 293,872	\$ -	\$ -	\$ 293,872

See report of independent auditors.

**City of Azusa
Proposition C Local Return Fund
Balance Sheets**

		June 30	
		2019	(as restated) 2018
ASSETS			
Cash and investments	\$	2,293,626	\$ 1,843,648
Accounts receivable		427	49,610
Interest receivable		11,729	4,023
Prepaid expense		145	50
Total assets	\$	2,305,927	\$ 1,897,331
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	77,150	\$ 82,935
Accrued payroll and employee benefits		19,253	14,706
Accrued expenses		2,657	8,660
Total liabilities		99,060	106,301
Deferred inflow of resources			
Unavailable revenue		-	6,034
Total deferred inflow of resources		-	6,034
Fund balance			
Restricted		2,206,867	1,784,996
Total fund balance		2,206,867	1,784,996
Total liabilities, deferred inflow of resources and fund balance	\$	2,305,927	\$ 1,897,331

See notes to Funds financial statements.

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

	Years ended June 30	
	2019	(as restated) 2018
Revenues		
Proposition C	\$ 828,665	\$ 767,248
Interest income	31,020	26,778
Project generated revenues	16,281	22,986
Other revenues	89,653	79,933
Federal grants	51,924	-
LACMTA Call for Projects grant	-	3,600
Total revenues	1,017,543	900,545
 Expenditures		
Expenditures funded by PCLRF	595,672	629,260
Expenditures funded by General Funds	8,621	-
Total expenditures	604,293	629,260
 Excess of revenues over expenditures	413,250	271,285
 Other Financing Sources		
Transfer in from General Fund	8,621	-
Total Other Financing Sources	8,621	-
 Change in fund balance	421,871	271,285
Fund balance at beginning of year	1,784,996	1,513,711
Fund balance at end of year	\$ 2,206,867	\$ 1,784,996

See notes to Funds financial statements.

City of Azusa
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)	
120-01	Metrolink Shuttle	\$ 343,520	\$ 236,876	\$ 106,644	\$ 187,923
130-02	Passenger Van Rental	6,250	-	6,250	-
140-01	Recreation and Special Events	30,000	26,667	3,333	24,839
210-01	Traffic Management System	533,565	-	533,565	-
250-01	Bus Pass Subsidy Program	146,000	108,973	37,027	117,420
270-03	Transportation Improvement Consultant	10,000	12,331	(2,331)	8,466
300-02	Transportation Office Remodel	-	-	-	4,547
310-01	Parking Structure Maintenance	80,000	72,800	7,200	125,290
410-01	Rideshare Program	21,890	16,051	5,839	-
440-01	Street Improvement on Azusa Ave and San Gabriel Ave	-	-	-	67,595
440-02	Azusa Avenue Pavement Rehabilitation	23,780	3,078	20,702	-
450-01	Foothill Boulevard Street Improvements	790,000	-	790,000	-
470-01	Pavement Management System	108,500	-	108,500	-
480-02	Direct Administration	152,000	118,896	33,104	93,180
Total expenditures		\$ 2,245,505	\$ 595,672	\$ 1,649,833	\$ 629,260

See report of independent auditors.

City of Azusa
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
1996	96 Ford El Dorado-12 Passenger Van w/ Wheel Chair Lift \$	57,638	-	-	57,638
1997	HP Laserjet5 Printer and Accessories	1,689	-	-	1,689
1997	Jet Algo Pentium Computer	2,484	-	-	2,484
1997	Jet Algo Pentium Computer	2,484	-	-	2,484
1997	Lucent Technologies-Telephone Switch	11,609	-	-	11,609
1997	Infotelm/Base-Station Installed	2,484	-	-	2,484
1997	Shop Fire Door	586	-	-	586
1997	L&T Sink Cabinets	3,110	-	-	3,110
1997	Jet Algo Pentium II/333 Computer	2,003	-	-	2,003
1999	99 Ford Collins-World Trans Commuter 16 Passenger	58,894	-	-	58,894
2003	2005 Goshen GC11-CNG	51,527	-	-	51,527
2007	StarCraft Starlite Vehicle	22,326	-	-	22,326
2008	12 Radios	14,089	-	-	14,089
Total		\$ 230,923	\$ -	\$ -	\$ 230,923

See report of independent auditors.

**City of Azusa
Measure R Local Return Fund
Balance Sheets**

	June 30	
	2019	(as restated) 2018
ASSETS		
Cash and investments	\$ 2,710,704	\$ 2,828,194
Accounts receivable	104,420	1,096,017
Interest receivable	6,734	-
Total assets	\$ 2,821,858	\$ 3,924,211
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ 1,672
Accrued expenses	21,525	4,036
Accrued payroll and employee benefits	348	3,641
Total liabilities	21,873	9,349
Deferred inflow of resources		
Unavailable revenue	66,661	1,043,445
Total deferred inflow of resources	66,661	1,043,445
Fund balance		
Restricted - Total Road Improvement Program	2,453,821	2,460,666
Restricted	279,503	410,751
Total fund balance	2,733,324	2,871,417
Total liabilities, deferred inflow of resources and fund balance	\$ 2,821,858	\$ 3,924,211

See notes to Funds financial statements.

City of Azusa
Measure R Local Return Fund

Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2019	(as restated) 2018
Revenues		
Measure R	\$ 621,677	\$ 573,464
Interest income	73,706	38,282
Other revenues	-	35,817
Total revenues	695,383	647,563
 Expenditures		
Various projects	833,476	1,894,992
Total expenditures	833,476	1,894,992
 Deficiency of revenues over expenditures	(138,093)	(1,247,429)
 Fund balance at beginning of the year	2,871,417	4,118,846
 Fund balance at end of year	\$ 2,733,324	\$ 2,871,417

See notes to Funds financial statements.

City of Azusa
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			(as restated)
		LACMTA Budget	Actual	Variance Positive (Negative)	2018 Actual
1.05	Operations for Signage, Concrete, Asphalt, Painting, Signals	\$ -	\$ 393,297 *	\$ (393,297)	\$ 413,442
1.05	1st Street Improvement (Bond)	-	-	-	130,000
1.05	Sierra Madre Street Improvement (Bond)	41,440	-	41,440	-
1.90	Road and Street Work Inspector/Oversight	245,000	114,634	130,366	119,344
2.00	MR TRIP Bond Reimbursable Expenditures	-	66,661 *	(66,661)	-
2.01	Traffic Signal Installation at Foothill and Palm	45,840	23,781	22,059	20,575
2.05	Sierra Madre Street Improvement (Bond)	-	-	-	760,049
2.05	Traffic Management System	200,000	-	200,000	-
2.29	Traffic Signal and Modifications for Synchronization (TRIP)	226,350	230,290	(3,940)	233,509
2.26	Azusa Traffic Management Systems (Bond)	-	-	-	198,082
8.10	Fund Administration (20% Cap)	10,000	4,813	5,187	19,991
	Total expenditures	\$ 768,630	\$ 833,476	\$ (64,846)	\$ 1,894,992

* See Compliance Matrix and Schedule of Findings and Questioned Costs.

See report of independent auditors.

City of Azusa
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>
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See report of independent auditors.

**City of Azusa
Measure M Local Return Fund
Balance Sheets**

		June 30	
		2019	2018
ASSETS			
Cash and investments	\$	1,191,257	\$ 521,251
Total assets	\$	1,191,257	\$ 521,251
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	166,409	\$ -
Accrued payroll and employee benefits		2,500	-
Total liabilities		168,909	-
 Fund balance			
Restricted		1,022,348	521,251
Total fund balance		1,022,348	521,251
Total liabilities and fund balance	\$	1,191,257	\$ 521,251

See notes to Funds financial statements.

City of Azusa
Measure M Local Return Fund

Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2019	2018
Revenues		
Measure M	\$ 699,738	\$ 519,690
Interest income	9,318	1,561
Total revenues	709,056	521,251
Expenditures		
Expenditures funded by MMLRF	207,959	-
Expenditures funded by General Funds	13,637	-
Total expenditures	221,596	-
Excess of revenues over expenditures	487,460	521,251
Other funding source		
Transfer in from General Fund	13,637	-
Total other funding source	13,637	-
Change in fund balance	501,097	521,251
Fund balance at beginning of year	521,251	-
Fund balance at end of year	\$ 1,022,348	\$ 521,251

See notes to Funds financial statements.

City of Azusa
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	Alosta Ave Street Improvement	\$ 40,000	\$ -	\$ 40,000	\$ -
1.05	Arrow Highway Street Improvement	50,000	-	50,000	-
1.05	Vernon Avenue Street Improvement	290,405	166,367	124,038	-
1.05	Newburgh Street Pavement Preservation	80,000	-	80,000	-
8.10	Administration (20%)	40,200	41,592	(1,392)	-
Total expenditures		\$ 500,605	\$ 207,959	\$ 292,646	\$ -

See report of independent auditors.

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

		June 30	
		2019	2018
ASSETS			
Cash		\$ -	\$ -
	Total assets	\$ -	\$ -
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable		\$ -	\$ -
	Total liabilities	-	-
Fund balance			
Restricted		-	-
	Total fund balance	-	-
	Total liabilities and fund balance	\$ -	\$ -

See notes to Funds financial statements.

City of Azusa
 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:		
TDA Article 3	\$ 16,044	\$ 84,715
Total revenues	16,044	84,715
Expenditures		
Various projects	16,044	84,715
Total expenditures	16,044	84,715
Excess of revenues over expenditures	-	-
Fund balance at beginning of year	-	-
Fund balance at end of year	\$ -	\$ -

See notes to Funds financial statements.

City of Azusa
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	Program Year	Totals to Date		Unexpended Allocations	Project Status
		Allocations	Expenditures		
Local Allocations:					
Pedestrian Crosswalk Beacons	2019	\$ 4,002	\$ 4,002	\$ -	Completed
Traffic Calm San Gabriel/2nd Ave	2019	4,464	4,464	-	Completed
Pedestrian Access Master Plan	2019	7,578	7,578	-	Completed
Totals		<u>\$ 16,044</u>	<u>\$ 16,044</u>	-	
Fund balance at beginning of year				-	
Fund balance at end of year				<u>\$ -</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), Measure M Local Return Fund (MMLRF) and the Transportation Development Act Article 3 Fund (TDAA3F) (collectively, the Funds) of the City of Azusa (the City) 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 are 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 ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2019 and 2018 consisted of the following:

PALRF

	2019	2018
Los Angeles County –	\$ 24,305	\$ 36,041
Department of Public Works		
Clear Channel	2,091	2,577
Script sale	415	460
Fees/riders fares	48	869
	\$ 26,859	\$ 39,947

NOTE 8 ACCOUNTS RECEIVABLE (CONTINUED)

PCLRF

	2019	2018
Fees/riders fares	\$ 427	\$ 630
KOA (vendor refund)	-	48,860
Others	-	120
	\$ 427	\$ 49,610

MRLRF

	2019	2018
Bond Trustee	\$ 66,661	\$ 1,043,445
KOA (vendor refund)	37,759	32,573
City of Azusa	-	19,999
	\$ 104,420	\$ 1,096,017

NOTE 9 PROPOSITION A DISCRETIONARY INCENTIVE PROGRAM GRANT

The Proposition A Discretionary Incentive Program Grant represents additional funds received from LACMTA for participating in the Voluntary NTD Program. The amounts received for the years ended June 30, 2019 and 2018 consisted of the following:

	2019	2018
FY 2014/15 Voluntary NTD Reporting Program Year	\$ -	\$ 43,235
FY 2013/14 Voluntary NTD Reporting Program Year	-	-
	\$ -	\$ 43,235

The Proposition A Discretionary Incentive Grants were recorded under PALRF.

NOTE 10 PROJECT GENERATED REVENUES

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

PALRF

	2019	2018
County Dial-A-Ride	\$ 133,736	\$ 97,715
Fees/riders fares	9,297	10,314
Fees/advertising	6,959	8,286
	\$ 149,992	\$ 116,315

NOTE 10 PROJECT GENERATED REVENUES (CONTINUED)

PCLRF

	<u>2019</u>	<u>2018</u>
Metrolink and bus pass sales	\$ 10,784	\$ 18,013
Fees/riders fares	5,497	4,973
	<u>\$ 16,281</u>	<u>\$ 22,986</u>

NOTE 11 OTHER REVENUES

Other revenues for the years ended June 30, 2019 and 2018 consisted of the following:

PALRF

	<u>2019</u>	<u>2018</u>
Insurance reimbursement	\$ 844	\$ 510
	<u>\$ 844</u>	<u>\$ 510</u>

PCLRF

	<u>2019</u>	<u>2018</u>
Gold Line lease	\$ 89,371	\$ 72,413
Insurance reimbursement	282	120
Foothill Transit Park and Ride	-	7,400
	<u>\$ 89,653</u>	<u>\$ 79,933</u>

MRLRF

	<u>2019</u>	<u>2018</u>
TRIP reimbursement from Bond Trustee	\$ -	\$ 35,817
	<u>\$ -</u>	<u>\$ 35,817</u>

NOTE 12 TOTAL ROAD IMPROVEMENT PROGRAM (TRIP) CERTIFICATES OF PARTICIPATION (COP), Series 2018

In March 2016, the City issued \$3,500,000 of Series 2016 Certificates of Participation (“COPs”) through the California Communities’ Total Road Improvement Program (TRIP) for the purpose of financing the design, acquisition, and construction of certain roadway and street improvement projects in the City of Azusa. The COPs are secured and payable solely from the City’s annual Local Measure R Sales Tax receipts. The interest rate on the COPs ranges from 2.0% to 5.0% with annual principal and interest payments ranging from \$226,144 to \$230,963. Principal and interest is payable each June 1 and December 1, commencing December 1, 2016; maturing on June 1, 2036. Proceeds from the issuance of COP was recorded under MRLRF.

NOTE 12 TOTAL ROAD IMPROVEMENT PROGRAM (TRIP) CERTIFICATES OF PARTICIPATION (COP), Series 2018 (CONTINUED)

On March 24, 2016, LACMTA approved the City's Five-Year Capital Improvement Program that includes the projects for the use of the MRLRF in connection with the TRIP Financing Program as described above.

The following is the capital reserve balance for the TRIP project:

Capital reserve balance at June 30, 2017	\$	3,512,735
Add: Investment income allocated during FY 2018		36,062
Less: Expenditures during FY 2018		<u>(1,088,131)</u>
Capital reserve balance at June 30, 2018		2,460,666
Add: Investment income allocated during FY 2019		59,816
Less: Expenditures during FY 2019		<u>(66,661)</u>
Capital reserve balance at June 30, 2019	\$	<u><u>2,453,821</u></u>

NOTE 13 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND REVENUE ALLOCATION

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

		<u>2019</u>		<u>2018</u>
FY 2013/14 allocation	\$	-	\$	38,566
FY 2014/15 allocation		-		15,838
FY 2015/16 allocation		527		30,311
FY 2016/17 allocation		<u>15,517</u>		-
	\$	<u><u>16,044</u></u>	\$	<u><u>84,715</u></u>

NOTE 14 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	\$	-	\$	527
FY 2016/17 reserve		17,238		32,755
FY 2017/18 reserve		32,234		32,234
FY 2018/19 allocation		<u>33,739</u>		-
	\$	<u><u>83,211</u></u>	\$	<u><u>65,516</u></u>

**NOTE 14 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUNDS RESERVED
(CONTINUED)**

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 15 RESTATEMENT OF 2018 PCLRF and MRLRF FINANCIAL STATEMENTS

The 2018 financial statements of PCLRF and MRLRF were restated to reflect the adjustments on the following accounts:

PCLRF

	Balance, as previously reported	Adjustment	Balance, as adjusted
Cash and investments	\$ 1,840,048	\$ 3,600	\$ 1,843,648
Accounts payable	83,005	(70)	82,935
Accrued expenses	8,494	166	8,660
Fund balance	1,781,492	3,504	1,784,996
LACMTA Call for Projects grant	-	3,600	3,600

MRLRF

	Balance, as previously reported	Adjustment	Balance, as adjusted
Cash and investments	\$ 2,827,392	\$ 802	\$ 2,828,194
Accrued expenses	4,330	(294)	4,036
Accrued payroll and employee benefits	4,852	(1,211)	3,641
Fund balance	2,869,110	2,307	2,871,417
Expenditures	1,897,299	(2,307)	1,894,992

The restatement of the Proposition C Local Return Fund financial statements is to recognize the receipt of the LACMTA Call for Projects grant.

In November 2015, the LACMTA and the City entered into a funding agreement for the City of Azusa Traffic Management System (LACMTA CFP# F5309). Under the agreement, LACMTA agrees to reimburse the City up to \$3,507,490 in Proposition C 25% funds. The City prepares and submits to LACMTA a request for reimbursement for actual allowable project costs incurred and paid for by the City consistent with the scope of work. The City recognized \$3,600 of revenues from this program during the year ended June 30, 2018.

The restatement of the Measure R Local Return Fund financial statements is to remove certain expenditures related to Sierra Madre Street Improvement (Bond) from Measure R Local Return Fund that were funded by other grants.

NOTE 16 SUBSEQUENT EVENTS

The City has evaluated subsequent events through December 16, 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 Azusa, 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 Azusa, 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 16, 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.

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

**Glendale, California
December 16, 2019**

COMPLIANCE SECTION

Report of Independent Auditors on Compliance

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

Report on Compliance

We have audited the compliance of the City of Azusa, 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 Program and Transportation Development Act Article 3 Program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the Guidelines. However, our audit does not provide a legal determination of the City's compliance with the Guidelines.



Opinion

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with the requirements, which are described in the accompanying Schedule of Findings and Questioned Costs as Findings #2019-001 and #2019-002. Our opinion 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 Questioned Costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the 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 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, we identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Finding #2019-002, that we consider to be a significant deficiency.



The City's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

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.

Vasquez & Company LLP

**Glendale, California
December 16, 2019**

**City of Azusa
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			See Finding #2019-001
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 Azusa
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			See Finding #2019-002
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				
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 Azusa
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				
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 Azusa
 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 Azusa
Schedule of Findings and Questioned Costs
Year ended June 30, 2019

PALRF and PCLRF: Finding #2019-001

Compliance Reference	<p>Under Section II(C)(7) of the Proposition A and Proposition C Local Return Guidelines, Jurisdictions are required to certify that they have conducted and maintain Pavement Management Systems (PMS) when proposing “Street Repair and Maintenance” or “Bikeway” projects.</p> <p>Self-certifications executed by the Jurisdiction’s Engineer or designated, registered civil engineer, must be submitted with a Form A for new street maintenance or bikeway projects, or Form B (biannually) for ongoing projects, to satisfy “Street Repair and Maintenance” and “Bikeway” project eligibility criteria.</p>
Condition	<p>The City has not submitted a signed Pavement Management System (PMS) certification in FY 2018/19, which is required to be conducted and maintained every 3 years. The City’s latest certification submitted to LACMTA in June 2016 had a May 2016 inventory update and review of pavement condition completion date which was already over 3 years as of June 30, 2019.</p>
Cause	<p>Due to circumstances beyond the City’s control, the City was delayed in retaining a consultant to update the City’s PMS prior to the audit report.</p>
Effect	<p>The City was not in compliance with respect to the certification of PMS in conformance with the criteria stipulated in the Local Return Guidelines. As such, any local return funds spent may be required to be returned to the Local Return Funds.</p>
Recommendation	<p>The City should submit to LACMTA a signed certification that it has a PMS for eligibility of its new or ongoing street maintenance or bikeway projects and keep it on file.</p>
Management’s Response	<p>The City will submit a signed Pavement Management System certification at a minimum every other year to comply with the reporting requirement.</p>
Finding Corrected During the Audit	<p>The City of Azusa submitted the new certification on November 18, 2019. No additional follow up is required.</p>

City of Azusa
Schedule of Findings and Questioned Costs
Year ended June 30, 2019

MRLRF: Finding #2019-002

<p>Compliance Reference</p>	<p>Section B (II) of Measure R Local Return Program Guideline states that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1st of each year.</p> <p>Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.</p>
<p>Condition</p>	<p>The City claimed expenditures for the following MRLRF projects with no prior approval from LACMTA:</p> <ul style="list-style-type: none"> a. Project code 1.05, Operations for Signage, Concrete, Asphalt, Painting, Signals, totaling \$393,297; and b. Project Code 2.00, MR TRIP Bond Reimbursable Expenditures, totaling \$66,661. <p>These projects were previously approved when the TRIP bonds were issued in 2016, however, the City is still required to submit Form One every year, carry over the budget, and have it approved by LACMTA.</p> <p>This is a repeat finding from prior year.</p>
<p>Cause</p>	<p>The City concurs with the finding that the above projects should be included in the Expenditure Plan (Form One) submitted to LACMTA for the projects that will be funded with Measure R. The finding was caused by an oversight by City staff.</p>
<p>Effect</p>	<p>The City claimed expenditures totaling \$459,958 without prior approval from LACMTA. Lack of prior approval results in noncompliance which could impact future funding or result in questioned costs that require funding to be returned to LACMTA.</p>

City of Azusa
Schedule of Findings and Questioned Costs
Year ended June 30, 2019

MRLRF: Finding #2019-002 (Continued)

Recommendation	We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on Measure R-funded projects.
Management's Response	<p>The City relied on a consultant's assistance to maintain budgetary overview while staff was on extended medical leave. Staff has returned and is cross training department members the LACMTA guidelines. The City will obtain LACMTA approval prior to spending LACMTA funded projects.</p> <p>The City submitted a revised Expenditure Plan (Form One) to the LACMTA Program Manager and obtained a retroactive approval of the said project on October 3, 2019.</p>
Finding Corrected During the Audit	LACMTA Program Manager granted retroactive approval of the said project on October 3, 2019. No additional follow up is required.

EXIT CONFERENCE

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

Vasquez and Company LLP representatives:
 Marialyn Salvador – Audit Senior Manager
 Ihab Fakhreddine – Audit Senior Auditor (BCA Watsonrice LLP)

City of Azusa representative:
 Henry Quintero – Senior Accountant

Matters discussed:

Results of the audit disclosed instances of noncompliance with LACMTA Guidelines.

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

Talika Johnson – Finance Director
Henry Quintero – Senior Accountant



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