



MetroTM

**City of Rosemead
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**

	<u>PAGE</u>
FINANCIAL SECTION	
Report of Independent Auditors	1
Proposition A Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	4
Statements of Revenues, Expenditures and Changes in Fund Balance	5
Supplementary Information:	
Schedule of Expenditures – Actual and LACMTA Approved Project Budget	6
Schedule of Capital Assets	7
Proposition C Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	8
Statements of Revenues, Expenditures and Changes in Fund Balance	9
Supplementary Information:	
Schedule of Expenditures – Actual and LACMTA Approved Project Budget	10
Schedule of Capital Assets	11
Measure R Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	12
Statements of Revenues, Expenditures and Changes in Fund Balance	13
Supplementary Information:	
Schedule of Expenditures – Actual and LACMTA Approved Project Budget	14
Schedule of Capital Assets	15
Measure M Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	16
Statements of Revenues, Expenditures and Changes in Fund Balance	17
Supplementary Information:	
Schedule of Expenditures – Actual and LACMTA Approved Project Budget	18
Schedule of Capital Assets	19
Transportation Development Act Article 3 Fund:	
Basic Financial Statements:	
Balance Sheets	20
Statements of Revenues, Expenditures and Changes in Fund Balance	21
Notes to Funds Financial Statements	22
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 <i>Government Auditing Standards</i>	28

COMPLIANCE SECTION

Report of Independent Auditors on Compliance	30
Compliance Matrix	32

SCHEDULE OF FINDINGS AND QUESTIONED COSTS	36
--------------------------------------------------	-----------

EXIT CONFERENCE	39
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FINANCIAL SECTION

Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Proposition A Local Return Fund, 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 Rosemead, 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 Rosemead, 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 Rosemead, 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 November 20, 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
November 20, 2019**

City of Rosemead
Proposition A Local Return Fund
Balance Sheets

		June 30	
		2019	2018
ASSETS			
Cash and investments	\$	752,427	\$ 484,508
Due from LACMTA		74,101	-
Total assets	\$	<u>826,528</u>	<u>\$ 484,508</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	132,247	\$ 118
Accrued payroll and employee benefits		6,521	9,618
Total liabilities		<u>138,768</u>	<u>9,736</u>
Fund balance			
Restricted		<u>687,760</u>	<u>474,772</u>
Total fund balance		<u>687,760</u>	<u>474,772</u>
Total liabilities and fund balance	\$	<u>826,528</u>	<u>\$ 484,508</u>

See notes to Funds financial statements.

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

	Years ended June 30	
	2019	2018
Revenues		
Proposition A	\$ 1,103,864	\$ 1,030,239
Proposition A Discretionary Incentive Program grant	74,101	76,095
Project generated revenues	17,790	18,352
Investment income	18,911	262
Total revenues	1,214,666	1,124,948
 Expenditures		
Various projects	1,001,678	971,585
Total expenditures	1,001,678	971,585
 Excess of revenues over expenditures	 212,988	 153,363
 Fund balance at beginning of year	 474,772	 321,409
 Fund balance at end of year	 \$ 687,760	 \$ 474,772

See notes to Funds financial statements.

City of Rosemead
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)	
110-03	Explorer (Formerly Shopper Shuttle)	\$ 714,200	\$ 714,200	\$ -	\$ 674,147
110-08	Vehicle Maintenance	5,200	4,215	985	2,966
140-05	Recreational Transit	20,000	27,555 *	(7,555)	21,357
170-06	Bus Shelter Maintenance	56,700	51,518	5,182	49,565
270-12	Transportation Planning	20,000	20,000	-	69,882
270-13	SGVCOG Transportation Dues	15,000	15,000	-	15,000
270-14	Training	-	827 *	(827)	434
280-01	Public Transportation Promotions	12,000	10,000	2,000	10,411
480-01	Administration	166,086	158,363	7,723	127,823
Total expenditures		\$ 1,009,186	\$ 1,001,678	\$ 7,508	\$ 971,585

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

See report of independent auditors.

City of Rosemead
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>
09/2015	2016 Ford E450 Cutaway Bus	\$ 45,625	\$ -	\$ -	\$ 45,625
09/2015	2016 Ford E450 Cutaway Bus	45,625	-	-	45,625
09/2015	2016 Ford E450 Cutaway Bus	45,625	-	-	45,625
09/2015	2016 Ford E450 Cutaway Bus	39,905	-	-	39,905
09/2015	2016 Ford E450 Cutaway Bus	39,905	-	-	39,905
	Total	\$ 216,685	\$ -	\$ -	\$ 216,685

See report of independent auditors.

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

		June 30	
		2019	2018
ASSETS			
Cash and investments		\$ 1,205,613	\$ 740,983
	Total assets	\$ 1,205,613	\$ 740,983
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable		\$ 269,510	\$ 208,201
Accrued payroll and employee benefits		3,291	4,143
Retention payable		-	27,568
	Total liabilities	272,801	239,912
Fund balance			
Restricted		932,812	501,071
	Total fund balance	932,812	501,071
	Total liabilities and fund balance	\$ 1,205,613	\$ 740,983

See notes to Funds financial statements.

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

	Years ended June 30	
	2019	2018
Revenues		
Proposition C	\$ 915,624	\$ 852,592
Project generated revenues	35,228	36,958
Investment income	26,272	467
Total revenues	977,124	890,017
 Expenditures		
Various projects	545,383	940,317
Total expenditures	545,383	940,317
Excess (deficiency) of revenues over expenditures	431,741	(50,300)
Fund balance at beginning of year	501,071	551,371
Fund balance at end of year	\$ 932,812	\$ 501,071

See notes to Funds financial statements.

City of Rosemead
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)	
130-04	Dial-A-Ride	\$ 304,700	\$ 265,075	\$ 39,625	\$ 142,869
170-06	Bus Shelter Maintenance	71,000	64,676	6,324	63,247
220-01	Bus/Shelter Public Safety	22,600	20,831	1,769	26,143
250-10	FTZ Bus Pass Subsidy	80,000	71,109	8,891	68,894
440-07	City Wide Striping	44,083	18,988	25,095	31,072
440-08	Garvey Ave Resurfacing Project (21026)	76,000	75,845	155	571,603
440-09	Pavement Analysis - Valley Blvd to Mission Blvd (21027)	-	-	-	17,093
480-01	Administration	27,200	28,859	(1,659)	19,396
500-02	City Entry Monuments	175,000	-	175,000	-
Total expenditures		\$ 800,583	\$ 545,383	\$ 255,200	\$ 940,317

See report of independent auditors.

City of Rosemead
Proposition C 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>
03/2017	Temple City Blvd Sidewalk Infrastructure	\$ 26,733	\$ -	\$ -	\$ 26,733
	Total	<u>\$ 26,733</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,733</u>

See report of independent auditors.

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

		June 30	
		2019	2018
ASSETS			
Cash and investments	\$	1,656,008	\$ 1,130,199
Accounts receivable		38,098	-
Total assets	\$	<u>1,694,106</u>	<u>\$ 1,130,199</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	20,917	\$ 13,854
Accrued payroll and employee benefits		605	2,580
Deferred revenue		38,098	-
Total liabilities		<u>59,620</u>	<u>16,434</u>
Fund balance			
Restricted		<u>1,634,486</u>	<u>1,113,765</u>
Total fund balance		<u>1,634,486</u>	<u>1,113,765</u>
Total liabilities and fund balance	\$	<u>1,694,106</u>	<u>\$ 1,130,199</u>

See notes to Funds financial statements.

City of Rosemead
Measure R Local Return Fund

Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2019	2018
Revenues		
Measure R	\$ 686,916	\$ 640,053
Investment income	40,603	788
Total revenues	727,519	640,841
 Expenditures		
Various projects	206,798	727,996
Total expenditures	206,798	727,996
 Excess (deficiency) of revenues over expenditures	 520,721	 (87,155)
 Fund balance at beginning of year	 1,113,765	 1,200,920
 Fund balance at end of year	 \$ 1,634,486	 \$ 1,113,765

See notes to Funds financial statements.

City of Rosemead
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)	
1.05	Garvey Ave Resurfacing - 21026	\$ -	\$ -	\$ -	10,221
1.05	Valley Blvd Resurfacing Proj Phs I - 2018-19	300,000	-	300,000	-
2.19	Battery Back-up System for Traffic Signals - 27005	75,000	5,223	69,777	187
2.29	Traffic Study Analysis - 28003 - Carry Over	10,735	15,033	(4,298)	-
2.29	Circulation Study - Klingerman/Angelus - 28005	49,575	4,832	44,743	-
2.29	Traffic Impact Analysis 2018-19	40,000	33,732	6,268	-
3.90	Sidewalk Installation Delta Ave - 24005	-	-	-	461,260
3.90	SR2 Sidewalk Gap Closure - Delta Ave 2018-19	75,000	35,231	39,769	-
3.90	Sidewalk Replacement Project 2018-19	63,000	3,022	59,978	-
7.10	SR60 Coalition - Advocacy	-	-	-	36,280
7.90	Transportation Program Planning and Design	37,800	19,392	18,408	165,934
7.90	Planning and Engineering Costs	50,000	50,000	-	-
8.10	Transportation Program Administration	63,500	40,333	23,167	54,114
Total expenditures		\$ 764,610	\$ 206,798	\$ 557,812	\$ 727,996

See report of independent auditors.

City of Rosemead
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>
4/3/2018	Sidewalk Installation Project/Earle and Wells	\$ 542,918	\$ -	\$ -	\$ 542,918
	Total	<u>\$ 542,918</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 542,918</u>

See report of independent auditors.

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

		June 30	
		2019	2018
ASSETS			
Cash and investments	\$	1,383,626	\$ 580,191
Total assets	\$	1,383,626	\$ 580,191
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	-	\$ -
Total liabilities		-	-
Fund balance			
Restricted		1,383,626	580,191
Total fund balance		1,383,626	580,191
Total liabilities and fund balance	\$	1,383,626	\$ 580,191

See notes to Funds financial statements.

City of Rosemead
Measure M Local Return Fund

Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2019	2018
Revenues		
Measure M	\$ 773,916	\$ 580,035
Investment income	29,519	156
Total revenues	803,435	580,191
 Expenditures		
Various projects	-	-
Total expenditures	-	-
 Excess of revenues over expenditures	 803,435	 580,191
 Fund balance at beginning of year	 580,191	 -
 Fund balance at end of year	 \$ 1,383,626	 \$ 580,191

See notes to Funds financial statements.

City of Rosemead
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		Variance Positive (Negative)	2018 Actual
		LACMTA Budget	Actual		
01-002	Walnut Grove Ave Resurfacing Project - 2018-19 Phase II	\$ 440,000	\$ -	\$ 440,000	\$ -
01-003	Crosswalk Installation Project 2018-19	53,000	-	53,000	-
01-008	Valley Blvd Resurfacing Project Phase I 2018-19	200,000	-	200,000	-
Total expenditures		\$ 693,000	\$ -	\$ 693,000	\$ -

See report of independent auditors.

City of Rosemead
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	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See report of independent auditors.

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

		June 30	
		2019	2018
ASSETS			
Cash		\$ -	\$ 5
	Total assets	\$ -	\$ 5
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable		\$ -	\$ -
	Total liabilities	-	-
Fund balance			
Restricted		-	5
	Total fund balance	-	5
	Total liabilities and fund balance	\$ -	\$ 5

See notes to Funds financial statements.

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

	Years ended June 30	
	2019	2018
Revenues		
Intergovernmental Allocations:		
Article 3	\$ -	\$ 100,000
Investment income	-	5
Total revenues	-	100,005
Expenditures		
Construction/Maintenance	-	100,000
Total expenditures	-	100,000
Excess of revenues over expenditures	-	5
Other financing use		
Funds returned to LACMTA	5	-
Total other financing use	5	-
Change in fund balance	(5)	5
Fund balance at beginning of year	5	-
Fund balance at end of year	\$ -	\$ 5

See notes to Funds financial statements.

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 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.

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.

NOTE 5 MEASURE M LOCAL RETURN COMPLIANCE REQUIREMENTS (CONTINUED)

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

The City entered into various Memorandum of Understanding (MOU) agreements with the Los Angeles County Metropolitan Transportation Authority (LACMTA) to receive Proposition A discretionary incentive grants for participating in the National Transit Database (NTD) Voluntary Reporting program. The amounts received for the years ended June 30, 2019 and 2018 consisted of the following:

Program Year	MOU Amount	Amount Received	
		<u>2019</u>	<u>2018</u>
FY 2015/16	\$ 74,101	\$ 74,101	\$ -
FY 2014/15	76,095	-	76,095
		<u>\$ 74,101</u>	<u>\$ 76,095</u>

The Proposition A Discretionary Incentive Grant was recorded under PALRF.

NOTE 9 PROJECT GENERATED REVENUES

PALRF

Project generated revenues represent fare box revenues for PALRF. The City recognized \$17,790 and \$18,352 of project generated revenues for the years ended June 30, 2019 and 2018, respectively.

PCLRF

Project generated revenues under PCLRF for the years ended June 30, 2019 and 2018 are as follows:

		<u>2019</u>		<u>2018</u>
MTA bus pass sales	\$	30,871	\$	32,611
Fare box revenues		4,357		4,347
Total project generated revenues	\$	<u>35,228</u>	\$	<u>36,958</u>

NOTE 10 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 reserve	\$	-	\$	13,073
FY 2014/15 reserve		-		35,950
FY 2015/16 reserve		-		34,900
FY 2016/17 reserve		-		16,077
	\$	<u>-</u>	\$	<u>100,000</u>

NOTE 11 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 2017/18 reserve	\$	20,382	\$	20,382
FY 2018/19 reserve		35,974		35,974
FY 2018/19 allocation		37,278		-
Total reserve	\$	<u>93,634</u>	\$	<u>56,356</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 12 SUBSEQUENT EVENTS

The City has evaluated subsequent events through November 20, 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 Rosemead, 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 Rosemead, 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 November 20, 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 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
November 20, 2019**

COMPLIANCE SECTION

Report of Independent Auditors on Compliance

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

Report on Compliance

We have audited the compliance of the City of Rosemead, 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 Rosemead, 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 to #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. 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 "Vaguez & Company LLP".

**Glendale, California
November 20, 2019**

**City of Rosemead
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			See Finding #2019-001
4. Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A)		X			See Finding #2019-002
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 Rosemead
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				
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 Rosemead
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		There were no expenditures in FY 2018/19.
2. Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a fund shortfall.			X		There were no expenditures in FY 2018/19.
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		There were no expenditures in FY 2018/19.
7. Expenditure Plan (Form M-One) was submitted timely.			X		There were no expenditures in FY 2018/19.
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 expenditures in FY 2018/19.
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 Rosemead
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		There were no expenditures in FY 2018/19.

See report of independent auditors on compliance.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

PALRF: Finding #2019-001

Compliance Reference	Section I(C) of the Proposition A and C Local Return Guidelines states that. " Jurisdictions shall submit for approval a Project Description Form (Form A) prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	<p>The City claimed expenditures for project code 270-14, Training, totaling \$827, with no prior approval from LACMTA.</p> <p>Although we found the expenditures to be eligible for Local Return funding, this project had no prior approval from LACMTA.</p> <p>LACMTA Program Manager subsequently granted a retroactive approval of the said project on October 9, 2019.</p>
Cause	The City was not aware of such requirement to submit amended form A and/or Form B to LACMTA on or before June 30 th . Following past practices, the City reconciled Local Return Funds during the fiscal year-end closeout process to ensure all revenues and expenses were properly accrued, then the City reviewed and ensured that all allowable expenditures were recorded in the financials prior to the annual LACMTA audit.
Effect	Proposition A Local Return funds were expended towards project expenditures without prior approval from LACMTA.
Recommendation	We recommend for the City to establish procedures and controls to ensure that budget approval is obtained through submission of the Project Description Form (Form A) to LACMTA prior to spending on any Local Return-funded projects.
Management's Response	In the future, the projects funded with local return funds will be monitored on a quarterly basis to ensure that Form B and/or Form A are timely submitted to LACMTA on or before June 30, end of the fiscal year.
Finding Corrected During the Audit	LACMTA Program Manager granted retroactive approval of the said project on October 9, 2019. No additional follow up is required.

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

PALRF: Finding #2019-002

Compliance Reference	Section I(C) of the Proposition A and C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	<p>The City exceeded LACMTA's approved budget by more than 25% without obtaining approval through a revised Form A for PALRF's Project Code 140-05, Recreational Transit project. Amount in excess of 25% of the approved budget was \$2,555.</p> <p>Projects with greater than 25% change from the approved project budget should be amended by submitting a Project Description Form (Form A).</p> <p>The City submitted a Form A to the LACMTA Program Manager and obtained a retroactive approval of the project on October 9, 2019.</p>
Cause	The City was not aware of such requirement to submit amended form A and/or Form B to LACMTA on or before June 30 th . Following past practices, the City reconciled Local Return Funds during the fiscal year-end closeout process to ensure all revenues and expenses were properly accrued, then the City reviewed and ensured that all allowable expenditures were recorded in the financials prior to the annual LACMTA audit.
Effect	The City's PALRF project expenditures exceeded 25 percent of LACMTA's approved budget without LACMTA's approval and the City did not comply with the Guidelines.
Recommendation	We recommend that the City submit a revised Form A to obtain LACMTA's approval for the change in project budget and for the City to implement control to ensure compliance with this requirement at all times.

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

PALRF: Finding #2019-002 (Continued)

Management's Response	In the future, the City will closely monitor the Local Return Fund project expenditures on a quarterly basis to help identify the projects that may require additional funding in the future and allow the City to submit project amendments/requests in a timely manner to LACMTA on or before June 30, end of the fiscal year.
Finding Corrected During the Audit	LACMTA Program Manager granted retroactive approval of the said project on October 9, 2019. No additional follow up is required.

EXIT CONFERENCE

An exit conference was held on November 20, 2019 with the City of Rosemead representatives. Those in attendance were:

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

City of Rosemead representatives:
Pearl Lieu – Finance Director
Gloria Molleda – City Manager

Matters discussed:

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

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

Pearl Lieu – Finance Director
Maria Teresita Anson – Finance Manager



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