



**Metro**<sup>™</sup>

**City of Rosemead  
Annual Financial Report of its**

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

**As of and for the Years Ended June 30, 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 Rosemead, California and the  
Los Angeles County Metropolitan Transportation Authority**

### Report on the Financial Statements

We have audited the accompanying financial statements of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Rosemead, California (the City) which comprise the Funds' balance sheets as of June 30, 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 Rosemead, 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.

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

As discussed in Note 2, the financial statements present only the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund of the City of Rosemead, California, and do not purport to, and do not present fairly the financial position of the City as of June 30, 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 November 5, 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.

*Vaughan & Company LLP*

**Glendale, California  
November 5, 2020**

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

		June 30	
		2020	2019
<b>ASSETS</b>			
Cash and investments	\$	698,722	\$ 752,427
Due from LACMTA		66,087	74,101
<b>Total assets</b>	<b>\$</b>	<b>764,809</b>	<b>\$ 826,528</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$	9,374	\$ 132,247
Accrued payroll and employee benefits		12,871	6,521
<b>Total liabilities</b>		<b>22,245</b>	<b>138,768</b>
<b>Fund balance</b>			
Restricted		742,564	687,760
<b>Total fund balance</b>		<b>742,564</b>	<b>687,760</b>
<b>Total liabilities and fund balance</b>	<b>\$</b>	<b>764,809</b>	<b>\$ 826,528</b>

*See notes to Funds financial statements.*



**City of Rosemead**  
**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	\$ 1,066,934	\$ 1,103,864
Proposition A Discretionary Incentive Program grant	66,087	74,101
Project generated revenues	12,111	17,790
Investment income	16,495	18,911
<b>Total revenues</b>	<b>1,161,627</b>	1,214,666
 <b>Expenditures</b>		
Various projects	1,106,823	1,001,678
<b>Total expenditures</b>	<b>1,106,823</b>	1,001,678
 Excess of revenues over expenditures	54,804	212,988
 Fund balance at beginning of year	687,760	474,772
 Fund balance at end of year	\$ 742,564	\$ 687,760

*See notes to Funds financial statements.*

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

Project Code	Project Name	2020		Variance Positive (Negative)	2019 Actual
		LACMTA Budget	Actual		
110-03	Explorer (Formerly Shopper Shuttle) \$	780,000	\$ 793,679	\$ (13,679)	\$ 714,200
110-08	Vehicle Maintenance	5,000	1,247	3,753	4,215
140-05	Recreational Transit	20,000	19,509	491	27,555
170-06	Bus Shelter Maintenance	70,600	77,791	(7,191)	51,518
200-02	Purchase 2 Transit Buses	240,000	-	240,000	-
270-12	Transportation Planning	18,217	18,486	(269)	20,000
270-13	SGVCOG Transportation Dues	15,000	15,590	(590)	15,000
270-14	Training	-	-	-	827
280-01	Public Transportation Promotions	12,000	8,342	3,658	10,000
480-01	Administration	182,883	172,179	10,704	158,363
	<b>Total expenditures</b>	<b>\$ 1,343,700</b>	<b>\$ 1,106,823</b>	<b>\$ 236,877</b>	<b>\$ 1,001,678</b>

*See report of independent auditors.*

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

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<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>
09/2015	2016 Ford E450 Cutaway Bus	\$ 45,625	\$ -	\$ -	\$ 45,625
09/2015	2016 Ford E450 Cutaway Bus	45,625	-	-	45,625
09/2015	2016 Ford E450 Cutaway Bus	45,625	-	-	45,625
09/2015	2016 Ford E450 Cutaway Bus	39,905	-	-	39,905
09/2015	2016 Ford E450 Cutaway Bus	39,905	-	-	39,905
	<b>Total</b>	<b>\$ 216,685</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 216,685</b>

*See report of independent auditors.*

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

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		June 30	
		2020	2019
<b>ASSETS</b>			
Cash and investments	\$	1,453,959	\$ 1,205,613
<b>Total assets</b>	<b>\$</b>	<b>1,453,959</b>	<b>\$ 1,205,613</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$	93,679	\$ 269,510
Accrued payroll and employee benefits		7,267	3,291
<b>Total liabilities</b>		<b>100,946</b>	<b>272,801</b>
<b>Fund balance</b>			
Restricted		1,353,013	932,812
<b>Total fund balance</b>		<b>1,353,013</b>	<b>932,812</b>
<b>Total liabilities and fund balance</b>	<b>\$</b>	<b>1,453,959</b>	<b>\$ 1,205,613</b>

*See notes to Funds financial statements.*

**City of Rosemead**  
**Proposition C 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 C	\$ 885,024	\$ 915,624
Project generated revenues	25,518	35,228
Investment income	28,236	26,272
<b>Total revenues</b>	<b>938,778</b>	977,124
 <b>Expenditures</b>		
Various projects	518,577	545,383
<b>Total expenditures</b>	<b>518,577</b>	545,383
 Excess of revenues over expenditures	 420,201	 431,741
Fund balance at beginning of year	932,812	501,071
Fund balance at end of year	\$ 1,353,013	\$ 932,812

*See notes to Funds financial statements.*

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

Project Code	Project Name	2020			2019 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
130-04	Dial-A-Ride	\$ 320,000	\$ 335,150	\$ (15,150)	\$ 265,075
170-06	Bus Shelter Maintenance	75,400	82,942	(7,542)	64,676
220-01	Bus/Shelter Public Safety	48,200	34,409	13,791	20,831
250-10	FTZ Bus Pass Subsidy	80,000	48,112	31,888	71,109
440-07	City Wide Striping	-	-	-	18,988
440-08	Garvey Ave Resurfacing Project (21026)	-	-	-	75,845
440-09	Valley Blvd Resurfacing Phase II	500,000	-	500,000	-
480-01	Administration	29,800	17,964	11,836	28,859
500-02	City Entry Monuments	175,000	-	175,000	-
500-03	Landscape Median Blosswale	150,000	-	150,000	-
<b>Total expenditures</b>		<b>\$ 1,378,400</b>	<b>\$ 518,577</b>	<b>\$ 859,823</b>	<b>\$ 545,383</b>

*See report of independent auditors.*

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

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<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>
03/2017	Temple City Blvd Sidewalk Infrastructure \$	26,733	\$ -	\$ 1,114	\$ 25,619
6/30/2019	Garvey Avenue Resurfacing Project	-	75,845	-	75,845
	<b>Total</b>	<b>\$ 26,733</b>	<b>\$ 75,845</b>	<b>\$ 1,114</b>	<b>\$ 101,464</b>

*See report of independent auditors.*

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

		June 30	
		2020	2019
<b>ASSETS</b>			
Cash and investments	\$	2,119,691	\$ 1,656,008
Accounts receivable		-	38,098
<b>Total assets</b>	<b>\$</b>	<b>2,119,691</b>	<b>\$ 1,694,106</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$	3,299	\$ 20,917
Accrued payroll and employee benefits		2,865	605
Deferred revenue		-	38,098
Retention payable		2,354	-
<b>Total liabilities</b>		<b>8,518</b>	<b>59,620</b>
<b>Fund balance</b>			
Restricted		2,111,173	1,634,486
<b>Total fund balance</b>		<b>2,111,173</b>	<b>1,634,486</b>
<b>Total liabilities and fund balance</b>	<b>\$</b>	<b>2,119,691</b>	<b>\$ 1,694,106</b>

*See notes to Funds financial statements.*



**City of Rosemead**  
**Measure R 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 R	\$ 662,818	\$ 686,916
Investment income	39,460	40,603
<b>Total revenues</b>	<b>702,278</b>	727,519
 <b>Expenditures</b>		
Various projects	225,591	206,798
<b>Total expenditures</b>	<b>225,591</b>	206,798
 Excess of revenues over expenditures	 476,687	520,721
 Fund balance at beginning of year	 1,634,486	1,113,765
 Fund balance at end of year	 \$ 2,111,173	\$ 1,634,486

*See notes to Funds financial statements.*

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

Project Code	Project Name	2020			2019 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
1.05	Valley Blvd Resurfacing Proj Phs I - 2018-19	\$ 300,000	\$ -	\$ 300,000	-
1.05	Rosemead Blvd. HISP Proj - 2019-20	266,100	-	266,100	-
1.05	Localized Pavement Repairs Proj. - 2019-20	130,000	-	130,000	-
1.05	Rosemead Blvd. Median Landscaping Proj. - 2019-20	200,000	-	200,000	-
1.05	Sidewalk Replacement Project 2018-19	100,000	48,702	51,298	3,022
2.29	Circulation Study - Romona Blvd - 28005	42,262	11,403	30,859	-
2.29	Battery Back-up System for Traffic Signals - 27005	69,783	94,482	(24,699)	5,223
2.29	Traffic Study Analysis - 28003 - Carry Over	-	-	-	15,033
2.29	Circulation Study - Klingerman/Angelus - 28005	-	-	-	4,832
2.29	Traffic Impact Analysis 2018-19	-	-	-	33,732
3.20	ADA Curb Ramps - 2019-20	60,000	-	60,000	-
3.20	Sidewalk ADA Master Plan - 2019-20	55,000	-	55,000	-
3.90	SR2 Sidewalk Gap Closure - Delta Ave 2018-19	41,359	488	40,871	35,231
3.90	Rosemead Park Walking Trail - 2019-20	147,000	12,384	134,616	-
7.90	Transportation Program Planning and Design	37,100	-	37,100	19,392
7.90	Planning and Engineering Costs	200,000	14,129	185,871	50,000
8.10	Transportation Program Administration	55,500	44,003	11,497	40,333
<b>Total expenditures</b>		<b>\$ 1,704,104</b>	<b>\$ 225,591</b>	<b>\$ 1,478,513</b>	<b>\$ 206,798</b>

*See report of independent auditors.*

**City of Rosemead**  
**Measure R 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>
4/3/2018	Sidewalk Installation Project/Earle and Wells	\$ 542,918	\$ -	\$ -	\$ 542,918
6/30/2019	Safe Routes (SR25) Sidewalk Gap Closure Project	-	32,476	-	32,476
1/31/2020	Sidewalk Replacement Project	-	48,702	-	48,702
2/28/2020	Circulation Study Klingerman & Angelus	-	11,403	-	11,403
1/31/2020	Battery Back-up System for traffic Signals	-	94,482	-	94,482
6/30/2020	Rosemead Park Walking Trail	-	12,384	-	12,384
<b>Total</b>		<b>\$ 542,918</b>	<b>\$ 199,447</b>	<b>\$ -</b>	<b>\$ 742,365</b>

*See report of independent auditors.*

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

		June 30	
		2020	2019
<b>ASSETS</b>			
Cash and investments	\$	2,159,914	\$ 1,383,626
<b>Total assets</b>	<b>\$</b>	<b>2,159,914</b>	<b>\$ 1,383,626</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accrued payroll and employee benefits	\$	922	\$ -
Retention payable		330	-
<b>Total liabilities</b>		<b>1,252</b>	-
<b>Fund balance</b>			
Restricted		2,158,662	1,383,626
<b>Total fund balance</b>		<b>2,158,662</b>	<b>1,383,626</b>
<b>Total liabilities and fund balance</b>	<b>\$</b>	<b>2,159,914</b>	<b>\$ 1,383,626</b>

*See notes to Funds financial statements.*

**City of Rosemead**  
**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	\$ 745,836	\$ 773,916
Investment income	37,441	29,519
<b>Total revenues</b>	<b>783,277</b>	<b>803,435</b>
 <b>Expenditures</b>		
Various projects	8,241	-
<b>Total expenditures</b>	<b>8,241</b>	<b>-</b>
 Excess of revenues over expenditures	775,036	803,435
 Fund balance at beginning of year	1,383,626	580,191
 Fund balance at end of year	\$ 2,158,662	\$ 1,383,626

*See notes to Funds financial statements.*

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

Project Code	Project Name	2020		Variance Positive (Negative)	2019 Actual
		LACMTA Budget	Actual		
1.05	Walnut Grove Ave Resurfacing Project - 2018-19 Phase II	\$ 440,000	\$ -	\$ 440,000	\$ -
1.20	Crosswalk Installation Project 2018-19	53,000	6,598	46,402	-
1.05	Valley Blvd Resurfacing Project Phase I 2018-19	200,000	-	200,000	-
1.05	Annual Slurry Seal Project 2019-20	300,000	-	300,000	-
1.05	Valley Blvd Resurfacing Project Phase II 2019-20	400,000	-	400,000	-
8.10	Transportation Program Administration	43,200	1,643	41,557	-
	<b>Total expenditures</b>	<b>\$ 1,436,200</b>	<b>\$ 8,241</b>	<b>\$ 1,427,959</b>	<b>\$ -</b>

*See report of independent auditors.*

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

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

*See report of independent auditors.*

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

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		June 30	
		2020	2019
<b>ASSETS</b>			
Cash		\$ -	\$ -
	<b>Total assets</b>	\$ -	\$ -
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable		\$ -	\$ -
	<b>Total liabilities</b>	-	-
<b>Fund balance</b>			
Restricted		-	-
	<b>Total fund balance</b>	-	-
	<b>Total liabilities and fund balance</b>	\$ -	\$ -

*See notes to Funds financial statements.*



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

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

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		Years ended June 30	
		2020	2019
<b>Revenues</b>			
Intergovernmental Allocations:			
Article 3	\$	-	\$ -
Investment income		-	-
<b>Total revenues</b>		-	-
<b>Expenditures</b>			
Construction/Maintenance			
		-	-
<b>Total expenditures</b>		-	-
Excess of revenues over expenditures		-	-
<b>Other financing use</b>			
Funds returned to LACMTA			5
<b>Total other financing use</b>		-	5
Change in fund balance		-	(5)
Fund balance at beginning of year		-	5
Fund balance at end of year		\$ -	\$ -

*See notes to Funds financial statements.*

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Fund Accounting**

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

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

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

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

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

**Basis of Accounting and Measurement Focus**

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

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

**Budgets and Budgetary Accounting**

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

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

**Fair Value Measurement**

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

Refer to the City's Comprehensive Annual Financial Report (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.

**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.

**NOTE 5 MEASURE M LOCAL RETURN COMPLIANCE REQUIREMENTS (CONTINUED)**

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

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

**NOTE 6 TRANSPORTATION DEVELOPMENT ACT COMPLIANCE REQUIREMENTS**

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

**NOTE 7 CASH AND INVESTMENTS**

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

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

**NOTE 8 PROPOSITION A DISCRETIONARY INCENTIVE PROGRAM GRANT**

The City entered into various Memorandum of Understanding (MOU) agreements with the Los Angeles County Metropolitan Transportation Authority (LACMTA) to receive Proposition A discretionary incentive grants for participating in the National Transit Database (NTD) Voluntary Reporting program. The amounts received for the years ended June 30, 2020 and 2019 consisted of the following:

Program Year	MOU Amount	Amount Received	
		<u>2020</u>	<u>2019</u>
FY 2016/17	\$ 66,087	\$ <b>66,087</b>	\$ -
FY 2015/16	74,101	-	74,101
		<u>\$ <b>66,087</b></u>	<u>\$ 74,101</u>

The Proposition A Discretionary Incentive Grant was recorded under PALRF.

**NOTE 9 PROJECT GENERATED REVENUES**

PALRF

Project generated revenues represent fare box revenues for PALRF. The City recognized \$12,111 and \$17,790 of project generated revenues for the years ended June 30, 2020 and 2019, respectively.

PCLRF

Project generated revenues under PCLRF for the years ended June 30, 2020 and 2019 are as follows:

		<u>2020</u>		<u>2019</u>
MTA bus pass sales	\$	20,769	\$	30,871
Fare box revenues		4,749		4,357
Total project generated revenues	\$	<u>25,518</u>	\$	<u>35,228</u>

**NOTE 10 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 2017/18 allocation	\$	20,382	\$	20,382
FY 2018/19 allocation		35,974		35,974
FY 2018/19 allocation		37,278		37,278
FY 2019/20 allocation		39,714		-
Total reserve	\$	<u>133,348</u>	\$	<u>93,634</u>

For FY 2019/20, any TDA Article 3 funds left on reserve for FY 2015/16 or prior, are subject to lapse if not claimed by the City by June 30, 2020. There were no funds that lapsed in FY 2019/20.

**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 subsequent to June 30, 2020 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through November 5, 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 Rosemead, California and the  
Los Angeles County Metropolitan Transportation Authority**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Rosemead, California (the City) as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated November 5, 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 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 "Vasquez &amp; Company LLP". The signature is written in a cursive, flowing style.

**Glendale, California  
November 5, 2020**

## **COMPLIANCE SECTION**

## Report of Independent Auditors on Compliance

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

#### Report on Compliance

We have audited the compliance of the City of Rosemead, California (the City) with the Proposition A and Proposition C Local Return Guidelines, Measure R Local Return Guidelines, Measure M Local Return Guidelines, Transportation Development Act Article 3 and the Los Angeles County Metropolitan Transportation Authority's Funding and Allocation Guidelines for Transportation Development Act Article 3 Bicycle and Pedestrian Funds (collectively, the Guidelines) for the year ended June 30, 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 Rosemead, California 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 compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

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

**Glendale, California**  
**November 5, 2020**

**City of Rosemead  
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				
8. Annual Expenditure Report (Form C) was submitted timely.	X				
9. Cash or cash equivalents are maintained.	X				
10. Accounting procedures, record keeping and documentation are adequate.	X				
11. Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	X				
12. Local Return Account is credited for reimbursable expenditures.	X				
13. Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.			X		
14. Assurances and Understandings form was on file.	X				
15. Recreational Transit Form was submitted timely.	X				

*See report of independent auditors on compliance.*

**City of Rosemead  
Compliance Matrix  
Year ended June 30, 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				
8. Expenditure Report (Form Two) was submitted timely.	X				
9. Timely use of funds.	X				
10. Administrative expenses are within the 20% cap.	X				
11. Fund exchanges were approved by LACMTA.			X		
12. A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.			X		
13. Recreational transit form was submitted timely.			X		

*See report of independent auditors on compliance.*

**City of Rosemead  
Compliance Matrix  
Year ended June 30, 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				
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 Rosemead  
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		There were no expenditures in FY 2019/20.

*See report of independent auditors on compliance.*



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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

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There were no findings noted.

**EXIT CONFERENCE**

An exit conference was held on November 5, 2020 with the City of Rosemead representatives. Those in attendance were:

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

City of Rosemead representatives:  
Scott G. Miller, Ph. D – Interim Finance Director  
Maria Teresita Anson – Finance Manager

Matters discussed:

Results of the audit disclosed no significant compliance or financial statement issues.

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

Maria Teresita Anson – Finance Manager



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