

***CITY OF ARCADIA
ANNUAL FINANCIAL REPORT OF THE
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
FOR THE FISCAL YEARS ENDED
JUNE 30, 2019 AND 2018***



Metro[®]



Simpson & Simpson, LLP
Certified Public Accountants

CITY OF ARCADIA
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FINANCIAL SECTION



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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Proposition A Local Return Fund (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), Measure M Local Return Fund (MMLRF), and Transportation Development Act Article 3 Fund (TDAA3F) (collectively, the Funds), of the City of Arcadia, California (the City) as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the PALRF, PCLRF, MRLRF, MMLRF and TDAA3F of the City of Arcadia, California, as of June 30, 2019 and 2018, and the respective changes in their financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the PALRF, PCLRF, MRLRF, MMLRF and TDAA3F of the City and do not purport to, and do not, present fairly the financial position of the City of Arcadia, California, as of June 30, 2019 and 2018, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on each of the Funds' financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the Funds' financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the Funds' financial statements or to the Funds' 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' financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated December 9, 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 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 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 cursive script that reads "Simpson & Simpson".

Los Angeles, California
December 9, 2019

CITY OF ARCADIA
PROPOSITION A LOCAL RETURN FUND
BALANCE SHEETS
June 30

	2019	2018
ASSETS		
Cash and investments	\$ 2,481,840	\$ 2,230,432
Interest receivable	9,359	6,742
Prepaid item	-	3,000
Unrealized gain on investment	20,624	-
Total assets	\$ 2,511,823	\$ 2,240,174
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 46	\$ 825
Accrued wages	3,259	2,756
Total liabilities	3,305	3,581
 Fund Balance		
Restricted - Pasadena Gold Line Mass Transit Station Project (Note 9)	663,092	704,673
Restricted	1,845,426	1,531,920
Total fund balance	2,508,518	2,236,593
Total liabilities and fund balance	\$ 2,511,823	\$ 2,240,174

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

CITY OF ARCADIA
PROPOSITION A LOCAL RETURN FUND
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Fiscal Years Ended June 30

	2019	2018
REVENUES		
Proposition A	\$ 1,151,846	\$ 1,064,169
Interest income	42,575	27,452
Unrealized gain (loss) on investment	37,968	(20,381)
Miscellaneous	353	-
Total revenues	1,232,742	1,071,240
EXPENDITURES		
Various projects	960,817	875,777
Total expenditures	960,817	875,777
Excess of revenues over expenditures	271,925	195,463
Fund balance at beginning of year	2,236,593	2,041,130
Fund balance at end of year	\$ 2,508,518	\$ 2,236,593

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

CITY OF ARCADIA
PROPOSITION A LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2019
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2018)

Project Code	Project Name	2019			2018 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
120-01	Arcadia Dial-A-Ride Transit	\$ 900,000	\$ 642,250	\$ 257,750	\$ 604,093
140-01	Recreational Transit	21,000	20,599	401	16,284
150-01	Bus Benches and Trash Receptacles @ Local Bus Stops (Replacements)	10,000	-	10,000	-
150-02	Bus Stop Improvements/Maintenance	125,000	118,415	6,585	117,239
270-02	Arcadia Transit Service Restructuring and Feasibility Study	120,000	-	120,000	-
280-01	Regional Light Rail Marketing, Planning and Admin	6,000	-	6,000	-
380-01	Capital Reserves - Pasadena Gold Line Mass Transit Station	400,000	65,243	334,757	31,883
480-01	Direct Administration	115,000	114,310	690	106,278
	Total expenditures	\$ 1,697,000	\$ 960,817	\$ 736,183	\$ 875,777

See accompanying independent auditor's report.

CITY OF ARCADIA
PROPOSITION A LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
 June 30, 2019

<u>Date</u> <u>Acquired</u>	<u>Description</u>	<u>Balance</u> <u>7/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2019</u>
	None	\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

CITY OF ARCADIA
PROPOSITION C LOCAL RETURN FUND
BALANCE SHEETS
June 30

	2019	2018
ASSETS		
Cash and investments	\$ 3,028,406	\$ 2,880,988
Interest receivable	13,681	9,768
Accounts receivable	-	98,757
Unrealized gain on investment	23,144	-
Total assets	\$ 3,065,231	\$ 2,989,513
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 1,900	\$ 190,817
Accrued wages	1,637	1,409
Total liabilities	3,537	192,226
 Fund Balance		
Restricted - Pasadena Gold Line Mass Transit Station Project (Note 9)	994,634	1,057,007
Restricted	2,067,060	1,740,280
Total fund balance	3,061,694	2,797,287
Total liabilities and fund balance	\$ 3,065,231	\$ 2,989,513

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

CITY OF ARCADIA
PROPOSITION C LOCAL RETURN FUND
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Fiscal Years Ended June 30

	2019	2018
REVENUES		
Proposition C	\$ 955,424	\$ 884,154
Interest income	56,206	36,727
Unrealized gain (loss) on investment	43,837	(25,143)
Mini Call for Project Grant (Note 8)	-	140,434
Total revenues	1,055,467	1,036,172
 EXPENDITURES		
Various projects	791,060	597,715
Total expenditures	791,060	597,715
 Excess of revenues over expenditures	264,407	438,457
 Fund balance at beginning of year	2,797,287	2,358,830
 Fund balance at end of year	\$ 3,061,694	\$ 2,797,287

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

CITY OF ARCADIA
PROPOSITION C LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2019
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2018)

Project Code	Project Name	2019			2018 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
380-01	Capital Reserves - Pasadena Gold Line Mass Transit Station	\$ 600,000	\$ 97,865	\$ 502,135	\$ 47,825
440-34	Street Rehab: Duarte Road from Santa Anita Ave. to Fifth Ave.	800,000	-	800,000	160,474
440-36	Huntington Drive Pavement Rehabilitation - West of Michillinda Ave.	12,000	-	12,000	13,400
440-37	Arterial Streets Bridge Rehabilitation	76,000	-	76,000	-
440-38	Street Rehab: Second Ave. From Huntington Dr. to Foothill Blvd.	600,000	362,214	237,786	214,772
440-39	Street Rehab: Huntington Dr. From Santa Clara St. to 5th St.	800,000	164,195	635,805	15,704
440-40	Street Rehab: Miscellaneous Arterial Rehabilitation	400,000	56,657	343,343	-
440-41	Street Rehab: Baldwin Ave. - Camino Real to Las Tunas Minor Repairs	100,000	10,209	89,791	-
450-03	Michillinda Ave. and Sunset Blvd. Intersection Improvements	36,000	-	36,000	41,000
470-01	Pavement Management Study	43,750	990	42,760	10,332
480-01	Direct Administration	110,000	98,930	11,070	94,208
500-01	Gold Line/Downtown Pedestrian Improvements	833,000	-	833,000	-
Total expenditures		\$ <u>4,410,750</u>	\$ <u>791,060</u>	\$ <u>3,619,690</u>	\$ <u>597,715</u>

See accompanying independent auditor's report.

CITY OF ARCADIA
PROPOSITION C LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2019

Date Acquired	Description	Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

CITY OF ARCADIA
MEASURE R LOCAL RETURN FUND
BALANCE SHEETS
June 30

	2019	2018
ASSETS		
Cash and investments	\$ 909,365	\$ 1,054,008
Interest receivable	2,872	2,980
Unrealized gain on investment	8,052	-
Total assets	\$ 920,289	\$ 1,056,988
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 36,041	\$ 48,628
Accrued wages	1,125	967
Total liabilities	37,166	49,595
 Fund Balance		
Restricted	883,123	1,007,393
Total fund balance	883,123	1,007,393
Total liabilities and fund balance	\$ 920,289	\$ 1,056,988

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

CITY OF ARCADIA
MEASURE R LOCAL RETURN FUND
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Fiscal Years Ended June 30

	2019	2018
REVENUES		
Measure R	\$ 716,774	\$ 661,133
Interest income	16,171	17,150
Unrealized gain (loss) on investment	16,828	(7,931)
Metro Express Lanes Net Toll Revenue		
Reinvestment Grant (Note 10)	248,945	-
Total revenues	998,718	670,352
EXPENDITURES		
Various projects	1,122,988	1,440,223
Total expenditures	1,122,988	1,440,223
Deficiency of revenues under expenditures	(124,270)	(769,871)
Fund balance at beginning of year	1,007,393	1,777,264
Fund balance at end of year	\$ 883,123	\$ 1,007,393

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

CITY OF ARCADIA
MEASURE R LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2019
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2018)

Project Code	Project Name	2019			2018 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	Street Rehab: Various Locations	\$ 610,000	\$ 608,872	\$ 1,128	\$ 946,647
3.16	Bike Signals, Detection, Lanes & Parking	407,000	103,615	303,385	1,217
4.20	Ongoing Operation of Arcadia Transit Including Purchased Transportation	607,000	342,826	264,174	402,733
5.15	Arcadia Transit Real - Time Passanger Information Project	100,000	-	100,000	25,128
8.10	Fund Administration (20% cap)	70,000	67,675	2,325	64,498
	Total expenditures	\$ 1,794,000	\$ 1,122,988	\$ 671,012	\$ 1,440,223

See accompanying independent auditor's report.

CITY OF ARCADIA
MEASURE R LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2019

Date	Description	Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019
<u>Acquired</u> 6/30/2019	Cross Gutter Drainage	\$ -	\$ 608,872	\$ -	\$ 608,872
	Total	\$ -	\$ 608,872	\$ -	\$ 608,872

See accompanying independent auditor's report.

CITY OF ARCADIA
MEASURE M LOCAL RETURN FUND
BALANCE SHEETS
June 30

	2019	2018
ASSETS		
Cash and investments	\$ 1,326,180	\$ 597,054
Interest receivable	5,990	2,084
Unrealized gain on investment	10,135	-
Total assets	\$ 1,342,305	\$ 599,138
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 1,049,142	\$ -
Retention payable	54,916	-
Total liabilities	1,104,058	-
 Fund Balance		
Restricted	238,247	599,138
Total fund balance	238,247	599,138
Total liabilities and fund balance	\$ 1,342,305	\$ 599,138

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

CITY OF ARCADIA
MEASURE M LOCAL RETURN FUND
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Fiscal Years Ended June 30

	2019	2018
REVENUES		
Measure M	\$ 806,770	\$ 599,138
Interest income	21,434	4,712
Unrealized gain (loss) on investment	11,778	(4,712)
Total revenues	839,982	599,138
 EXPENDITURES		
Various projects	1,200,873	-
Total expenditures	1,200,873	-
 (Deficiency) excess of revenues (under) over expenditures	(360,891)	599,138
 Fund balance at beginning of year	599,138	-
 Fund balance at end of year	\$ 238,247	\$ 599,138

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

CITY OF ARCADIA
MEASURE M LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2019

Project Code	Project Name	2019			2018 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	Pavement Rehabilitation Program	\$ 1,100,000	\$ 1,100,000	\$ -	\$ -
2.03	Traffic Signal LED Project	50,000	49,708	293	-
2.13	Parking Management Incentive	80,000	-	80,000	-
2.29	Misc. Traffic Signal Improvements	50,000	51,165	(1,165)	-
	Total expenditures	<u>\$ 1,280,000</u>	<u>\$ 1,200,873</u>	<u>\$ 79,127</u>	<u>\$ -</u>

See accompanying independent auditor's report.

CITY OF ARCADIA
MEASURE M LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2019

Date Acquired	Description	Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019
5/2/2019	Poweredge R440 Server	\$ -	\$ 9,301	\$ -	\$ 9,301
	Total	\$ -	\$ 9,301	\$ -	\$ 9,301

See accompanying independent auditor's report.

CITY OF ARCADIA
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
(PURSUANT TO PUBLIC UTILITIES CODE SECTION 99234)
BALANCE SHEETS
June 30

	2019	2018
ASSETS		
Due from Metro	\$ 76,594	\$ -
Total assets	\$ 76,594	\$ -
 LIABILITIES AND FUND BALANCE		
Liabilities		
Due to General Fund	\$ 76,058	\$ -
Total liabilities	76,058	-
 Fund Balance		
Restricted	536	-
Total fund balance	536	-
Total liabilities and fund balance	\$ 76,594	\$ -

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

CITY OF ARCADIA
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Fiscal Years Ended June 30

	2019	2018
REVENUES		
TDA 3	\$ 76,594	\$ -
Total revenues	76,594	-
 EXPENDITURES		
ADA Improvements at Various Locations	76,058	-
Total expenditures	76,058	-
 Excess of revenues over expenditures	536	-
 Fund balance at beginning of year	-	-
 Fund balance at end of year	\$ 536	\$ -

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

CITY OF ARCADIA
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF TRANSPORTATION DEVELOPMENT ACT
ALLOCATION FOR SPECIFIC PROJECTS
For the Fiscal Year Ended June 30, 2019

<u>Project Description</u>	<u>Program Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended Allocations</u>	<u>Project Status</u>
Local allocations					
ADA Improvements at Various Locations	2018-19	\$ 76,594	\$ 76,058	\$ 536	Ongoing
Total		<u>\$ 76,594</u>	<u>\$ 76,058</u>		
Fund balance at beginning of year				-	
Fund balance at end of year				<u>\$ 536</u>	

See accompanying independent auditor's report.

CITY OF ARCADIA
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2019

Date <u>Acquired</u>	<u>Description</u>	Balance <u>7/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/2019</u>
10/18/2018	Colorado Sidewalk Access Gap Closure	\$ -	\$ 48,358	\$ -	\$ 48,358
	Total	<u>\$ -</u>	<u>\$ 48,358</u>	<u>\$ -</u>	<u>\$ 48,358</u>

See accompanying independent auditor's report.

CITY OF ARCADIA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The operations of the Proposition A Local Return Fund (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), Measure M Local Return Fund (MMLRF) and 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 a county-wide ½ cent sales tax which is distributed to the jurisdictions within Los Angeles County based on a per capita basis and must be used exclusively for transportation purposes.

MMLRF is derived from 17% of a county-wide ½ cent sales tax which is distributed to the jurisdictions within Los Angeles County based on a per capita basis and must be used exclusively for transportation purposes.

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

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

Special Revenue Funds are reported on 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. Statement of revenue, expenditures and changes in fund balance for Special Revenue Funds generally presents increases (revenue 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 presented in accordance with accounting principles generally accepted in the United States of America.

CITY OF ARCADIA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2019 and 2018
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurement

In accordance with Government Accounting Standard Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, which became effective for the fiscal year ended June 30, 2016, 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 investment at fair value and recognizes unrealized gain (loss) on investments.

Refer to City's 2019 Comprehensive Annual Financial Report for detailed disclosures regarding the City's investment policy and fair value measurement.

Fund Balance Reporting

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 resources reported in governmental funds.

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

- Restricted – Amounts that are constrained for specific purpose, which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation. The uses of the funds' remaining fund balances are restricted for projects approved by Los Angeles County Metropolitan Transportation Authority (Metro).

Information regarding the fund balance reporting policy adopted by the City is described in Note 1 to 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 their compliance with the Proposition A and Proposition C Local Return Program Guidelines, Measure R Local Return Program Guidelines, Measure M Local Return Program Guidelines and Transportation Development Act Article 3 and the Los Angeles County Metropolitan Transportation Authority Funding and Allocation Guidelines for Transportation Development Act Article 3 Bicycle and Pedestrian Funds.

CITY OF ARCADIA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2019 and 2018
(Continued)

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

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

NOTE 4 – MEASURE R LOCAL RETURN COMPLIANCE REQUIREMENTS

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

NOTE 5 – MEASURE M LOCAL RETURN COMPLIANCE REQUIREMENTS

On June 23, 2016, the Metro Board of Directors approved the Los Angeles County Traffic Improvement Plan Ordinance, known as Measure M. 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's cash and investment balances were pooled with various other City funds for deposit and investment purposes. The share of each fund in the pooled cash and investments account was separately maintained and interest income was apportioned to the participating funds based on the relationship of their average quarterly balances to the total of the pooled cash and investments.

NOTE 8 – MINI CALL FOR PROJECTS GRANT

The Mini Call for Project Grant Memorandum of Understanding (MOU) F1197 and F1332 of \$140,434 for the year ended June 30, 2018 represents additional funds received from Metro to partially fund Huntington Drive Capacity Improvement Project and Arcadia Arterial ITS Development Project. No funding was received from Metro during the year ended June 30, 2019.

CITY OF ARCADIA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2019 and 2018
(Continued)

NOTE 9 – CAPITAL RESERVE

In September 2004, Metro and the City entered into capital reserve agreements to establish a capital reserve account (Account) for the Pasadena Gold Line Future Mass Transit Station Project. On July 23, 2009, Metro and the City amended the agreement to extend the expiration of the agreement from September 2, 2009 to June 30, 2012. On June 14, 2012, the Metro Board, authorized an extension on the term of the Account to June 30, 2021.

The Account will be funded with the Proposition A and C Local Return Funds allocated to the City. All interest shall be accrued and placed in the Account for use exclusively for the said projects. The Account, including interest earned, is recorded in a separate fund and the balance of that fund is combined with the PALRF and PCLRF for financial reporting purposes.

For the years ended June 30, 2019 and 2018, the following is the capital reserve amount for PALRF and PCLRF:

	PALRF	PCLRF
Capital reserve at 6/30/2017	\$ 732,520	\$ 1,098,779
Investment income during the year	4,036	6,053
Expenditure during the year	(31,883)	(47,825)
Capital reserve at 6/30/2018	704,673	1,057,007
Investment income during the year	23,662	35,492
Expenditure during the year	(65,243)	(97,865)
Capital reserve at 6/30/2019	\$ 663,092	\$ 994,634

NOTE 10 – METRO EXPRESS LANES NET TOLL REVENUE REINVESTMENT GRANT

The Metro Express Lanes Net Toll Revenue Reinvestment Grant MOU MX201441 represents additional funds received from Metro for the City of Arcadia Transit and Pedestrian Mobility Enhancement. The grant is on a reimbursement basis, and the total grant revenue for the year ended June 30, 2019 was \$248,945.

CITY OF ARCADIA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2019 and 2018
(Continued)

NOTE 11 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION

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

	2019	2018
FY 2014-15 allocation	\$ 37,534	\$ -
FY 2015-16 allocation	36,644	-
FY 2016-17 allocation	2,416	-
Total payment requested	<u>\$ 76,594</u>	<u>\$ -</u>

NOTE 12 – TRANSPORTATION DEVELOPMENT ACT FUNDS RESERVED

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

	2019	2018
FY 2014-15 allocation	\$ -	\$ 37,534
FY 2015-16 allocation	-	36,644
FY 2016-17 allocation	35,860	38,276
FY 2017-18 allocation	37,159	37,159
FY 2018-19 allocation	38,898	-
Available reserve balance	<u>\$ 111,917</u>	<u>\$ 149,613</u>

NOTE 13 – SUBSEQUENT EVENTS

The City has evaluated events or transactions that occurred subsequent to June 30, 2019 through December 9, 2019, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined no subsequent matters require disclosure or adjustment to the accompanying financial statements.



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, Measure M Local Return Fund, and Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Arcadia, 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 9, 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 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 entity’s 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 audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in purple ink that reads "Simpson & Simpson".

Los Angeles, California
December 9, 2019

COMPLIANCE SECTION



SIMPSON & SIMPSON

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Independent Auditor's Report On Compliance

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

Report on Compliance

We have audited the compliance of the City of Arcadia, 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 the 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Guidelines referred to in the preceding paragraph. Those standards and the Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on 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 on Each Local Return Program and Transportation Development Act Article 3

In our opinion, the City 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 an instance of noncompliance, which is required to be reported in accordance with the Guidelines and which is described in the accompanying Schedule of Findings and Recommendations as Finding No. 2019-001. Our opinion on each local return and Transportation Development Act Article 3 program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the Guidelines 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance under the Guidelines 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 Guidelines that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. We did identify a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Recommendations as Finding No. 2019-001, that we consider to be a significant deficiency.

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



The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guidelines. Accordingly, this report is not suitable for any other purpose.

Simpson & Simpson

Los Angeles, California
December 9, 2019

CITY OF ARCADIA
COMPLIANCE MATRIX
Year Ended June 30, 2019

Compliance Requirement		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			None	
2.	Timely use of funds.	X			None	
3.	Funds expended were approved and have not been substituted for property tax.	X			None	
4.	Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).			X	None	There were no expenditures that exceeded 25% of approved project budget in FY18/19.
5.	Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	X			None	
6.	All on-going and carryover projects were reported in Form B.	X			None	
7.	Annual Project Summary Report (Form B) was submitted on time.	X			None	
8.	Annual Expenditure Report (Form C) was submitted on time.	X			None	
9.	Cash or cash equivalents are maintained.	X			None	
10.	Accounting procedures, record keeping, and documentation are adequate.	X			None	
11.	Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	X			None	
12.	Local Return Account is credited for reimbursable expenditures.	X			None	
13.	Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.			X	None	There were no Intelligent Transportation Systems projects or elements in FY18/19.
14.	Assurances and Understandings form was on file.	X			None	
15.	Recreational transit form was submitted on time.	X			None	

CITY OF ARCADIA
COMPLIANCE MATRIX
Year Ended June 30, 2019
(Continued)

Compliance Requirement		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			None	
2.	Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	X			None	
3.	Signed Assurances and Understandings was on file.	X			None	
4.	Separate Measure R Local Return Account was established.	X			None	
5.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X			None	
6.	Funds were expended with Metro's approval.	X			None	
7.	Expenditure Plan (Form One) was submitted on time.	X			None	
8.	Expenditure Report (Form Two) was submitted on time.	X			None	
9.	Timely use of funds.	X			None	
10.	Administrative expenditures are within the 20% cap.	X			None	
11.	Fund exchanges were approved by Metro.			X	None	There were no fund exchanges in FY18/19.
12.	A separate account was established for capital reserve funds and capital reserve was approved by Metro.			X	None	There were no capital reserve funds in FY18/19.
13.	Recreational transit form was submitted on time.			X	None	There was no recreational transit in FY18/19.

CITY OF ARCADIA
COMPLIANCE MATRIX
Year Ended June 30, 2019
(Continued)

Compliance Requirement		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			None	
2.	Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a funding shortfall.	X			None	
3.	Signed Assurances and Understandings was on file.	X			None	
4.	Separate Measure M Local Return Account was established.	X			None	
5.	Revenue received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	X			None	
6.	Funds were expended with Metro's approval.	X			None	
7.	Expenditure Plan (Form One) was submitted on time.	X			None	
8.	Expenditure Report (Form Two) was submitted on time.	X			None	
9.	Timely use of funds.	X			None	
10.	Administrative expenses are within the 20% cap.			X	None	There were no administrative expenses in FY18/19.
11.	Fund exchanges were approved by Metro.			X	None	There were no fund exchanges in FY18/19.
12.	A separate account was established for capital reserve funds and capital reserve was approved by Metro.			X	None	There were no capital reserve funds in FY18/19.
13.	Recreational transit form was submitted timely.			X	None	There was no recreational transit in FY18/19.

CITY OF ARCADIA
COMPLIANCE MATRIX
 Year Ended June 30, 2019
 (Continued)

Compliance Requirement		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		None	See Finding No. 2019-001 on Schedule of Findings and Recommendations.
2.	Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.	X			None	

CITY OF ARCADIA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
June 30, 2019

TDAA3F: Finding No. 2019-001

Compliance Requirement	According to Los Angeles County Metropolitan Transportation Authority’s Funding and Allocation Guidelines for the Transportation Development Act Article 3 Bicycle and Pedestrian Funds (TDA Article 3 Guidelines), “Agencies may only draw down local return funds if they will be fully spent or encumbered before the end of the fiscal year (June 30) in which they were allocated.”
Condition	During the fiscal year ended June 30, 2019, the City claimed \$76,594 from its reserve balance, and the City incurred only \$76,058 of allowable expenditures during the year. The City had a remaining fund balance of \$536 and has not encumbered these funds as of June 30, 2019. These funds should have been placed back on reserve. This is a repeat finding from the prior year.
Cause	The City did not realize they had not expended the full reimbursement balance.
Effect	Because these funds were not expended within the required timeline per the TDA Article 3 Guidelines and have not been returned to LACMTA to be placed on reserve, the City did not comply with the TDA Article 3 Guidelines.
Recommendation	We recommend that the City strengthen internal control procedures to track the TDA Article 3 reserve balance to ensure that all TDA Article 3 funds are claimed and expended within the required timeline per the TDA Article 3 Guidelines.
Management’s Response	The City agrees with the finding. Subsequently, the City located additional eligible expenditures recorded on Road Maintenance and Rehabilitation Fund to cover the \$536 in unspent TDA 3 funds. An entry was prepared to move expenditures from the Road Maintenance and Rehabilitation fund to TDA 3.
Finding Corrected During the Audit	On December 9, 2019, the City provided the journal entry to reclassify the additional TDA 3 funds were expended but recorded under the Road Maintenance and Rehabilitation fund to TDA 3. No follow-up is required.

EXIT CONFERENCE

CITY OF ARCADIA
PROPOSITION A, PROPOSITION C, MEASURE R, MEASURE M LOCAL RETURN FUNDS AND
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
EXIT CONFERENCE
June 30, 2019

An exit conference was held on December 9th, 2019 with the City of Arcadia. Those in attendance were:

Simpson & Simpson Representatives:

Wanda Molina, Audit Supervisor
Yiduo Dong, Staff Auditor

City's Representative:

Henry Chen, Financial Services Manager

Matters Discussed:

Results of the audit disclosed one (1) significant control deficiency and one (1) non-compliance issue with Metro Guidelines.

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

Henry Chen, Financial Services Manager

Simpson & Simpson, LLP
633 West 5th Street, Suite 3320
Los Angeles, CA 90071

RE: CITY OF ARCADIA ANNUAL FINANCIAL REPORT OF THE 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 FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

I have received the annual financial report of the 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 for the years ended June 30, 2019 and 2018 for the City of Arcadia and agree with the contents of the report except as indicated below:

(Attach additional pages if necessary)

Very truly yours,

Name

Title

Date