



**Metro**<sup>TM</sup>

**City of Azusa  
Annual Financial Report of its**

**Proposition A Local Return Fund  
Proposition C Local Return Fund  
Measure R Local Return Fund  
Measure M Local Return Fund  
Transportation Development Act Article 3 Fund**

**As of and for the Years Ended June 30, 2020 and 2019  
with Report of Independent Auditors**

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**FINANCIAL SECTION**

## Report of Independent Auditors

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Azusa, California (the City) which comprise the Funds' balance sheets as of June 30, 2020 and 2019, and the related statements of revenues, expenditures and changes in fund balances for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.



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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund of the City of Azusa, California, as of June 30, 2020 and 2019, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matter***

As discussed in Note 15, the fiscal year 2019 financial statements of Proposition C Local Return Fund have been restated to recognize the receipt of the LACMTA Call for Projects grant. The fiscal year 2019 financial statements of Measure R Local Return Fund have been restated to recognize certain expenditures related to Traffic Signal and Modifications for Synchronization (TRIP) project. Our opinion is not modified with respect to these matters.

### ***Emphasis of Matter***

As discussed in Note 2, the financial statements present only the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund of the City of Azusa, California, and do not purport to, and do not present fairly the financial position of the City as of June 30, 2020 and 2019, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.



### ***Supplementary Information***

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

The supplementary information identified in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the Funds' basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the Funds' basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the Funds' basic financial statements or to the Funds' basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to each of the Funds' basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 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 solely to describe the scope of our testing of internal control over the Funds' financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over the Funds' financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over the Funds' financial reporting and compliance.

A handwritten signature in black ink that reads "Vasquez &amp; Company LLP".

**Glendale, California  
December 15, 2020**

City of Azusa  
Proposition A Local Return Fund  
Balance Sheets

		June 30	
		2020	2019
<b>ASSETS</b>			
Cash and investments	\$	2,483,212	\$ 2,289,809
Accounts receivable		11,319	26,859
Interest receivable		3,239	11,669
Prepaid expense		-	145
<b>Total assets</b>	<b>\$</b>	<b>2,497,770</b>	<b>\$ 2,328,482</b>
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$	12,583	\$ 51,776
Accrued payroll and employee benefits		33,256	30,856
Accrued expenses		335	2,392
<b>Total liabilities</b>		<b>46,174</b>	<b>85,024</b>
<b>Deferred inflow of resources</b>			
Unavailable revenue		11,277	24,305
<b>Total deferred inflow of resources</b>		<b>11,277</b>	<b>24,305</b>
<b>Fund balance</b>			
Restricted		2,440,319	2,219,153
<b>Total fund balance</b>		<b>2,440,319</b>	<b>2,219,153</b>
<b>Total liabilities, deferred inflow of resources and fund balance</b>	<b>\$</b>	<b>2,497,770</b>	<b>\$ 2,328,482</b>

*See notes to Funds financial statements.*



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

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	Years ended June 30	
	2020	2019
<b>Revenues</b>		
Proposition A	\$ 963,348	\$ 999,027
Proposition A Discretionary Incentive Program grant	42,896	-
Interest income	39,544	30,537
Project generated revenues	137,488	149,992
Other revenues	-	844
<b>Total revenues</b>	<b>1,183,276</b>	<b>1,180,400</b>
 <b>Expenditures</b>		
Various projects	962,110	926,865
<b>Total expenditures</b>	<b>962,110</b>	<b>926,865</b>
 Excess of revenues over expenditures	 221,166	 253,535
 Fund balance at beginning of year	 2,219,153	 1,965,618
 Fund balance at end of year	 \$ 2,440,319	 \$ 2,219,153

*See notes to Funds financial statements.*

City of Azusa  
 Proposition A Local Return Fund  
 Supplementary Information  
 Schedule of Expenditures – Actual and LACMTA Approved Project Budget  
 Year ended June 30, 2020  
 (With Comparative Actuals for 2019)

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Project Code	Project Name	2020			2019 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
130-01	Demand Response	\$ 835,000	\$ 746,567	\$ 88,433	\$ 774,217
150-01	Bus Stop Improvements	760,000	-	760,000	14,173
170-03	Transit Shelter Maintenance	45,000	19,555	25,445	19,555
180-01	Bus Replacement and Dispatch Equipment	45,000	34,551	10,449	-
410-01	Rideshare Program	21,890	7,499	14,391	16,051
480-01	Direct Administration	150,000	153,938	(3,938)	102,869
<b>Total expenditures</b>		<b>\$ 1,856,890</b>	<b>\$ 962,110</b>	<b>\$ 894,780</b>	<b>\$ 926,865</b>

*See report of independent auditors.*

**City of Azusa**  
**Proposition A Local Return Fund**  
**Supplementary Information**  
**Schedule of Capital Assets**  
**Year ended June 30, 2020**

<b>Date Acquired</b>	<b>Description</b>	<b>Balance July 1, 2019</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2020</b>
1992	5 Drawer Lateral File	\$ 771	\$ -	\$ -	\$ 771
1992	Training Video recorder	866	-	-	866
1993	2-Way Radios	9,411	-	-	9,411
1993	1993 Ford Collins #78-11 Passenger Vehicle	40,987	-	-	40,987
1994	1994 Ford Collins #79-11 Passenger Vehicle	40,987	-	-	40,987
1995	1995 Ford Collins #80-11 Passenger Vehicle	40,987	-	-	40,987
1996	HP LaserJet 4 Printer and Accessories	1,688	-	-	1,688
1996	HP Plain Paper Fax Machine	509	-	-	509
1996	GE 18 Cubic Foot Refrigerator	541	-	-	541
1996	46" RCA Television	1,623	-	-	1,623
1997	Bearcom Wireless-6 ea. Low Band 2-Way Radio	3,601	-	-	3,601
1997	5 Drawer Lateral File Cabinet	708	-	-	708
1997	"U" Shaped Workstation	592	-	-	592
1997	Lucent Technologies-Telephone Switch	16,950	-	-	16,950
1997	L&T Sink Co.	725	-	-	725
1997	Vega Audio/Radio Console	1,366	-	-	1,366
2001	1994 Ford Collins#79-11 Rebuild Transmission	2,948	-	-	2,948
2012	12 Starcraft Allstar 22' Unit # 42083	64,306	-	-	64,306
2012	12 Starcraft Allstar 22' Unit # 42084	64,306	-	-	64,306
<b>Total \$</b>		<b>293,872</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 293,872</b>

*See report of independent auditors.*

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

		<b>June 30</b>	
		<b>2020</b>	(as restated) 2019
<b>ASSETS</b>			
Cash and investments	\$	<b>2,495,378</b>	\$ 2,290,026
Accounts receivable		<b>16</b>	427
Interest receivable		<b>3,352</b>	11,729
Prepaid expense		<b>3,000</b>	145
<b>Total assets</b>	<b>\$</b>	<b><u>2,501,746</u></b>	<b><u>\$ 2,302,327</u></b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$	<b>14,864</b>	\$ 77,150
Accrued payroll and employee benefits		<b>20,403</b>	19,253
Accrued expenses		<b>41</b>	2,657
<b>Total liabilities</b>		<b><u>35,308</u></b>	<b><u>99,060</u></b>
<b>Fund balance</b>			
Restricted		<b><u>2,466,438</u></b>	<u>2,203,267</u>
<b>Total fund balance</b>		<b><u>2,466,438</u></b>	<u>2,203,267</u>
<b>Total liabilities and fund balance</b>	<b>\$</b>	<b><u>2,501,746</u></b>	<b><u>\$ 2,302,327</u></b>

*See notes to Funds financial statements.*

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

	<b>Years ended June 30</b>	
	<b>2020</b>	<b>(as restated) 2019</b>
<b>Revenues</b>		
Proposition C	\$ 799,099	\$ 828,665
Interest income	40,898	31,020
Project generated revenues	11,535	16,281
Other revenues	83,280	89,653
Federal grants	-	51,924
<b>Total revenues</b>	<b>934,812</b>	<b>1,017,543</b>
<b>Expenditures</b>		
Expenditures funded by PCLRF	671,641	595,672
Expenditures funded by General Fund	-	8,621
<b>Total expenditures</b>	<b>671,641</b>	<b>604,293</b>
Excess of revenues over expenditures	263,171	413,250
<b>Other financing source</b>		
Transfer from General Fund	-	8,621
<b>Total other financing source</b>	<b>-</b>	<b>8,621</b>
Change in fund balance	263,171	421,871
Fund balance at beginning of year	2,203,267	1,781,396
Fund balance at end of year	\$ 2,466,438	\$ 2,203,267

*See notes to Funds financial statements.*

City of Azusa  
**Proposition C Local Return Fund**  
**Supplementary Information**  
**Schedule of Expenditures – Actual and LACMTA Approved Project Budget**  
**Year ended June 30, 2020**  
**(With Comparative Actuals for 2019)**

Project Code	Project Name	2020			2019 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
120-01	Metrolink Shuttle	\$ 343,520	\$ 355,509	\$ (11,989)	\$ 236,876
140-01	Recreation and Special Events	30,000	15,265	14,735	26,667
250-01	Bus Pass Subsidy Program	146,000	75,853	70,147	108,973
270-03	Transportation Improvement Consultant	12,750	10,129	2,621	12,331
310-01	Parking Structure Maintenance	80,000	3,592	76,408	72,800
410-01	Rideshare Program	21,890	6,021	15,869	16,051
440-02	Azusa Avenue Pavement Rehabilitation	-	-	-	3,078
450-01	Foothill Boulevard Street Improvements	790,000	17,121	772,879	-
470-01	Pavement Management System	108,500	53,836	54,664	-
480-02	Direct Administration	175,000	134,315	40,685	118,896
<b>Total expenditures</b>		<b>\$ 1,707,660</b>	<b>\$ 671,641</b>	<b>\$ 1,036,019</b>	<b>\$ 595,672</b>

*See report of independent auditors.*

**City of Azusa**  
**Proposition C Local Return Fund**  
**Supplementary Information**  
**Schedule of Capital Assets**  
**Year ended June 30, 2020**

<b>Date Acquired</b>	<b>Description</b>	<b>Balance July 1, 2019</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2020</b>
1996	96 Ford El Dorado-12 Passenger Van w/ Wheel Chair Lift \$	57,638	-	-	57,638
1997	HP Laserjet5 Printer and Accessories	1,689	-	-	1,689
1997	Jet Algo Pentium Computer	2,484	-	-	2,484
1997	Jet Algo Pentium Computer	2,484	-	-	2,484
1997	Lucent Technologies-Telephone Switch	11,609	-	-	11,609
1997	Infotelm/Base-Station Installed	2,484	-	-	2,484
1997	Shop Fire Door	586	-	-	586
1997	L&T Sink Cabinets	3,110	-	-	3,110
1997	Jet Algo Pentium II/333 Computer	2,003	-	-	2,003
1999	99 Ford Collins-World Trans Commuter 16 Passenger	58,894	-	-	58,894
2003	2005 Goshen GC11-CNG	51,527	-	-	51,527
2007	StarCraft Starlite Vehicle	22,326	-	-	22,326
2008	12 Radios	14,089	-	-	14,089
<b>Total \$</b>		<b>230,923</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 230,923</b>

*See report of independent auditors.*

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

		June 30	
		2020	(as restated) 2019
<b>ASSETS</b>			
Cash and investments	\$	1,781,766	\$ 2,710,704
Accounts receivable		9,891	114,311
Interest receivable		-	6,734
<b>Total assets</b>	<b>\$</b>	<b>1,791,657</b>	<b>\$ 2,831,749</b>
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$	571,131	\$ -
Retention payable		73,281	63,310
Accrued expenses		14,617	21,525
Accrued payroll and employee benefits		5,562	348
<b>Total liabilities</b>		<b>664,591</b>	<b>85,183</b>
<b>Deferred inflow of resources</b>			
Unavailable revenue		-	66,661
<b>Total deferred inflow of resources</b>		<b>-</b>	<b>66,661</b>
<b>Fund balance</b>			
Restricted - Total Road Improvement Program		977,432	2,453,821
Restricted		149,634	226,084
<b>Total fund balance</b>		<b>1,127,066</b>	<b>2,679,905</b>
<b>Total liabilities, deferred inflow of resources and fund balance</b>	<b>\$</b>	<b>1,791,657</b>	<b>\$ 2,831,749</b>

*See notes to Funds financial statements.*



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

**Statements of Revenues, Expenditures and Changes in Fund Balance**

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	Years ended June 30	
	2020	(as restated) 2019
<b>Revenues</b>		
Measure R	\$ 598,467	\$ 621,677
Interest income	39,426	73,706
<b>Total revenues</b>	<b>637,893</b>	695,383
 <b>Expenditures</b>		
Various projects	2,190,732	886,895
<b>Total expenditures</b>	<b>2,190,732</b>	886,895
 Deficiency of revenues over expenditures	<b>(1,552,839)</b>	(191,512)
 Fund balance at beginning of the year	<b>2,679,905</b>	2,871,417
 Fund balance at end of year	<b>\$ 1,127,066</b>	\$ 2,679,905

*See notes to Funds financial statements.*

City of Azusa  
Measure R Local Return Fund  
Supplementary Information  
Schedule of Expenditures – Actual and LACMTA Approved Project Budget  
Year ended June 30, 2020  
(With Comparative Actuals for 2019)

Project Code	Project Name	2020			(as restated) 2019 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
1.05	Operations for Signage, Concrete, Asphalt, Painting, Signals	\$ 228,200	\$ 321,427	\$ (93,227)	\$ 393,297
1.90	Road and Street Work Inspector/Oversight	245,000	112,892	132,108	114,634
2.00	MR TRIP Bond Reimbursable Expenditures	-	-	-	66,661
2.01	Traffic Signal Installation at Foothill and Palm	-	-	-	23,781
2.05	Traffic Management System (Bond)	2,338,330	1,511,122	827,208	-
2.29	Traffic Signal and Modifications for Synchronization (TRIP)	228,200	232,119	(3,919)	283,709
8.10	Fund Administration (20% Cap)	10,000	13,172	(3,172)	4,813
	<b>Total expenditures</b>	<b>\$ 3,049,730</b>	<b>\$ 2,190,732</b>	<b>\$ 858,998</b>	<b>\$ 886,895</b>

*See report of independent auditors.*

**City of Azusa**  
**Measure R Local Return Fund**  
**Supplementary Information**  
**Schedule of Capital Assets**  
**Year ended June 30, 2020**

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Date Acquired	Description	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
N/A	None	\$ -	\$ -	\$ -	\$ -
<b>Total</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

*See report of independent auditors.*

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

		June 30	
		2020	2019
<b>ASSETS</b>			
Cash and investments	\$	1,682,637	\$ 1,191,257
Interest receivable		2,105	-
<b>Total assets</b>	<b>\$</b>	<b><u>1,684,742</u></b>	<b><u>\$ 1,191,257</u></b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$	46,388	\$ 166,409
Accrued payroll and employee benefits		729	2,500
Accrued expense		826	-
<b>Total liabilities</b>		<b><u>47,943</u></b>	<b><u>168,909</u></b>
<b>Fund balance</b>			
Restricted		1,636,799	1,022,348
<b>Total fund balance</b>		<b><u>1,636,799</u></b>	<b><u>1,022,348</u></b>
<b>Total liabilities and fund balance</b>	<b>\$</b>	<b><u>1,684,742</u></b>	<b><u>\$ 1,191,257</u></b>

*See notes to Funds financial statements.*

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

**Statements of Revenues, Expenditures and Changes in Fund Balance**

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	Years ended June 30	
	2020	2019
<b>Revenues</b>		
Measure M	\$ 674,100	\$ 699,738
Interest income	22,462	9,318
<b>Total revenues</b>	<b>696,562</b>	709,056
<b>Expenditures</b>		
Expenditures funded by MMLRF	82,111	207,959
Expenditures funded by General Funds	-	13,637
<b>Total expenditures</b>	<b>82,111</b>	221,596
Excess of revenues over expenditures	<b>614,451</b>	487,460
<b>Other funding source</b>		
Transfer in from General Fund	-	13,637
<b>Total other funding source</b>	<b>-</b>	13,637
Change in fund balance	<b>614,451</b>	501,097
Fund balance at beginning of year	<b>1,022,348</b>	521,251
Fund balance at end of year	<b>\$ 1,636,799</b>	\$ 1,022,348

*See notes to Funds financial statements.*

**City of Azusa**  
**Measure M Local Return Fund**  
**Supplementary Information**  
**Schedule of Expenditures – Actual and LACMTA Approved Project Budget**  
**Year ended June 30, 2020**  
**(With Comparative Actuals for 2019)**

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Project Code	Project Name	2020			2019 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
1.05	Arrow Highway Street Improvement	\$ 50,000	\$ 48,740	\$ 1,260	\$ -
1.05	Vernon Avenue Street Improvement	290,405	-	290,405	166,367
1.05	Newburgh Street Pavement Preservation	81,000	32,400	48,600	-
8.10	Administration (20%)	40,200	971	39,229	41,592
<b>Total expenditures</b>		<b>\$ 461,605</b>	<b>\$ 82,111</b>	<b>\$ 379,494</b>	<b>\$ 207,959</b>

*See report of independent auditors.*

**City of Azusa**  
**Measure M Local Return Fund**  
**Supplementary Information**  
**Schedule of Capital Assets**  
**Year ended June 30, 2020**

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Date Acquired	Description	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
N/A	None	\$ -	\$ -	\$ -	\$ -
<b>Total</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

*See report of independent auditors.*

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

		June 30	
		2020	2019
<b>ASSETS</b>			
Due from LACMTA	\$	66,341	\$ -
	<b>Total assets</b>	<b>\$ 66,341</b>	<b>\$ -</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$	-	\$ -
	<b>Total liabilities</b>	-	-
<b>Fund balance</b>			
Restricted		66,341	-
	<b>Total fund balance</b>	66,341	-
	<b>Total liabilities and fund balance</b>	<b>\$ 66,341</b>	<b>\$ -</b>

*See notes to Funds financial statements.*



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

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	Years ended June 30	
	2020	2019
<b>Revenues</b>		
Intergovernmental Allocations:		
TDA Article 3	\$ 66,341	\$ 16,044
<b>Total revenues</b>	<b>66,341</b>	16,044
<b>Expenditures</b>		
Various projects	-	16,044
<b>Total expenditures</b>	-	16,044
Excess of revenues over expenditures	<b>66,341</b>	-
Fund balance at beginning of year	-	-
Fund balance at end of year	<b>\$ 66,341</b>	\$ -

*See notes to Funds financial statements.*

City of Azusa  
 Transportation Development Act Article 3 Fund  
 Pursuant to Public Utilities Code Section 99234  
 Supplementary Information  
 Schedule of Transportation Development Act Allocation for Specific Projects  
 Year ended June 30, 2020

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Project Description	Program Year	Totals to Date		Unexpended Allocations	Project Status
		Allocations	Expenditures		
<b>Local Allocations:</b>					
City Sidewalk Improvement Citywide	2020	\$ 66,341	\$ -	\$ 66,341	Completed
	<b>Totals</b>	<u>\$ 66,341</u>	<u>\$ -</u>	<u>66,341</u>	
Fund balance at beginning of year				<u>-</u>	
Fund balance at end of year				<u>\$ 66,341</u> *	

\* The drawdown amount of \$66,341 was not received as of June 30, 2020. The City is not required to return the unspent fund balance to LACMTA.

*See report of independent auditors.*

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Fund Accounting**

The operations of the Proposition A Local Return Fund (PALRF), the Proposition C Local Return Fund (PCLRF), the Measure R Local Return Fund (MRLRF), Measure M Local Return Fund (MMLRF) and the Transportation Development Act Article 3 Fund (TDAA3F) (collectively, the Funds) of the City of Azusa (the City) are accounted for in separate sets of self-balancing accounts that comprise their assets, liabilities, fund balance, revenues and expenditures.

PALRF and PCLRF represent 25% and 20%, respectively, of the ½ cent Proposition A and ½ cent Proposition C sales taxes which are distributed to the jurisdictions within Los Angeles County based on population and must be used exclusively for transportation related programs and projects.

MRLRF is derived from 15% of the county-wide ½ cent Measure R sales tax which is distributed to the jurisdictions within Los Angeles County based on a per capita basis and must be used exclusively for transportation purposes.

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

TDAA3F is a Special Revenue Fund that accounts for the City's share of the Transportation Development Act Article 3 allocations which are legally restricted for specific purposes.

**Basis of Accounting and Measurement Focus**

The PALRF, PCLRF, MRLRF, MMLRF and TDAA3F are reported as Special Revenue Funds of the City and are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become "susceptible to accrual", that is, measurable and available to finance expenditures of the current period. Expenditures are recorded when the liability is incurred.

Special Revenue Funds are reported on a spending or "financial flow" measurement focus. This means that generally, only current assets, current liabilities and deferred inflows and outflows of resources are included on their balance sheets. Statements of revenues, expenditures and changes in fund balances for Special Revenue Funds generally present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

**Budgets and Budgetary Accounting**

The budgeted amounts presented in this report for comparison to the actual amounts are based on budgets approved by LACMTA and are presented in accordance with accounting principles generally accepted in the United States of America.

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Measurement**

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, the City categorizes its fair value measurement within the fair value hierarchy that is based on the valuation inputs used to measure the fair value of the investment. Level 1 inputs are quoted prices in active markets for identical investments; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Accordingly, the City reports its investments at fair value and recognizes unrealized gain (loss) on investments.

Refer to the City's Comprehensive Annual Financial Report (CAFR) for detailed disclosures regarding the City's investments policy and fair value measurement disclosures.

**Fund Balance Reporting**

Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes the fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The PALRF, PCLRF, MRLRF, MMLRF and TDAA3F report the following fund balance classification as of June 30, 2020 and 2019:

- Restricted - Amounts that are constrained for specific purposes, which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation. The use of the Funds' remaining fund balances are restricted for projects approved by LACMTA.

Information regarding the fund balance reporting policy adopted by the City is described in the City's CAFR.

**Deferred Outflows and Inflows of Resources**

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the City recognizes deferred outflows and deferred inflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period.

Deferred inflows of resources reported by the City represent resources that are not available for spending as of June 30, 2020 and 2019.

**NOTE 2      ANNUAL FINANCIAL STATEMENTS**

The financial statements reflect only the financial position and results of operations of the PALRF, PCLRF, MRLRF, MMLRF and TDAA3F, and do not purport to, and do not present fairly the City's financial position as of June 30, 2020 and 2019, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

The Proposition A Ordinance requires that Local Return (LR) funds be used exclusively to benefit public transit. Expenditures related to fixed route and paratransit services, Transportation Demand Management, Transportation Systems Management and fare subsidy programs that exclusively benefit transit are all eligible uses of Proposition A LR funds. Proposition A LR funds may also be traded with other Jurisdictions in exchange for general or other funds.

The Proposition C Ordinance directs that LR funds also be used to benefit public transit, as described above, but provides an expanded list of eligible project expenditures including Congestion Management Programs, bikeways and bike lanes, street improvements supporting public transit service, and Pavement Management System projects. Proposition C LR funds cannot be traded.

Proposition A and Proposition C LR funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated.

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

**NOTE 4      MEASURE R LOCAL RETURN COMPLIANCE REQUIREMENTS**

The Measure R Ordinance specifies that LR funds be used exclusively for transportation purposes.

Measure R LR funds must be expended within five years of the first day of the fiscal year in which funds were originally allocated or received.

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

**NOTE 5 MEASURE M LOCAL RETURN COMPLIANCE REQUIREMENTS**

Measure M was approved by the voters of Los Angeles County on November 8, 2016 to improve transportation and ease traffic congestion consistent with the Los Angeles County Traffic Improvement Plan Ordinance approved by the Metro Board of Directors on June 23, 2016. The Measure M Ordinance specifies that LR funds be used exclusively for transportation purposes.

Measure M LR funds must be expended within five years of the first day of the fiscal year in which funds were originally allocated or received.

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

**NOTE 6 TRANSPORTATION DEVELOPMENT ACT COMPLIANCE REQUIREMENTS**

In accordance with *Public Utilities Code Section 99234*, funds received pursuant to this Code's section may only be used for activities relating to pedestrians and bicycle facilities. See accompanying Compliance Matrix.

**NOTE 7 CASH AND INVESTMENTS**

The PALRF, PCLRF, MRLRF, MMLRF and TDAA3F cash balances were pooled with various other City funds for deposit and investment purposes. The share of each fund in the pooled cash account was separately maintained and interest income was apportioned to the participating funds based on the relationship of their average quarterly balances to the total of the pooled cash and investments.

Please refer to the City's CAFR for a full description of risks relating to cash and investments.

**NOTE 8 ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2020 and 2019 consisted of the following:

**PALRF**

	<b>2020</b>	<b>2019</b>
Los Angeles County –		
Department of Public Works	\$ 11,277	\$ 24,305
Clear Channel	-	2,091
Script sale	-	415
Fees/riders fares	42	48
	\$ 11,319	\$ 26,859

**NOTE 8      ACCOUNTS RECEIVABLE (CONTINUED)**

**PCLRF**

	<u>2020</u>	<u>2019</u>
Fees/riders fares	\$ <u>16</u>	\$ <u>427</u>
	\$ <u>16</u>	\$ <u>427</u>

**MRLRF**

	<u>2020</u>	<u>2019</u>
Bond Trustee	\$ <u>          </u>	\$ <u>66,661</u>
KOA (vendor refund)	\$ <u>9,891</u>	\$ <u>47,650</u>
	\$ <u>9,891</u>	\$ <u>114,311</u>

**NOTE 9      PROPOSITION A DISCRETIONARY INCENTIVE PROGRAM GRANT**

The Proposition A Discretionary Incentive Program Grant represents additional funds received from LACMTA for participating in the Voluntary NTD Program. The amounts received for the years ended June 30, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
FY 2015/16 Voluntary NTD Reporting Program Year	\$ <u>42,896</u>	\$ <u>-</u>
	\$ <u>42,896</u>	\$ <u>-</u>

The Proposition A Discretionary Incentive Grants were recorded under PALRF.

**NOTE 10      PROJECT GENERATED REVENUES**

Project generated revenues for the years ended June 30, 2020 and 2019 consisted of the following:

**PALRF**

	<u>2020</u>	<u>2019</u>
County Dial-A-Ride	\$ <u>124,302</u>	\$ <u>133,736</u>
Fees/riders fares	\$ <u>7,436</u>	\$ <u>9,297</u>
Fees/advertising	\$ <u>5,750</u>	\$ <u>6,959</u>
	\$ <u>137,488</u>	\$ <u>149,992</u>

**NOTE 10 PROJECT GENERATED REVENUES (CONTINUED)**

**PCLRF**

		<u>2020</u>		<u>2019</u>
Metrolink and bus pass sales	\$	7,399	\$	10,784
Fees/riders fares		4,136		5,497
	\$	<u>11,535</u>	\$	<u>16,281</u>

**NOTE 11 OTHER REVENUES**

Other revenues for the years ended June 30, 2020 and 2019 consisted of the following:

**PALRF**

		<u>2020</u>		<u>2019</u>
Insurance reimbursement	\$	-	\$	844
	\$	-	\$	844

**PCLRF**

		<u>2020</u>		<u>2019</u>
Gold Line lease	\$	83,280	\$	89,371
Insurance reimbursement		-		282
	\$	<u>83,280</u>	\$	<u>89,653</u>

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

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



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

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

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

Capital reserve balance at June 30, 2018	\$	2,460,666
Add: Investment income allocated during FY 2019		59,816
Less: Expenditures during FY 2019		<u>(66,661)</u>
Capital reserve balance at June 30, 2019		2,453,821
Add: Investment income allocated during FY 2020		34,733
Less: Expenditures during FY 2020		<u>(1,511,122)</u>
Capital reserve balance at June 30, 2020	\$	<u><u>977,432</u></u>

**NOTE 13 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND REVENUE ALLOCATION**

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

		<u>2020</u>		<u>2019</u>
FY 2015/16 allocation	\$	-	\$	527
FY 2014/17 allocation		-		15,517
FY 2015/18 allocation		<b>17,238</b>		-
FY 2017/19 allocation		<b>32,234</b>		-
FY 2019/20 allocation		<b>16,869</b>		-
	\$	<u><b>66,341</b></u>	\$	<u>16,044</u>

**NOTE 14 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUNDS RESERVED**

In accordance with TDA Article 3 (SB821) Guidelines, funds which will not be spent during the fiscal year have been placed on reserve in the Local Transportation Fund (LTF) account with the County Auditor-Controller to be drawn down whenever the funds become eligible for a specific project and an approved drawdown request is received by LACMTA. As of June 30, 2020 and 2019, the City has funds on reserve as follows:

		<u>2020</u>		<u>2019</u>
FY 2016/17 allocation	\$	-	\$	17,238
FY 2017/18 allocation		-		32,234
FY 2018/19 allocation		<b>16,870</b>		33,739
FY 2019/20 allocation		<b>35,860</b>		-
Total reserve	\$	<u><b>52,730</b></u>	\$	<u>83,211</u>

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

For FY 2018/19, any TDA Article 3 funds left on reserve for FY 2014/15 or prior, are subject to lapse if not claimed by the City by June 30, 2020. There were no funds that lapsed in FY 2018/19.

**NOTE 15      RESTATEMENT OF 2019 PCLRF and MRLRF FINANCIAL STATEMENTS**

The 2019 financial statements of PCLRF and MRLRF were restated to reflect the adjustments on the following accounts:

**PCLRF**

	Balance, as previously reported	Adjustment	Balance, as restated
Cash and investments	\$ 2,293,626	\$ (3,600)	\$ 2,290,026
Fund balance	2,206,867	(3,600)	2,203,267

**MRLRF**

	Balance, as previously reported	Adjustment	Balance, as restated
Accounts receivable	\$ 104,420	\$ 9,891	\$ 114,311
Retention payable	-	63,310	63,310
Fund balance	2,733,324	(53,419)	2,679,905
Expenditures	833,476	53,419	886,895

The restatement of the Proposition C Local Return Fund financial statements is to reverse the erroneous recognition of the receipt of the LACMTA Call for Projects grant during the year ended June 30, 2018 which is not related to PCLRF.

The restatement of the Measure R Local Return Fund financial statements is to recognize certain expenditures and retention payable related to Traffic Signal and Modifications for Synchronization (TRIP) project in FY 2018/19.

**NOTE 16      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.

**NOTE 16      SUBSEQUENT EVENTS (CONTINUED)**

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 subsequent to June 30, 2020 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through December 15, 2020, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no other subsequent events occurred that require recognition or additional disclosure in the financial statements.

**Report of Independent Auditors on Internal Control over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Azusa, California (the City) as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated December 15, 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 the Funds' financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Funds' financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Funds' financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, Measure M Local Return Fund and Transportation Development Act Article 3 Fund financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

A handwritten signature in black ink that reads "Vaughan &amp; Company LLP".

**Glendale, California  
December 15, 2020**

## **COMPLIANCE SECTION**

## Report of Independent Auditors on Compliance

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

### Report on Compliance

We have audited the compliance of the City of Azusa, California (the City) with the Proposition A and Proposition C Local Return Guidelines, Measure R Local Return Guidelines, Measure M Local Return Guidelines, Transportation Development Act Article 3, and the Los Angeles County Metropolitan Transportation Authority's Funding and Allocation Guidelines for Transportation Development Act Article 3 Bicycle and Pedestrian Funds (collectively, the Guidelines) for the year ended June 30, 2020.

### *Management's Responsibility*

Management is responsible for the City's compliance with the Guidelines.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on the City's compliance with the Guidelines based on our audit. We conducted our audit of compliance in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the Guidelines. Those standards and the Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the Proposition A Local Return Program, Proposition C Local Return Program, Measure R Local Return Program, Measure M Local Return Program and Transportation Development Act Article 3 Program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### *Opinion*

In our opinion, the City of Azusa, California complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2020.



### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance with the requirements, which are described in the accompanying Schedule of Findings and Questioned Costs as Findings #2020-001 through #2020-004. Our opinion is not modified with respect to these matters.

The City's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

### **Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the requirements, such that there is a reasonable possibility that material noncompliance will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the requirements that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

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

A handwritten signature in black ink that reads "Vasquez &amp; Company LLP".

**Glendale, California  
December 15, 2020**



**City of Azusa  
Compliance Matrix  
Year ended June 30, 2020**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
<b>A. Proposition A and Proposition C Local Return Funds</b>					
1. Uses the State Controller's Uniform System of Accounts and Records.	X				
2. Timely use of funds.	X				
3. Funds expended were approved and have not been substituted for property tax.	X				
4. Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A)	X				
5. Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	X				
6. All on-going and carryover projects were reported in Form B.	X				
7. Annual Project Summary Report (Form B) was submitted timely.		X			See Finding #2020-001
8. Annual Expenditure Report (Form C) was submitted timely.	X				
9. Cash or cash equivalents are maintained.	X				
10. Accounting procedures, record keeping and documentation are adequate.	X				
11. Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	X				
12. Local Return Account is credited for reimbursable expenditures.	X				
13. Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.			X		
14. Assurances and Understandings form was on file.	X				
15. Recreational Transit Form was submitted timely.		X			See Finding #2020-002

*See report of independent auditors on compliance.*

**City of Azusa  
Compliance Matrix  
Year ended June 30, 2020**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
<b>B. Measure R Local Return Fund</b>					
1. Funds were expended for transportation purposes.	X				
2. Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	X				
3. Signed Assurances and Understandings on file.	X				
4. Separate Measure R Local Return Account was established.	X				
5. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X				
6. Funds were expended with LACMTA's approval.	X				
7. Expenditure Plan (Form One) was submitted timely.		X			See Finding #2020-003
8. Expenditure Report (Form Two) was submitted timely.	X				
9. Timely use of funds.	X				
10. Administrative expenses are within the 20% cap.	X				
11. Fund exchanges were approved by LACMTA.			X		
12. A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	X				
13. Recreational transit form was submitted timely.			X		

*See report of independent auditors on compliance.*

**City of Azusa  
Compliance Matrix  
Year ended June 30, 2020**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
<b>C. Measure M Local Return Fund</b>					
1. Funds were expended for transportation purposes.	X				
2. Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a fund shortfall.	X				
3. Signed Assurances and Understandings on file.	X				
4. Separate Measure M Local Return Account was established.	X				
5. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	X				
6. Funds were expended with LACMTA's approval.	X				
7. Expenditure Plan (Form M-One) was submitted timely.		X			See Finding #2020-004
8. Expenditure Report (Form M-Two) was submitted timely.	X				
9. Timely use of funds.	X				
10. Administrative expenses are within the 20% cap.	X				
11. Fund exchanges were approved by LACMTA.			X		
12. A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.			X		
13. Recreational transit form was submitted timely.			X		

*See report of independent auditors on compliance.*

**City of Azusa  
Compliance Matrix  
Year ended June 30, 2020**

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Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
<b>D. Transportation Development Act Article 3 Fund</b>					
1. Timely use of funds.	X				
2. Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.	X				

*See report of independent auditors on compliance.*

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**City of Azusa**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2020**

**PALRF and PCLRF: Finding #2020-001**

<b>Compliance Reference</b>	Section I (C) Annual Project Update (Form B) of the Proposition A and C Local Return Guidelines state that, "Jurisdiction shall submit on or before August 1st of each fiscal year an Annual Project Update (Form B) to provide current information on all approved on-going and carryover LR projects. LACMTA will review and accept or return the report for changes. Cities shall report the anticipated expenditure cash flow amounts for the covered fiscal year."
<b>Condition</b>	The City submitted its Annual Project Update (Form B) on October 1, 2019, 60 days after the due date of August 1, 2019.
<b>Cause</b>	The City inadvertently missed the filing deadline.
<b>Effect</b>	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
<b>Recommendation</b>	We recommend the City establish procedures and internal controls to ensure that the Annual Project Update (Form B) is submitted by August 1st as required by the Guidelines.
<b>Management's Response</b>	The City will ensure the Proposition A & C Form B is submitted in a timely manner by the August 1 for each fiscal year.
<b>Finding Corrected During the Audit</b>	The City subsequently submitted the Annual Project Update (Form B). No follow up is required.

**City of Azusa**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2020**

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**PALRF and PCLRF: Finding #2020-002**

<b>Compliance Reference</b>	Under Section III(A) Reporting Requirements for Jurisdictions, Annual Expenditure Report (Form C) of the Proposition A and Proposition C Local Return Guidelines, "For Jurisdictions with Recreational Transit projects, Jurisdictions are required to annually submit an accounting of Recreational Transit trips, destinations and costs. This information should be submitted along with the Form C, no later than October 15 after the fiscal year".
<b>Condition</b>	The Recreational Transit Service Form was submitted on October 19, 2020, 4 days beyond the due date of October 15, 2020.
<b>Cause</b>	The City inadvertently missed the filing deadline.
<b>Effect</b>	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
<b>Recommendation</b>	We recommend the City establish procedures and internal controls to ensure that the Annual Recreational Transit Service Form is submitted by October 15 as required by the Guidelines.
<b>Management's Response</b>	The City will ensure the Recreational Transit Form and Certification is submitted in a timely manner by the October 15 for each fiscal year.
<b>Finding Corrected During the Audit</b>	The City subsequently submitted the Recreational Transit Service form. No follow up is required.

**City of Azusa**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2020**

**MRLRF: Finding #2020-003**

<b>Compliance Reference</b>	<p>Section B (II)(1) Expenditure Plan (Form One) of Measure R Local Return Program Guidelines state that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1<sup>st</sup> of each year".</p> <p>"Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan."</p>
<b>Condition</b>	<p>The City submitted its Expenditure Plan (Form One) on August 15, 2019, 14 days after the due date of August 1, 2019.</p>
<b>Cause</b>	<p>The City engaged a consultant to complete the Measure R Expenditure Plan (Form One) after staff was out for an extended sick leave absence. The vendor did not file the documentation timely.</p>
<b>Effect</b>	<p>The City was not in compliance with the reporting requirements of the Local Return Guidelines.</p>
<b>Recommendation</b>	<p>We recommend the City establish procedures and internal controls to ensure that approval is obtained from LACMTA prior to spending on Measure R-funded projects.</p>
<b>Management's Response</b>	<p>Management will ensure that the Expenditure Plan (Form One) is submitted in a timely manner by the due date of August 1.</p>
<b>Finding Corrected During the Audit</b>	<p>The City subsequently submitted the Expenditure Plan (Form One). No follow up is required.</p>



**City of Azusa**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2020**

**MMLRF: Finding #2020-004**

<b>Compliance Reference</b>	<p>Section XXV Administrative Section, Expenditure Plan (Form M-One) of the Measure M Local Return Program Guidelines state that, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form M-One), annually, by August 1st of each year".</p> <p>"Expenditures Plan (Form M-One) provides a listing of projects funded with Measure M LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. Part II is to be filled out for capital projects (projects over \$ 250,000). LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan."</p>
<b>Condition</b>	<p>The City submitted its Expenditure Plan (Form M-One) on August 15, 2019, 14 days after the due date of August 1, 2019.</p>
<b>Cause</b>	<p>The City engaged a consultant to complete the Measure M Expenditure Plan (Form M-One) after staff was out for an extended sick leave absence. The vendor did not file the documentation timely.</p>
<b>Effect</b>	<p>The City was not in compliance with the reporting requirements of the Local Return Guidelines.</p>
<b>Recommendation</b>	<p>We recommend the City establish procedures and internal controls to ensure that approval is obtained from LACMTA prior to spending on Measure R-funded projects.</p>
<b>Management's Response</b>	<p>Management will ensure that the Expenditure Plan (Form M-One) is submitted in a timely manner by the due date of August 1.</p>
<b>Finding Corrected During the Audit</b>	<p>The City subsequently submitted the Expenditure Plan (Form M-One). No follow up is required.</p>

**EXIT CONFERENCE**

An exit conference was held on December 15, 2020 with the City of Azusa representatives. Those in attendance were:

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

City of Azusa representatives:  
    Talika Johnson – Finance Director  
    Henry Quintero – Senior Accountant

Matters discussed:

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

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

Talika Johnson – Finance Director  
Henry Quintero – Senior Accountant



[www.vasquezcpa.com](http://www.vasquezcpa.com)

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