

***CITY OF ARCADIA
ANNUAL FINANCIAL REPORT OF THE
PROPOSITION A LOCAL RETURN FUND
PROPOSITION C LOCAL RETURN FUND
MEASURE R LOCAL RETURN FUND
TRANSPORTATION DEVELOPMENT ACT
ARTICLE 3 FUND
FOR THE FISCAL YEARS ENDED
JUNE 30, 2018 AND 2017

AND MEASURE M LOCAL RETURN FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018***



Metro[®]



Simpson & Simpson, LLP
Certified Public Accountants

CITY OF ARCADIA
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FINANCIAL SECTION



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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Proposition A Local Return Fund (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), and Transportation Development Act Article 3 Fund (TDAA3F) (collectively, the Funds), of the City of Arcadia, California (the City) as of and for the years ended June 30, 2018 and 2017, and Measure M Local Return Fund (MMLRF) (the Fund) of the City of Arcadia, California (the City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about 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 PALRF, PCLRF, MRLRF and TDAA3F of the City of Arcadia, California, as of June 30, 2018 and 2017, and MMLRF of the City of Arcadia, California, as of June 30, 2018, and the respective changes in their financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the PALRF, PCLRF, MRLRF, MMLRF and TDAA3F of the City and do not purport to, and do not, present fairly the financial position of the City of Arcadia, California, as of June 30, 2018 and 2017, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated December 24, 2018, on our consideration of the City's internal control over the Funds' financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over the Funds' financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over the Funds' financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over the Funds' financial reporting and compliance.

A handwritten signature in cursive script that reads "Simpson & Simpson".

Los Angeles, California
December 24, 2018

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

	2018	2017
ASSETS		
Cash and investments	\$ 2,230,432	\$ 2,037,913
Interest receivable	6,742	5,813
Prepaid item	3,000	-
Total assets	\$ 2,240,174	\$ 2,043,726
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 825	\$ -
Accrued wages	2,756	2,596
Total liabilities	3,581	2,596
 Fund Balance		
Restricted - Pasadena Gold Line Mass Transit Station Project (Note 9)	704,673	732,520
Restricted	1,531,920	1,308,610
Total fund balance	2,236,593	2,041,130
Total liabilities and fund balance	\$ 2,240,174	\$ 2,043,726

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

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

	2018	2017
REVENUES		
Proposition A	\$ 1,064,169	\$ 1,053,986
Interest income	27,452	21,303
Unrealized loss on investment	(20,381)	(12,341)
Total revenues	1,071,240	1,062,948
 EXPENDITURES		
Various projects	875,777	923,371
Total expenditures	875,777	923,371
 Excess of revenues over expenditures	195,463	139,577
 Fund balance at beginning of year	2,041,130	1,901,553
 Fund balance at end of year	\$ 2,236,593	\$ 2,041,130

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

CITY OF ARCADIA
PROPOSITION A LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2018
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2017)

Project Code	Project Name	2018			2017 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
120-01	Arcadia Dial-A-Ride Transit	\$ 920,000	\$ 604,093	\$ 315,907	\$ 666,607
140-01	Recreational Transit	17,000	16,284	716	15,937
150-01	Bus Benches and Trash Receptacles @ Local Bus Stops (Replacements)	10,000	-	10,000	-
150-02	Bus Stop Improvements/Maintenance	120,000	117,239	2,761	102,851
270-02	Arcadia Transit Service Restructuring and Feasibility Study	120,000	-	120,000	28,414
280-01	Regional Light Rail Marketing, Planning and Admin	6,000	-	6,000	-
380-01	Capital Reserves - Pasadena Gold Line Mass Transit Station	400,000	31,883	368,117	7,267
480-01	Direct Administration	110,000	106,278	3,722	102,295
	Total expenditures	<u>\$ 1,703,000</u>	<u>\$ 875,777</u>	<u>\$ 827,223</u>	<u>\$ 923,371</u>

See accompanying independent auditor's report.

CITY OF ARCADIA
PROPOSITION A LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2018

Date Acquired	Description	Balance 7/1/2017	Additions	Deletions	Balance 6/30/2018
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

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

	2018	2017
ASSETS		
Cash and investments	\$ 2,880,988	\$ 2,408,951
Interest receivable	9,768	3,017
Accounts receivable	98,757	3,733
Total assets	\$ 2,989,513	\$ 2,415,701
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 190,817	\$ 55,505
Accrued wages	1,409	1,366
Total liabilities	192,226	56,871
 Fund Balance		
Restricted - Pasadena Gold Line Mass Transit Station Project (Note 9)	1,057,007	1,098,779
Restricted	1,740,280	1,260,051
Total fund balance	2,797,287	2,358,830
Total liabilities and fund balance	\$ 2,989,513	\$ 2,415,701

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

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

	2018	2017
REVENUES		
Proposition C	\$ 884,154	\$ 872,753
Interest income	36,727	27,791
Unrealized loss on investment	(25,143)	(16,568)
Mini Call for Project Grant (Note 8)	140,434	-
Total revenues	1,036,172	883,976
EXPENDITURES		
Various projects	597,715	1,288,368
Total expenditures	597,715	1,288,368
Excess (deficiency) of revenues over (under) expenditures	438,457	(404,392)
Fund balance at beginning of year	2,358,830	2,763,222
Fund balance at end of year	\$ 2,797,287	\$ 2,358,830

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

CITY OF ARCADIA
PROPOSITION C LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2018
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2017)

Project Code	Project Name	2018			2017 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
380-01	Capital Reserves - Pasadena Gold Line Mass Transit Station	\$ 600,000	\$ 47,825	\$ 552,175	\$ 10,901
380-05	Capital Reserve - Gold Line Foothil Extension Related Improvements	600,000	-	600,000	-
440-33	Concrete Repairs: Westbound Foothill Blvd. from Santa Anita Ave. to Michillinda Ave	-	-	-	373,070
440-34	Street Rehab: Duarte Road from Santa Anita Ave. to Fifth Ave	800,000	160,474	639,526	550,852
440-35	Arterial Streets Miscellaneous Minor Repairs	-	-	-	149,174
440-36	Huntington Drive Pavement Rehabilitation - West of Michillinda Ave	12,000	13,400	(1,400)	-
440-37	Arterial Streets Bridge Rehabilitation	76,000	-	76,000	76,000
440-38	Street Rehab: Second Ave From Huntington Dr. to Foothill Blvd	600,000	214,772	385,228	23,014
440-39	Street Rehab: Huntington Dr. From Santa Clara St. to 5th St	800,000	15,704	784,296	-
450-03	Michillinda Ave and Sunset Blvd Intersection Improvements	36,000	41,000	(5,000)	-
470-01	Pavement Management Study	35,000	10,332	24,668	13,922
480-01	Direct Administration	110,000	94,208	15,792	91,435
500-01	Gold Line/Downtown Pedestrian Improvements	833,000	-	833,000	-
	Total expenditures	\$ 4,502,000	\$ 597,715	\$ 3,904,285	\$ 1,288,368

See accompanying independent auditor's report.

CITY OF ARCADIA
PROPOSITION C LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
 June 30, 2018

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 7/1/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2018</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

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

	2018	2017
ASSETS		
Cash and investments	\$ 1,054,008	\$ 1,936,096
Interest receivable	2,980	5,461
Total assets	\$ 1,056,988	\$ 1,941,557
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 48,628	\$ 163,353
Accrued wages	967	940
Total liabilities	49,595	164,293
 Fund Balance		
Restricted	1,007,393	1,777,264
Total fund balance	1,007,393	1,777,264
Total liabilities and fund balance	\$ 1,056,988	\$ 1,941,557

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

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

	<u>2018</u>	<u>2017</u>
REVENUES		
Measure R	\$ 661,133	\$ 655,848
Interest income	17,150	20,255
Unrealized loss on investment	<u>(7,931)</u>	<u>(11,686)</u>
Total revenues	<u>670,352</u>	<u>664,417</u>
 EXPENDITURES		
Various projects	<u>1,440,223</u>	<u>671,469</u>
Total expenditures	<u>1,440,223</u>	<u>671,469</u>
 Deficiency of revenues under expenditures	 (769,871)	 (7,052)
 Fund balance at beginning of year	 <u>1,777,264</u>	 <u>1,784,316</u>
 Fund balance at end of year	 <u>\$ 1,007,393</u>	 <u>\$ 1,777,264</u>

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

CITY OF ARCADIA
MEASURE R LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2018
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2017)

Project Code	Project Name	2018			2017 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	Street Rehab: Camino Real Ave; 6th Avenue; Lemon Avenue	\$ 610,000	\$ 946,647	\$ (336,647) *	\$ 163,354
3.16	Bike Signals, Detection, Lanes & Parking	407,000	1,217	405,783	38
4.20	Ongoing Operation of Arcadia Transit Including Purchased Transportation Contract and Program Management and Administration	607,000	402,733	204,267	444,399
5.15	Arcadia Transit Real-Time Passenger Information Project	100,000	25,128	74,872	1,572
8.10	Overall Administration of Measure R Local Return Funded Programs, Projects and Daily Planning Activities	70,000	64,498	5,502	62,106
	Total expenditures	<u>\$ 1,794,000</u>	<u>\$ 1,440,223</u>	<u>\$ 353,777</u>	<u>\$ 671,469</u>

* This is a capital project.

See accompanying independent auditor's report.

CITY OF ARCADIA
MEASURE R LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
 June 30, 2018

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 7/1/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2018</u>
	None	\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

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

		2018
ASSETS		
Cash and investments	\$	597,054
Interest receivable		2,084
Total assets	\$	599,138
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$	-
Total liabilities		-
 Fund Balance		
Restricted		599,138
Total fund balance		599,138
Total liabilities and fund balance	\$	599,138

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

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

		2018
REVENUES		
Measure M	\$	599,138
Interest income		4,712
Unrealized loss on investment		(4,712)
Total revenues		599,138
EXPENDITURES		
Various projects		-
Total expenditures		-
Excess of revenues over expenditures		599,138
Fund balance at beginning of year		-
Fund balance at end of year	\$	599,138

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

CITY OF ARCADIA
MEASURE M LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2018

Project Code	Project Name	2018		Variance Favorable (Unfavorable)
		Metro Budget	Actual	
	None	\$ -	\$ -	\$ -
	Total expenditures	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

CITY OF ARCADIA
MEASURE M LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2018

<u>Date</u> <u>Acquired</u>	<u>Description</u>	<u>Balance</u> <u>7/1/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2018</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

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

	2018	2017
ASSETS		
Cash and investments	\$ -	\$ -
Total assets	\$ -	\$ -
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
 Fund Balance		
Restricted	-	-
Total fund balance	-	-
Total liabilities and fund balance	\$ -	\$ -

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

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

	2018	2017
REVENUES		
TDA 3	\$ -	\$ -
Total revenues	-	-
EXPENDITURES		
Various projects	-	-
Total expenditures	-	-
 Excess of revenues over expenditures	-	-
 Fund balance at beginning of year	-	-
 Fund balance at end of year	\$ -	\$ -

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

CITY OF ARCADIA
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF TRANSPORTATION DEVELOPMENT ACT
ALLOCATION FOR SPECIFIC PROJECTS
For the Fiscal Year Ended June 30, 2018

<u>Project Description</u>	<u>Program Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended Allocations</u>	<u>Project Status</u>
Local allocations					
None	2017-18	\$ -	\$ -	\$ -	
	Total	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	
Fund balance at beginning of year				<u>-</u>	
Fund balance at end of year				<u>\$ -</u>	

See accompanying independent auditor's report.

CITY OF ARCADIA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

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

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

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

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

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

Basis of Accounting and Measurement Focus

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

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

Budgets and Budgetary Accounting

The budgeted amounts presented in this report for comparison to the actual amounts are presented in accordance with accounting principles generally accepted in the United States of America.

CITY OF ARCADIA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2018 and 2017
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurement

In accordance with Government Accounting Standard Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, which became effective for the fiscal year ended June 30, 2016, the City categorizes its fair value measurement within the fair value hierarchy that is based on the valuation inputs used to measure the fair value of the investment. Level 1 inputs are quoted prices in active markets for identical investments; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Accordingly, the City reports its investment at fair value and recognizes unrealized gain (loss) on investments.

Refer to City's 2018 Comprehensive Annual Financial Report for detailed disclosures regarding the City's investments policy and fair value measurement.

Fund Balance Reporting

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

The PALRF, PCLRF, MRLRF, MMLRF and TDAA3F report the following fund balance classification as of June 30, 2018:

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

Information regarding the fund balance reporting policy adopted by the City is described in Note 1 to the City's Comprehensive Annual Financial Report.

NOTE 2 – ANNUAL FINANCIAL STATEMENTS

The financial statements reflect only the financial position and results of operations of the PALRF, PCLRF, MRLRF, MMLRF and TDAA3F and their compliance with the Proposition A and Proposition C Local Return Program Guidelines, Measure R Local Return Program Guidelines, Measure M Local Return Program Guidelines and Transportation Development Act Article 3 and the Los Angeles County Metropolitan Transportation Authority Funding and Allocation Guidelines for Transportation Development Act Article 3 Bicycle and Pedestrian Funds.

CITY OF ARCADIA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2018 and 2017
(Continued)

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

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

NOTE 4 – MEASURE R LOCAL RETURN COMPLIANCE REQUIREMENTS

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

NOTE 5 – MEASURE M LOCAL RETURN COMPLIANCE REQUIREMENTS

On June 23, 2016, the Metro Board of Directors approved the Los Angeles County Traffic Improvement Plan Ordinance, known as Measure M. In accordance with Measure M Local Return Program Guidelines, funds received pursuant to these guidelines may only be used for Measure M Local Return approved programs. The first revenue allocation was received in the current period. See accompanying Compliance Matrix.

NOTE 6 – TRANSPORTATION DEVELOPMENT ACT COMPLIANCE REQUIREMENTS

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

NOTE 7 – CASH AND INVESTMENTS

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

NOTE 8 – MINI CALL FOR PROJECTS GRANT

The Mini Call for Project Grant Memorandum of Understanding (MOU) F1197 and F1332 of \$140,434 and \$0 for the years ended June 30, 2018 and 2017, respectively, represents additional funds received from Metro to partially fund the City of Arcadia for the Huntington Drive Capacity Improvement Project and Arcadia Arterial ITS Development Project.

CITY OF ARCADIA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2018 and 2017
(Continued)

NOTE 9 – CAPITAL RESERVE

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

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

For the years ended June 30, 2018 and 2017, following is the capital reserve amount for PALRF and PCLRF:

	<u>PALRF</u>	<u>PCLRF</u>
Capital reserve at 6/30/2016	\$ 736,479	\$ 1,104,718
Investment income during the year	3,308	4,962
Expenditure during the year	<u>(7,267)</u>	<u>(10,901)</u>
Capital reserve at 6/30/2017	732,520	1,098,779
Investment income during the year	4,036	6,053
Expenditure during the year	<u>(31,883)</u>	<u>(47,825)</u>
Capital reserve at 6/30/2018	<u>\$ 704,673</u>	<u>\$ 1,057,007</u>

NOTE 10 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION

The revenue allocation for the years ended June 30, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
FY 2013-14 allocation	\$ -	\$ -
FY 2014-15 allocation	-	-
Total payment requested	<u>\$ -</u>	<u>\$ -</u>

CITY OF ARCADIA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2018 and 2017
(Continued)

NOTE 11 – TRANSPORTATION DEVELOPMENT ACT FUNDS RESERVED

In accordance with TDA Article 3 (SB821) Guidelines, funds not spent during the fiscal year have been placed on reserve in the Local Transportation Fund (LTF) account with the County Auditor-Controller to be drawn down whenever the funds become eligible for a specific project and an approved drawdown request is received by Metro. As of June 30, 2018, and 2017, the City has funds on reserve as follows:

	2018	2017
FY 2013-14 allocation	\$ 30,823	\$ 30,823
FY 2014-15 allocation	37,534	37,534
FY 2015-16 allocation	36,644	36,644
FY 2016-17 allocation	38,276	38,276
FY 2017-18 allocation	37,159	-
Available reserve balance	\$ 180,436	\$ 143,277

NOTE 12 – SUBSEQUENT EVENTS

The City has evaluated events or transactions that occurred subsequent to June 30, 2018 through December 24, 2018, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined no subsequent matters require disclosure or adjustment to the accompanying financial statements.



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, Measure M Local Return Fund, and Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Arcadia, California (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated December 24, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the Funds’ financial statements, we considered the City’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Funds’ financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

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

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



Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Simpson & Simpson". The signature is written in a cursive, flowing style.

Los Angeles, California
December 24, 2018

COMPLIANCE SECTION



SIMPSON & SIMPSON

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Independent Auditor's Report On Compliance

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

Report on Compliance

We have audited the compliance of the City of Arcadia, California (the City) with the Proposition A and Proposition C Local Return Guidelines, Measure R Local Return Guidelines, Measure M Local Return Guidelines, Transportation Development Act Article 3, and the Los Angeles County Metropolitan Transportation Authority's Funding and Allocation Guidelines for the Transportation Development Act Article 3 Bicycle and Pedestrian Funds (collectively, the Guidelines) for the year ended June 30, 2018.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Local Return Program and Transportation Development Act Article 3

In our opinion, the City complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2018.



Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Guidelines and which is described in the accompanying Schedule of Findings and Recommendations as Finding No. 2018-001. Our opinion on each local return and Transportation Development Act Article 3 program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

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

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

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

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

A handwritten signature in black ink, reading "Simpson & Simpson".

Los Angeles, California
December 24, 2018

CITY OF ARCADIA
COMPLIANCE MATRIX
Year Ended June 30, 2018

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

CITY OF ARCADIA
COMPLIANCE MATRIX
Year Ended June 30, 2018
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
B. Measure R Local Return Fund						
1.	Funds were expended for transportation purposes	X			None	
2.	Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	X			None	
3.	Signed Assurances and Understandings on file.	X			None	
4.	Separate Measure R Local Return Account was established.	X			None	
5.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X			None	
6.	Funds were expended with Metro's approval.	X			None	
7.	Expenditure Plan (Form One) was submitted on time.	X			None	
8.	Expenditure Report (Form Two) was submitted on time.	X			None	
9.	Timely use of funds	X			None	
10.	Administrative expenditures are within the 20% cap.	X			None	
11.	Fund exchanges were approved by Metro.			X	None	There were no fund exchanges in FY 2017/18.
12.	A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.	X			None	
13.	Recreational transit form was submitted on time.			X	None	There was no recreation transit in FY 2017/18.

CITY OF ARCADIA
COMPLIANCE MATRIX
Year Ended June 30, 2018
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
C. Measure M Local Return Fund						
1.	Funds were expended for transportation purposes.			X	None	There were no expenditures in FY 2017/18.
2.	Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.			X	None	There were no expenditures in FY 2017/18.
3.	Signed Assurances and Understandings on file.	X			None	
4.	Separate Measure M Local Return Account was established.	X			None	
5.	Revenue received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account			X	None	There were no expenditures in FY 2017/18.
6.	Funds were expended with Metro's approval.			X	None	There were no expenditures in FY 2017/18.
7.	Expenditure Plan (Form One) was submitted on time.			X	None	There were no expenditures in FY 2017/18.
8.	Expenditure Report (Form Two) was submitted on time.			X	None	There were no expenditures in FY 2017/18.
9.	Timely use of funds	X			None	
10.	Administrative expenses are within the 20% cap.			X	None	There were no expenditures in FY 2017/18.
11.	Fund exchanges were approved by Metro.			X	None	There were no expenditures in FY 2017/18.
12.	A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.			X	None	There were no expenditures in FY 2017/18.
13.	Recreational transit form was submitted timely.			X	None	There were no expenditures in FY 2017/18.

CITY OF ARCADIA
COMPLIANCE MATRIX
Year Ended June 30, 2018
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
D. Transportation Development Act Article 3 Fund						
1.	Timely use of funds.		X		None	See Finding #2018-001 on the Schedule of Findings and Recommendations.
2.	Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.			X	None	There were no expenditures in FY 2017/18.

CITY OF ARCADIA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
June 30, 2018

TDAA3F: Finding #2018-001

Compliance Requirement	According to LACMTA’s Funding and Allocation Guidelines for the TDA Article 3 Bicycle and Pedestrian Funds (TDA Article 3 Guidelines), “TDA Article 3 local funds may be placed on reserve for up to three years (i.e. no longer than the fourth June 30 after they were available by Metro Board action). Agencies may accumulate three years worth of reserved TDA Article 3 local funds before being required to obligate them or return them to the TDA Article 3 fund. Any funds left on reserve by the local agency longer than three years are subject to lapse and future reallocation.”
Condition	At June 30, 2018, the City had lapsed funds of \$30,823 from the June 30, 2014 allocation.
Cause	The funding was budgeted in the FY 2017/18 budget and it was fully intended to be spent in that timeframe. The City typically budgets its TDA Article 3 funding on small projects that can be easily administered in a one-year timeframe, like missing sidewalk links and ADA accessible sidewalk ramps. Last year’s budget of \$50,000 was a bit unusual because it was combined with other Transportation funds to construct a much more complex project of sidewalk and retaining wall construction and slope restoration. The construction contract was awarded on May 15, 2018, and the funding was encumbered before the end of the fiscal year, but the construction did not occur until August and September. Thus, the funds were not completely spent until then.
Effect	Untimely review of the funding status from the prior year allocation could result in losing the funding.
Recommendation	We recommend that the City implement internal control procedures to track the TDA Article 3 reserve balance to ensure that all TDA Article 3 funds are claimed and expended within the required timeline per the TDA Article 3 Guidelines.
Management’s Response	The Deputy Development Services Director/City Engineer and Transportation Services Manager will both review the funding status of TDA Article 3 funds while preparing for the annual budget and at each fiscal year end to ensure the funds are claimed and expended within the required timeline.
Finding Corrected During the Audit	On December 21, 2018, LACMTA subsequently approved an extension on the usage of lapsed funds until June 30, 2019.

EXIT CONFERENCE

CITY OF ARCADIA
PROPOSITION A, PROPOSITION C, MEASURE R, MEASURE M LOCAL RETURN FUNDS AND
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
EXIT CONFERENCE
June 30, 2018

An exit conference was held on December 24, 2018 with the City of Arcadia. Those in attendance were:

Simpson & Simpson Representative:

Lita Hendranata, Manager
May Yi, Staff Auditor

City's Representative:

Shannon Huang, Financial Service Manager/City Treasurer

Matters Discussed:

Results of the audit disclosed no significant control deficiencies and one (1) non-compliance issues with Metro Guidelines.

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

Shannon Huang, Financial Service Manager/City Treasurer

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

RE: CITY OF ARCADIA ANNUAL FINANCIAL REPORT OF THE PROPOSITION A LOCAL RETURN FUND, PROPOSITION C LOCAL RETURN FUND, MEASURE R LOCAL RETURN FUND, MEASURE M LOCAL RETURN FUND AND TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

I have received the annual financial report of the Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, Measure M Local Return Fund and Transportation Development Act Article 3 Fund for the years ended June 30, 2018 and 2017 for the City of Arcadia and agree with the contents of the report except as indicated below:

(Attach additional pages if necessary)

Very truly yours,

Name

Title

Date