

***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, 2020 AND 2019***



Metro[®]



Simpson & Simpson, LLP
Certified Public Accountants

CITY OF ARCADIA
TABLE OF CONTENTS

FINANCIAL SECTION	PAGE
Independent Auditor's Report	1
Proposition A Local Return Fund:	
Financial Statements:	
Balance Sheets	3
Statements of Revenues, Expenditures and Changes in Fund Balance	4
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	5
Schedule of Capital Assets	6
Proposition C Local Return Fund:	
Financial Statements:	
Balance Sheets	7
Statements of Revenues, Expenditures and Changes in Fund Balance	8
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	9
Schedule of Capital Assets	10
Measure R Local Return Fund:	
Financial Statements:	
Balance Sheets	11
Statements of Revenues, Expenditures and Changes in Fund Balance	12
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	13
Schedule of Capital Assets	14
Measure M Local Return Fund:	
Financial Statements:	
Balance Sheets	15
Statement of Revenues, Expenditures and Changes in Fund Balance	16
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	17
Schedule of Capital Assets	18
Transportation Development Act Article 3 Fund:	
Financial Statements:	
Balance Sheets	19
Statements of Revenues, Expenditures and Changes in Fund Balance	20
Supplementary Information:	
Schedule of Transportation Development Act Allocation for Specific Projects	21
Schedule of Capital Assets	22
Notes to Financial Statements	23
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 <i>Government Auditing Standards</i>	28

CITY OF ARCADIA
TABLE OF CONTENTS
(Continued)

COMPLIANCE SECTION

Independent Auditor's Report on Compliance	30
Compliance Matrix	32
Schedule of Findings and Recommendations	36

EXIT CONFERENCE	37
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FINANCIAL SECTION



SIMPSON & SIMPSON

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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, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019, 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 10, 2020, 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 10, 2020

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

	2020	2019
ASSETS		
Cash and investments	\$ 2,699,146	\$ 2,502,464
Interest receivable	9,951	9,359
Total assets	\$ 2,709,097	\$ 2,511,823
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 50,739	\$ 46
Retention payable	2,414	-
Accrued wages	4,621	3,259
Total liabilities	57,774	3,305
 Fund Balance		
Restricted - Pasadena Gold Line Mass Transit Station Project (Note 8)	601,681	663,092
Restricted	2,049,642	1,845,426
Total fund balance	2,651,323	2,508,518
Total liabilities and fund balance	\$ 2,709,097	\$ 2,511,823

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

	2020	2019
REVENUES		
Proposition A	\$ 1,116,766	\$ 1,151,846
Interest income	51,439	42,575
Unrealized gain on investment	37,346	37,968
Miscellaneous	-	353
Total revenues	1,205,551	1,232,742
EXPENDITURES		
Various projects	1,062,746	960,817
Total expenditures	1,062,746	960,817
Excess of revenues over expenditures	142,805	271,925
Fund balance at beginning of year	2,508,518	2,236,593
Fund balance at end of year	\$ 2,651,323	\$ 2,508,518

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, 2020
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2019)

Project Code	Project Name	2020			2019 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
120-01	Arcadia Dial-A-Ride Transit	\$ 900,000	\$ 708,435	\$ 191,565	\$ 642,250
140-01	Recreational Transit	21,000	20,700	300	20,599
150-01	Bus Benches and Trash Receptacles @ Local Bus Stops (Replacements)	10,000	-	10,000	-
150-02	Bus Stop Improvements/Maintenance	127,000	128,142	(1,142)	118,415
270-02	Arcadia Transit Service Restructuring and Feasibility Study	100,000	-	100,000	-
280-01	Regional Light Rail Marketing, Planning and Admin	6,000	-	6,000	-
380-01	Capital Reserves - Pasadena Gold Line Mass Transit Station (Note 8)	400,000	85,463	314,537	65,243
480-01	Direct Administration	120,000	120,006	(6)	114,310
Total expenditures		\$ <u>1,684,000</u>	\$ <u>1,062,746</u>	\$ <u>621,254</u>	\$ <u>960,817</u>

See accompanying independent auditor's report.

CITY OF ARCADIA
PROPOSITION A LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
 June 30, 2020

<u>Date</u> <u>Acquired</u>	<u>Description</u>	<u>Balance</u> <u>7/1/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2020</u>
	None	\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

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

	2020	2019
ASSETS		
Cash and investments	\$ 3,394,923	\$ 3,051,550
Interest receivable	14,063	13,681
Total assets	\$ 3,408,986	\$ 3,065,231
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 87,276	\$ 1,900
Retention payable	3,622	-
Accrued wages	2,321	1,637
Total liabilities	93,219	3,537
 Fund Balance		
Restricted - Pasadena Gold Line Mass Transit Station Project (Note 8)	902,521	994,634
Restricted	2,413,246	2,067,060
Total fund balance	3,315,767	3,061,694
Total liabilities and fund balance	\$ 3,408,986	\$ 3,065,231

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

	<u>2020</u>	<u>2019</u>
REVENUES		
Proposition C	\$ 926,360	\$ 955,424
Interest income	74,464	56,206
Unrealized gain on investment	<u>55,778</u>	<u>43,837</u>
Total revenues	<u>1,056,602</u>	<u>1,055,467</u>
 EXPENDITURES		
Various projects	<u>802,529</u>	<u>791,060</u>
Total expenditures	<u>802,529</u>	<u>791,060</u>
 Excess of revenues over expenditures	254,073	264,407
 Fund balance at beginning of year	<u>3,061,694</u>	<u>2,797,287</u>
 Fund balance at end of year	<u>\$ 3,315,767</u>	<u>\$ 3,061,694</u>

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, 2020
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2019)

Project Code	Project Name	2020			2019 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
380-01	Capital Reserves - Pasadena Gold Line Mass Transit Station (Note 8)	\$ 600,000	\$ 128,194	\$ 471,806	\$ 97,865
440-34	Street Rehab: Duarte Road from Santa Anita Ave. to Fifth Ave.	800,000	-	800,000	-
440-36	Huntington Drive Pavement Rehabilitation - West of Michillinda Ave.	12,000	12,000	-	-
440-37	Arterial Streets Bridge Rehabilitation	76,000	-	76,000	-
440-38	Street Rehab: Second Ave. From Huntington Dr. to Foothill Blvd.	-	-	-	362,214
440-39	Street Rehab: Huntington Dr. From Santa Clara St. to 5th St.	1,250,000	451,754	798,246	164,195
440-40	Street Rehab: Miscellaneous Arterial Rehabilitation	400,000	6,965	393,035	56,657
440-41	Street Rehab: Baldwin Ave. - Camino Real to Las Tunas Minor Repairs	100,000	4,533	95,467	10,209
440-42	Street Rehab: Live Oak Ave from Santa Anita Ave to the East City Limits	900,000	95,397	804,603	-
440-43	Street Rehab: Pavement Rehab Program at Various Locations	1,100,000	-	1,100,000	-
450-03	Michillinda Ave. and Sunset Blvd. Intersection Improvements	36,000	-	36,000	-
470-01	Pavement Management Study	43,750	1,080	42,670	990
480-01	Direct Administration	110,000	102,606	7,394	98,930
500-01	Gold Line/Downtown Pedestrian Improvements	833,000	-	833,000	-
	Total expenditures	\$ <u>6,260,750</u>	\$ <u>802,529</u>	\$ <u>5,458,221</u>	\$ <u>791,060</u>

See accompanying independent auditor's report.

CITY OF ARCADIA
PROPOSITION C LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2020

Date Acquired	Description	Balance 7/1/2019	Additions	Deletions	Balance 6/30/2020
	None	\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

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

	2020	2019
ASSETS		
Cash and investments	\$ 1,347,515	\$ 917,417
Interest receivable	4,739	2,872
Total assets	\$ 1,352,254	\$ 920,289
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 328,424	\$ 36,041
Retention payable	17,154	-
Accrued wages	1,596	1,125
Total liabilities	347,174	37,166
 Fund Balance		
Restricted	1,005,080	883,123
Total fund balance	1,005,080	883,123
Total liabilities and fund balance	\$ 1,352,254	\$ 920,289

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

	2020	2019
REVENUES		
Measure R	\$ 693,776	\$ 716,774
Interest income	20,511	16,171
Unrealized gain on investment	18,866	16,828
Metro Express Lanes Net Toll Revenue		
Reinvestment Grant (Note 9)	174,055	248,945
Miscellaneous	2,044	-
Total revenues	909,252	998,718
EXPENDITURES		
Various projects	787,295	1,122,988
Total expenditures	787,295	1,122,988
Excess (deficiency) of revenues over expenditures	121,957	(124,270)
Fund balance at beginning of year	883,123	1,007,393
Fund balance at end of year	\$ 1,005,080	\$ 883,123

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, 2020
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2019)

Project Code	Project Name	2020			2019 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	Street Rehab: Various Locations	\$ -	\$ -	\$ -	608,872
3.16	Bicycle Facility Improvements Project (previously Bike Signals, Detection, Lanes & Parking)	407,000	371,008	35,992	103,615
4.20	Ongoing Operation of Arcadia Transit Including Purchased Transportation	600,000	346,928	253,072	342,826
5.15	Arcadia Transit Real - Time Passanger Information Project	100,000	427	99,573	-
7.90	SGV Region Vehicle Miles Traveled Analysis Model - City Share	15,000	-	15,000	-
8.10	Overall Administration of Measure R Local Return Funded Programs (previously Fund Administration (20% cap))	72,000	68,932	3,068	67,675
Total expenditures		\$ <u>1,194,000</u>	\$ <u>787,295</u>	\$ <u>406,705</u>	\$ <u>1,122,988</u>

See accompanying independent auditor's report.

CITY OF ARCADIA
MEASURE R LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2020

Date Acquired	Description	Balance 7/1/2019	Additions	Deletions	Balance 6/30/2020
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

	2020	2019
ASSETS		
Cash and investments	\$ 685,187	\$ 1,336,315
Interest receivable	2,838	5,990
Total assets	\$ 688,025	\$ 1,342,305
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 162,245	\$ 1,049,142
Retention payable	20,216	54,916
Total liabilities	182,461	1,104,058
 Fund Balance		
Restricted	505,564	238,247
Total fund balance	505,564	238,247
Total liabilities and fund balance	\$ 688,025	\$ 1,342,305

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

	2020	2019
REVENUES		
Measure M	\$ 781,458	\$ 806,770
Interest income	13,179	21,434
Unrealized gain on investment	5,254	11,778
Total revenues	799,891	839,982
 EXPENDITURES		
Various projects	532,574	1,200,873
Total expenditures	532,574	1,200,873
 Excess (deficiency) of revenues over expenditures	267,317	(360,891)
 Fund balance at beginning of year	238,247	599,138
 Fund balance at end of year	\$ 505,564	\$ 238,247

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, 2020

Project Code	Project Name	2020			2019 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	Pavement Rehabilitation Program	\$ 1,100,000	\$ -	\$ 1,100,000	\$ 1,100,000
1.05	Pavement Rehabilitation Program	400,000	404,320	(4,320)	-
1.90	Indiana Street and Parking Reconfiguration	150,000	-	150,000	-
2.03	Misc. Traffic Signal Improvements	50,000	54,624	(4,624)	-
2.03	Traffic Signal LED Project	-	-	-	49,708
2.13	Downtown Parking Utilization Study and Management Program	60,000	-	60,000	-
2.29	Misc. Traffic Signal Improvements	-	-	-	51,165
2.29	Traffic Signal LED Project	50,000	73,630	(23,630)	-
3.90	Downtown Alley Improvements	50,000	-	50,000	-
5.40	Transit App Improvements	45,000	-	45,000	-
Total expenditures		\$ <u>1,905,000</u>	\$ <u>532,574</u>	\$ <u>1,372,426</u>	\$ <u>1,200,873</u>

See accompanying independent auditor's report.

CITY OF ARCADIA
MEASURE M LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2020

<u>Date</u> <u>Acquired</u>	<u>Description</u>	<u>Balance</u> <u>7/1/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2020</u>
5/2/2019	Poweredge R440 Server	\$ 9,301	\$ -	\$ -	\$ 9,301
	Total	<u>\$ 9,301</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,301</u>

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

	2020	2019
ASSETS		
Due from Metro	\$ 28,250	\$ 76,594
Total assets	\$ 28,250	\$ 76,594
 LIABILITIES AND FUND BALANCE		
Liabilities		
Due to General Fund	\$ 28,250	\$ 76,058
Total liabilities	28,250	76,058
 Fund Balance		
Restricted	-	536
Total fund balance	-	536
Total liabilities and fund balance	\$ 28,250	\$ 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

	2020	2019
REVENUES		
TDA 3	\$ 28,250	\$ 76,594
Total revenues	28,250	76,594
EXPENDITURES		
ADA Improvements at Various Locations	28,786	76,058
Total expenditures	28,786	76,058
Excess (deficiency) of revenues over expenditures	(536)	536
Fund balance at beginning of year	536	-
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, 2020

<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	2019-20	\$ 28,250	\$ 28,786	\$ (536)	Ongoing
Total		<u>\$ 28,250</u>	<u>\$ 28,786</u>		
Fund balance at beginning of year				<u>536</u>	
Fund balance at end of year				<u>\$ -</u>	

See accompanying independent auditor's report.

CITY OF ARCADIA
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2020

Date <u>Acquired</u>	<u>Description</u>	Balance <u>7/1/2019</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/2020</u>
10/18/2018	Colorado Sidewalk Access Gap Closure	\$ 48,358	\$ -	\$ -	\$ 48,358
	Total	\$ <u>48,358</u>	\$ <u>-</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, 2020 and 2019

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 the 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. The statement of revenues, 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, 2020 and 2019
(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 2020 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, 2020:

- 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.

Reclassification

Certain reclassifications have been made to fiscal year 2019 amounts in order to conform to the fiscal year 2020 presentation. Such reclassifications had no effect on the previously reported change in fund balance.

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, 2020 and 2019
(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 – 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.

CITY OF ARCADIA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2020 and 2019
(Continued)

NOTE 8 – CAPITAL RESERVE (Continued)

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, 2020 and 2019, the following is the capital reserve amount for PALRF and PCLRF:

	PALRF	PCLRF
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
Investment income during the year	24,052	36,081
Expenditure during the year	(85,463)	(128,194)
Capital reserve at 6/30/2020	\$ 601,681	\$ 902,521

NOTE 9 – 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 fiscal years ended June 30, 2020 and 2019 were \$174,055 and \$248,945 respectively.

NOTE 10 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION

The revenue allocation for the years ended June 30, 2020 and 2019 consisted of the following:

	2020	2019
FY 2013-14 allocation	\$ -	\$ 30,823
FY 2014-15 allocation*	3,010	34,524
FY 2015-16 allocation*	25,240	11,247
Total payment requested	\$ 28,250	\$ 76,594

* The City was notified by Metro on February 6, 2020 of an additional \$3,010 reserve balance left from FY2014-15 allocation due to a discrepancy in Metro’s records that the City was unaware of. Due to the short notice and unusual circumstance caused by the outbreak of COVID-19, the City was only able to spend \$3,010 from the FY 2014-15 allocation and \$25,240 from FY 2015-16 allocation, which resulted in a potential lapsing FY 2015-16 allocation of \$157. On December 17, 2020, the City received a one-time extension approval to spend the remaining FY 2015-16 funds prior to June 30, 2021 from Metro.

CITY OF ARCADIA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2020 and 2019
(Continued)

NOTE 11 – 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, 2020, and 2019, the City has funds on reserve as follows:

	2020	2019
FY 2014-15 allocation*	\$ -	\$ 3,010
FY 2015-16 allocation*	157	25,397
FY 2016-17 allocation	38,276	38,276
FY 2017-18 allocation	37,159	37,159
FY 2018-19 allocation	38,898	38,898
FY 2019-20 allocation	41,569	-
Available reserve balance	\$ 156,059	\$ 142,740

* The City was notified by Metro on February 6, 2020 of an additional \$3,010 reserve balance left from FY2014-15 allocation due to a discrepancy in Metro’s records that the City was unaware of. Due to the short notice and unusual circumstance caused by the outbreak of COVID-19, the City was only able to spend \$3,010 from the FY 2014-15 allocation and \$25,240 from the FY 2015-16 allocation, which resulted in a potential lapsing from the FY 2015-16 allocation of \$157. On December 17, 2020, the City received a one-time extension approval to spend the remaining FY 2015-16 funds prior to June 30, 2021 from Metro.

NOTE 12 – SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries. To date, it is unknown how long these conditions will last and what the complete financial effect will be to businesses and other affected organizations, including local governmental entities.

The City has evaluated events or transactions that occurred subsequent to June 30, 2020 through December 10, 2020, 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, 2020, and the related notes to the financial statements, and have issued our report thereon dated December 10, 2020.

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 black ink that reads "Simpson & Simpson".

Los Angeles, California
December 10, 2020

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, 2020.

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, 2020.



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 we consider to 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 cursive script that reads "Simpson & Simpson".

Los Angeles, California
December 10, 2020

CITY OF ARCADIA
COMPLIANCE MATRIX
Year Ended June 30, 2020

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 FY 2019/20.
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	
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, 2020
(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 FY 2019/20.
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 FY 2019/20.
13.	Recreational transit form was submitted on time.			X	None	There was no recreational transit in FY 2019/20.

CITY OF ARCADIA
COMPLIANCE MATRIX
Year Ended June 30, 2020
(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 FY 2019/20.
11.	Fund exchanges were approved by Metro.			X	None	There were no fund exchanges in FY 2019/20.
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 FY 2019/20.
13.	Recreational transit form was submitted timely.			X	None	There was no recreational transit in FY 2019/20.

CITY OF ARCADIA
COMPLIANCE MATRIX
 Year Ended June 30, 2020
 (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	
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, 2020

No findings were noted.

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, 2020

An exit conference was held on December 23, 2020 with the City of Arcadia. Those in attendance were:

Simpson & Simpson Representatives:

May Yi, Audit Senior

City's Representative:

Henry Chen, Financial Services Manager

Matters Discussed:

Results of the audit disclosed no significant control deficiency and no 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, 2020 AND 2019

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, 2020 and 2019 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