



MetroTM

**City of Bell Gardens
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 Bell Gardens, 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 Bell Gardens, 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 Bell Gardens, 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 Bell Gardens, 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 17, 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.

Glendale, California

December 17, 2019

**City of Bell Gardens
 Proposition A Local Return Fund
 Balance Sheets**

		June 30	
		2019	2018
ASSETS			
Cash and investments	\$	591,245	\$ 452,469
Interest receivable		2,512	1,087
Due from LACMTA		64,210	64,210
Total assets	\$	657,967	\$ 517,766
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	46,933	\$ 39,729
Total liabilities		46,933	39,729
Fund balance			
Restricted		611,034	478,037
Total fund balance		611,034	478,037
Total liabilities and fund balance	\$	657,967	\$ 517,766

See notes to Funds financial statements.

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

	Years ended June 30	
	2019	2018
Revenues		
Proposition A	\$ 859,739	\$ 801,195
Proposition A Discretionary Incentive Program grant	-	64,210
Interest income	8,214	3,102
Total revenues	867,953	868,507
 Expenditures		
Various projects	734,956	665,119
Total expenditures	734,956	665,119
 Excess of revenues over expenditures	 132,997	 203,388
 Fund balance at beginning of year	 478,037	 274,649
 Fund balance at end of year	 \$ 611,034	 \$ 478,037

See notes to Funds financial statements.

City of Bell Gardens
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		Variance	2018 Actual
		LACMTA Budget	Actual	Positive (Negative)	
110-05	Fixed Route Transit	\$ 130,000	\$ 168,048 *	\$ (38,048)	\$ 60,500
120-01	General Public Transit	491,400	496,910	(5,510)	546,225
130-01	Medical Taxi Service	33,000	40,057	(7,057)	36,247
140-01	Recreational Transit Services	16,000	13,134	2,866	13,598
480-01	Direct Administration	134,080	16,807	117,273	8,549
Total expenditures		\$ 804,480	\$ 734,956	\$ 69,524	\$ 665,119

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

See report of independent auditors.

City of Bell Gardens
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>
1989	Trolley, Town	\$ 172,907	\$ -	\$ -	\$ 172,907
1990	Trolley, Town	172,907	-	-	172,907
1992	Trolley, Town	172,907	-	-	172,907
2009	Bus, Senior	15,963	-	-	15,963
Total		\$ 534,684	\$ -	\$ -	\$ 534,684

See report of independent auditors.

**City of Bell Gardens
Proposition C Local Return Fund
Balance Sheets**

		June 30	
		2019	2018
ASSETS			
Cash and investments	\$	615,957	\$ 774,824
Interest receivable		2,645	1,918
Total assets	\$	<u>618,602</u>	<u>\$ 776,742</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	112,370	\$ 133,415
Total liabilities		<u>112,370</u>	<u>133,415</u>
Fund balance			
Restricted		<u>506,232</u>	<u>643,327</u>
Total fund balance		<u>506,232</u>	<u>643,327</u>
Total liabilities and fund balance	\$	<u>618,602</u>	<u>\$ 776,742</u>

See notes to Funds financial statements.

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

	Years ended June 30	
	2019	2018
Revenues		
Proposition C	\$ 713,129	\$ 660,938
Project generated revenues	56,109	60,975
PCA management rebate	34,194	48,000
Interest income	12,544	5,005
Total revenues	815,976	774,918
Expenditures		
Various projects	953,071	821,362
Total expenditures	953,071	821,362
Deficiency of revenues over expenditures	(137,095)	(46,444)
Fund balance at beginning of year	643,327	689,771
Fund balance at end of year	\$ 506,232	\$ 643,327

See notes to Funds financial statements.

City of Bell Gardens
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)	
110-05	Fixed Route Transit	\$ 463,445	\$ 387,321	\$ 76,124	\$ 499,782
120-01	General Public Transit	122,000	129,776	(7,776)	116,540
200-01	Bell Gardens Senior Bus Replacement	16,000	-	16,000	-
270-01	CALACT Conference and Expo	632	632	-	-
270-02	Pre-Planning Study for Transportation Plan	20,000	15,214	4,786	3,521
270-04	Various Streets Improvement Project (Gage) Design	-	-	-	17,865
270-05	Traffic Studies	131,000	30,371	100,629	-
430-01	Citywide Safety Enhancement - Active Transportation Program	78,000	66,044	11,956	183,654
440-03	Street Improvement No. 3	370,000	323,713	46,287	-
480-01	Direct Administration	240,271	-	240,271	-
Total expenditures		\$ 1,441,348	\$ 953,071	\$ 488,277	\$ 821,362

See report of independent auditors.

City of Bell Gardens
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>
None		\$ -	\$ -	\$ -	\$ -
	Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See report of independent auditors.

**City of Bell Gardens
Measure R Local Return Fund
Balance Sheets**

		June 30	
		2019	2018
ASSETS			
Cash and investments	\$	754,596	\$ 436,506
Interest receivable		2,949	400
Prepaid expense		-	4,887
Total assets	\$	<u>757,545</u>	<u>\$ 441,793</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	22,873	\$ 74,857
Total liabilities		<u>22,873</u>	<u>74,857</u>
Fund balance			
Restricted		<u>734,672</u>	<u>366,936</u>
Total fund balance		<u>734,672</u>	<u>366,936</u>
Total liabilities and fund balance	\$	<u>757,545</u>	<u>\$ 441,793</u>

See notes to Funds financial statements.

City of Bell Gardens
Measure R Local Return Fund

Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2019	2018
Revenues		
Measure R	\$ 535,001	\$ 497,756
Interest income	10,330	5,858
Total revenues	545,331	503,614
Expenditures		
Various projects	177,595	1,024,047
Total expenditures	177,595	1,024,047
Excess (deficiency) of revenues over expenditures	367,736	(520,433)
Fund balance at beginning of year	366,936	887,369
Fund balance at end of year	\$ 734,672	\$ 366,936

See notes to Funds financial statements.

City of Bell Gardens
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	Alley Improvements Project	\$ -	\$ -	\$ -	889,582
1.05	Garfield Ave Rehabilitation	-	-	-	11,128
1.05	Slurry Seal Zone 1 Project	50,000	12,971	37,029	-
1.05	Rehabilitation of Various Streets	150,000	63,875	86,125	-
1.20	Garfield/Clara Intersection Widening	400,000	32,805	367,195	-
3.05	Citywide Safety Enhancement Project - ATP	-	-	-	68,000
4.20	Senior Bus Driver	23,175	28,618	(5,443)	25,669
5.05	Bus Shelter Maintenance	12,400	14,211	(1,811)	11,760
5.10	Senior Bus - Vehicle Repairs and Maintenance	2,590	2,801	(211)	1,328
6.30	Bus Pass Purchases	10,800	6,040	4,760	8,580
7.90	Council of Governments (COG) Dues	16,273	16,274	(1)	8,000
8.10	Fund Administration (20% cap)	177,028	-	177,028	-
Total expenditures		\$ 842,266	\$ 177,595	\$ 664,671	\$ 1,024,047

See report of independent auditors.

City of Bell Gardens
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	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See report of independent auditors.

**City of Bell Gardens
Measure M Local Return Fund
Balance Sheets**

		June 30	
		2019	2018
ASSETS			
Cash and investments	\$	115,891	\$ 432,995
Interest receivable		467	1,309
Total assets	\$	116,358	\$ 434,304
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	100,626	\$ 25,740
Total liabilities		100,626	25,740
Fund balance			
Restricted		15,732	408,564
Total fund balance		15,732	408,564
Total liabilities and fund balance	\$	116,358	\$ 434,304

See notes to Funds financial statements.

City of Bell Gardens
Measure M Local Return Fund

Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2019	2018
Revenues		
Measure M	\$ 602,673	\$ 451,081
Interest income	7,745	2,723
Total revenues	610,418	453,804
Expenditures		
Various projects	1,003,250	45,240
Total expenditures	1,003,250	45,240
Excess (deficiency) of revenues over expenditures	(392,832)	408,564
Fund balance at beginning of year	408,564	-
Fund balance at end of year	\$ 15,732	\$ 408,564

See notes to Funds financial statements.

City of Bell Gardens
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	Rehabilitation of Various Streets	\$ 870,000	\$ 815,010	\$ 54,990	\$ 45,240
1.05	Slurry Seal Zone 1 Project	130,000	114,200	15,800	-
1.05	Gave Ave Improvements Project	50,000	50,000	-	-
7.10	Traffic Studies	50,000	24,040	25,960	-
8.10	Fund Administration (20% cap)	180,525	-	180,525	-
	Total expenditures	\$ 1,280,525	\$ 1,003,250	\$ 277,275	\$ 45,240

See report of independent auditors.

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

		June 30	
		2019	2018
ASSETS			
Cash and investments	\$	798	\$ 48,746
Interest receivable		2	317
Due from LACMTA		700	-
Prepaid expenses		-	2,332
Total assets	\$	1,500	\$ 51,395
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	1,500	\$ 51,395
Total liabilities		1,500	51,395
Fund balance			
Restricted		-	-
Total fund balance		-	-
Total liabilities and fund balance	\$	1,500	\$ 51,395

See notes to Funds financial statements.

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

	Years ended June 30	
	2019	2018
Revenues		
Intergovernmental allocations:		
Article 3	\$ 8,400	\$ 98,113
Interest income	91	602
Total revenues	8,491	98,715
Expenditures		
Various projects	8,491	98,747
Total expenditures	8,491	98,747
Deficiency of revenues over expenditures	-	(32)
Fund balance at beginning of year	-	32
Fund balance at end of year	\$ -	\$ -

See notes to Funds financial statements.

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

Project Description	<u>Program Year</u>	Totals to Date		Unexpended	<u>Project Status</u>
		<u>Allocations</u>	<u>Expenditures</u>	<u>Allocations</u>	
Local Allocations:					
SSARP Intersections Evaluation Study	2019	\$ <u>8,400</u>	\$ <u>8,491</u>	\$ <u>(91)</u>	Ongoing
Totals		\$ <u><u>8,400</u></u>	\$ <u><u>8,491</u></u>	\$ <u>(91)</u>	
Interest income				91	
Fund balance at beginning of year				<u>-</u>	
Fund balance at end of year				\$ <u><u>-</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) 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 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 2015-16 Voluntary NTD Reporting Program Year	\$ -	\$ 64,210
	\$ -	\$ 64,210

The Proposition A Discretionary Incentive Program grants were recorded under PALRF.

NOTE 9 PROJECT GENERATED REVENUES – PCLRF

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

		<u>2019</u>		<u>2018</u>
DART fares	\$	15,473	\$	19,457
Trolley fares		40,636		41,518
	\$	<u>56,109</u>	\$	<u>60,975</u>

NOTE 10 PCA MANAGEMENT REBATES – PCLRF

In September 2008, the City Council awarded a five-year service contract to Parking Company of America (PCA) commencing on January 1, 2009 through December 31, 2013. The City purchased new transit vehicles for the Fixed Route, Dial-A-Ride and Senior Bus programs and presently have been fully paid by the City. PCA desired to share the cost savings with the City. As an incentive for the City to consider the contract extension, PCA offered to provide monthly discount of \$4,000. The monthly discount was retroactively applied on January 1, 2013, under the conditions that the contract extension is approved. On April 22, 2013, the City Council approved a five-year extension of the contract which expires on December 31, 2018. Upon the expiration of the contract, the City and PCA agreed to continue the service on a month to month agreement until March 31, 2019. The City received rebates totaling \$34,194 and \$48,000 for the years ended June 30, 2019 and 2018, respectively.

NOTE 11 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 2014/15 reserve	\$	-	\$	14,521
FY 2015/16 reserve		-		27,196
FY 2016/17 reserve		-		28,416
FY 2017/18 reserve		-		27,980
FY 2018/19 allocation		8,400		-
	\$	<u>8,400</u>	\$	<u>98,113</u>

NOTE 12 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUNDS RESERVED

In accordance with TDA Article 3 (SB821) Guidelines, funds which will not be spent during the fiscal year have been placed on reserve in the Local Transportation Fund (LTF) account with the County Auditor-Controller to be drawn down whenever the funds become eligible for a specific project and an approved drawdown request is received by LACMTA. As of June 30, 2019 and 2018, the City has funds on reserve as follows:

		<u>2019</u>		<u>2018</u>
FY 2018/19 allocation	\$	<u>20,637</u>	\$	<u>-</u>
	\$	<u>20,637</u>	\$	<u>-</u>

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

NOTE 13 SUBSEQUENT EVENTS

The City has evaluated subsequent events through December 17, 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 Bell Gardens, 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 Bell Gardens, 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 17, 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 "Vaughan & Company LLP".

**Glendale, California
December 17, 2019**

COMPLIANCE SECTION

Report of Independent Auditors on Compliance

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

Report on Compliance

We have audited the compliance of the City of Bell Gardens, 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 Bell Gardens, 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 through #2019-004. 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
December 17, 2019**

**City of Bell Gardens
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	X				
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			See Finding #2019-001
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 on Form B.	X				
7. Annual Project Summary Report (Form B) was submitted timely.		X			See Finding #2019-002
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) is 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 Bell Gardens
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			See Finding #2019-003
8. Expenditure Report (Form Two) was submitted timely.	X				
9. Timely use of funds.	X				
10. Administrative expenses are within the 20% cap.			X		There were no administrative expenses charged to MRLRF during 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 Bell Gardens
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			See Finding #2019-004
8. Expenditure Report (Form M-Two) was submitted timely.	X				
9. Timely use of funds.	X				
10. Administrative expenses are within the 20% cap.			X		There were no administrative expenses charged to MMLRF during 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 Bell Gardens
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 Bell Gardens
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 exceeded LACMTA's approved budget by more than 25% without obtaining approval through a revised Form A for PALRF's Project Code 110-05, Fixed Route Transit project. Amount in excess of 25% of the approved budget was \$5,548.</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 revised the direct cost reporting for the General Public transit project. In previous years, all direct cost was reported in General Public Transit project. This year, the City allocated 20% of the direct cost to Fixed Route Transit project since the direct cost applies to both Fixed Route Transit and General Public Transit. This causes the expenditure in the Fixed Route Transit to be 29 percent greater than the approved amount submitted to LACMTA.
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 Bell Gardens
Schedule of Findings and Questioned Costs
Year ended June 30, 2019

PALRF: Finding #2019-001 (Continued)

Management's Response	We agree on the finding and will establish procedures to ensure that any projects exceeding the 25 percent threshold are identified and an updated Project Description Form (Form A) is submitted to LACMTA for approval timely.
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 Bell Gardens
Schedule of Findings and Questioned Costs
Year ended June 30, 2019**

PALRF and PCLRF: Finding #2019-002

Compliance Reference	Section I(C) of the Proposition A and C Local Return Guidelines states that, "Jurisdictions shall submit on or before August 1 st of each fiscal year an Annual Project Update (Form B) to provide current information on all approved on-going and carryover LR projects. LACMTA will review and accept or return the report for changes. Cities shall report the anticipated expenditure cash flow amounts for the covered fiscal year."
Condition	The City submitted its Form B on August 13, 2018, 12 days after the due date of August 1, 2018.
Cause	The Form B report was submitted late due to an oversight by City staff assigned to complete the task.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that the Annual Project Update (Form B) is submitted by August 1 st as required by the Guidelines.
Management's Response	The City is going to reevaluate the processes that are in place to ensure forms are submitted to LACMTA timely.
Finding Corrected During the Audit	The City subsequently submitted the form. No follow up is required.

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

MRLRF: Finding #2019-003

Compliance Reference	<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>
Condition	<p>The City submitted its Expenditure Plan (Form One) on August 13, 2018, 12 days after the due date of August 1, 2018.</p>
Cause	<p>The Form One report was submitted late due to an oversight by City staff assigned to complete the task.</p>
Effect	<p>The City was not in compliance with the reporting requirements of the Local Return Guidelines.</p>
Recommendation	<p>We recommend for the City to establish procedures and controls to ensure that the Expenditure Plan (Form One) is submitted by August 1st as required by the Guidelines.</p>
Management's Response	<p>The City is going to reevaluate the processes that are in place to ensure forms are submitted to LACMTA timely.</p>
Finding Corrected During the Audit	<p>The City subsequently submitted the form. No follow up is required.</p>

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

MMLRF: Finding #2019-004

Compliance Reference	<p>Measure M Local Return Program Guideline states that, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form M-One), annually, by August 1st of each year.</p> <p>Expenditure Plan (Form M-One) provides a listing of projects funded with Measure M LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. Part II is to be filled out for capital projects (projects over \$250,000). LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.</p>
Condition	<p>The City submitted its Expenditure Plan (Form M-One) on August 13, 2018, 12 days after the due date of August 1, 2018.</p>
Cause	<p>The Form M-One report was submitted late due to an oversight by City staff assigned to complete the task.</p>
Effect	<p>The City was not in compliance with the reporting requirements of the Local Return Guidelines.</p>
Recommendation	<p>We recommend for the City to establish procedures and controls to ensure that the Expenditure Plan (Form M-One) is submitted by August 1st as required by the Guidelines.</p>
Management's Response	<p>The City is going to reevaluate the processes that are in place to ensure forms are submitted to LACMTA timely.</p>
Finding Corrected During the Audit	<p>The City subsequently submitted the form. No follow up is required.</p>

EXIT CONFERENCE

An exit conference was held on December 17, 2019 with the City of Bell Gardens representative. Those in attendance were:

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

City of Bell Gardens representative:
Rimo Hanson – Accounting 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 Bell Gardens representatives for comments prior to the issuance of the final report:

Will Kaholokula – Director of Finance and Administration Services
Rimo Hanson – Accounting Manager



www.vasquezcpa.com

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

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