

**CITY OF PASADENA
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 PASADENA
TABLE OF CONTENTS

FINANCIAL SECTION	PAGE
Independent Auditor's Report	1
Proposition A Local Return Fund:	
Financial Statements:	
Balance Sheets	3
Statements of Revenues, Expenditures and Changes in Fund Balance	4
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	5
Schedule of Capital Assets	7
Proposition C Local Return Fund:	
Financial Statements:	
Balance Sheets	8
Statements of Revenues, Expenditures and Changes in Fund Balance	9
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	10
Schedule of Capital Assets	11
Measure R Local Return Fund:	
Financial Statements:	
Balance Sheets	12
Statements of Revenues, Expenditures and Changes in Fund Balance	13
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	14
Schedule of Capital Assets	15
Measure M Local Return Fund:	
Financial Statements:	
Balance Sheet	16
Statement of Revenues, Expenditures and Change in Fund Balance	17
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	18
Schedule of Capital Assets	19
Transportation Development Act Article 3 Fund:	
Financial Statements:	
Balance Sheets	20
Statements of Revenues, Expenditures and Changes in Fund Balances	21
Supplementary Information:	
Schedule of Transportation Development Act Allocation for Specific Projects	22
Notes to Financial Statements	23
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements performed in Accordance with <i>Government Auditing Standards</i>	30

CITY OF PASADENA
TABLE OF CONTENTS
(Continued)

COMPLIANCE SECTION

Independent Auditor's Report on Compliance	32
Compliance Matrix	34
Schedule of Findings and Recommendations	38

EXIT CONFERENCE	39
------------------------	----

FINANCIAL SECTION



SIMPSON & SIMPSON

CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS

BRAINARD C. SIMPSON, CPA

MELBA W. SIMPSON, CPA

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

Independent Auditor's Report

To the Honorable Members of the City Council of the
City of Pasadena, 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 Pasadena, 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 Pasadena, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the PALRF, PCLRF, MRLRF and TDAA3F of the City of Pasadena, California, as of June 30, 2018 and 2017, and MMLRF of the City of Pasadena, 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 Pasadena, 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 12, 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 12, 2018

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

	2018	2017
ASSETS		
Cash and investments	\$ 5,850,645	\$ 4,298,201
Accounts receivable	341,165	312,811
Interest receivable	18,407	15,615
Total assets	\$ 6,210,217	\$ 4,626,627
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 24,099	\$ 273,456
Accrued salaries	9,761	10,130
Total liabilities	33,860	283,586
 Deferred Inflows of Resources		
Unavailable revenues	93,118	-
Total deferred inflows of resources	93,118	-
 Fund Balance		
Restricted - capital reserve projects (Note 11)	1,872,148	1,654,925
Restricted - light rail related projects (Note 12)	84,946	113,666
Restricted - others	4,126,145	2,574,450
Total fund balance	6,083,239	4,343,041
Total liabilities, deferred inflows of resources and fund balance	\$ 6,210,217	\$ 4,626,627

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

CITY OF PASADENA
PROPOSITION A 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		
Proposition A	\$ 2,630,539	\$ 2,582,183
Investment income	20,953	19,392
Proposition A Discretionary Incentive Grant (Note 10)	378,197	356,939
Miscellaneous revenues	26,333	896
Project generated revenues (Note 9)	299,767	269,438
Proposition A fund exchange (Note 8)	1,000,000	-
Total revenues	<u>4,355,789</u>	<u>3,228,848</u>
EXPENDITURES		
Various projects	<u>2,615,591</u>	<u>2,925,664</u>
Total expenditures	<u>2,615,591</u>	<u>2,925,664</u>
Excess of revenues over expenditures	1,740,198	303,184
Fund balance at beginning of year	<u>4,343,041</u>	<u>4,039,857</u>
Fund balance at end of year	<u><u>\$ 6,083,239</u></u>	<u><u>\$ 4,343,041</u></u>

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

CITY OF PASADENA
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		Variance	2017 Actual
		Metro Budget	Actual	Favorable (Unfavorable)	
130-03	Dial-A-Ride	\$ 1,517,086	\$ 1,936,040 a	\$ (418,954)	\$ 1,747,695
140-02	Recreation Transit	43,000	41,481	1,519	38,202
140-08	Senior Transit Project	3,500	-	3,500	-
160-02	Bus Shelters & Benches	50,000	2,661	47,339	1,097
180-02	Alternative Fuel Bus Purchase	450,000	-	450,000	(1,125)
200-02	Pasadena Area Rapid Transit System (ARTS) Bus Purchase	3,804,882	248,712	3,556,170	248,712
200-03	Electric Vehicle Transit Ridership Incentive Prog (EVTRIP)	717,782	-	717,782	-
210-01	Bus Signal Priority System on Pasadena Transit	243,224	-	243,224	-
250-09	Homeless Transit Subsidy	7,950	-	7,950	-
250-17	Senior/Disabled Bus Pass Buydown	24,000	65,163 b	(41,163)	57,890
250-18	Youth Summer Program Transit Subsidy	2,000	-	2,000	-
270-05	Transit Services - Proposition A	111,993	140,530	(28,537)	128,052
270-13	Transportation Planning Organizations	35,000	29,485	5,515	23,954
300-01	CNG Fueling Facilities for Transit Buses	340,000	-	340,000	340,000
310-14	Gold Line Light Rail Station Enhancements #75021	1,850,000	-	1,850,000	-
380-01	Metro Gold Line Enhancements	3,900,000	(195,223) *	4,095,223	-
380-23	South Access Pedestrian Corridor to SMV Light Rail Station	609,558	-	609,558	-
410-04	Transportation Demand Management	144,164	88,729	55,435	94,610
480-01	Proposition A Administration	304,414	258,013	46,401	246,577
	Total expenditures	\$ <u>14,158,553</u>	\$ <u>2,615,591</u>	\$ <u>11,542,962</u>	\$ <u>2,925,664</u>

See accompanying independent auditor's report.

CITY OF PASADENA
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)
(Continued)

*Metro Gold Line Enhancement's capital reserve project was terminated and therefore the City refunded the monies to Proposition A.

The actual variance after considering other funding sources is calculated as follows:

130-03 a) Metro Budget		\$ 1,517,086
Total expenditures	\$ 1,936,040	
Less: Proposition A fund exchange (Note 8)	(1,000,000)	
Less: Proposition A Discretionary Incentive Grant (Note 10)	<u>(378,197)</u>	
PALRF expenditures		<u>557,843</u>
Actual variance positive		<u>\$ 959,243</u>
250-17 b) Metro Budget		\$ 24,000
Total expenditures	\$ 65,163	
Less: Project generated revenues		
- Senior/disabled bus passes (Note 9)	<u>(44,876)</u>	
PALRF expenditures		<u>20,287</u>
Actual variance positive		<u>\$ 3,713</u>

See accompanying independent auditor's report.

CITY OF PASADENA
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
6/18/1991	Bookcase	\$ 478	\$ -	\$ -	\$ 478
3/17/1993	Communications Radio	500	-	-	500
5/17/1993	Desk	728	-	-	728
6/2/1997	Dell Optiplex GMXT 5166 Computers	9,474	-	-	9,474
5/25/1999	HP DesignJet 36" Wide Plotter	3,367	-	-	3,367
7/28/2000	Dell Dimension 4100 Computer	1,342	-	-	1,342
4/16/2001	Sony VPL-CX10 Projector	1,046	-	-	1,046
6/29/2009	2009 Starcraft Allstar	57,570	-	-	57,570
6/29/2009	2009 Starcraft Allstar	57,570	-	-	57,570
6/29/2009	2009 Starcraft Allstar	57,570	-	-	57,570
6/29/2009	2009 Starcraft Allstar	57,570	-	-	57,570
6/29/2009	2009 Starcraft Allstar	57,570	-	-	57,570
6/29/2009	2009 Starcraft Allstar	57,570	-	-	57,570
10/24/2011	2012 Starcraft Allstar 25	118,939	-	-	118,939
5/16/2012	2012 Starcraft Allstar 25	118,869	-	-	118,869
5/16/2012	2012 Starcraft Allstar 25	118,869	-	-	118,869
5/16/2012	2012 Starcraft Allstar 25	118,869	-	-	118,869
5/16/2012	2012 Starcraft Allstar 25	118,869	-	-	118,869
5/16/2012	2012 Starcraft Allstar 25	118,869	-	-	118,869
9/1/2012	2012 El Dorado E-Z Rider II Max	2,734,002	248,712	-	2,982,714
2/12/2014	2014 El Dorado E-Z Rider II Max	101,143	-	-	101,143
2/12/2014	2014 El Dorado E-Z Rider II Max	101,143	-	-	101,143
2/12/2014	2014 El Dorado E-Z Rider II Max	101,143	-	-	101,143
2/12/2014	2014 El Dorado E-Z Rider II Max	101,143	-	-	101,143
2/12/2014	2014 El Dorado E-Z Rider II Max	101,143	-	-	101,143
2/12/2014	2014 El Dorado E-Z Rider II Max	101,143	-	-	101,143
2/12/2014	2014 El Dorado E-Z Rider II Max	101,143	-	-	101,143
	Total	\$ 4,517,644	\$ 248,712	\$ -	\$ 4,766,356

See accompanying independent auditor's report.

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

	2018	2017
ASSETS		
Cash and investments	\$ 7,905,513	\$ 8,153,366
Accounts receivable	-	1,564
Due from Metro	1,177,456	755,460
Interest receivable	37,016	32,017
Total assets	\$ 9,119,985	\$ 8,942,407
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 891,825	\$ 593,205
Accrued salaries	3,357	3,511
Total liabilities	895,182	596,716
 Deferred Inflows of Resources		
Unavailable revenues	188,250	238,357
Total deferred inflows of resources	188,250	238,357
 Fund Balance		
Restricted - capital reserve projects (Note 11)	1,129,104	1,119,962
Restricted - light rail related projects (Note 12)	319,797	1,195,940
Restricted - others	6,587,652	5,791,432
Total fund balance	8,036,553	8,107,334
Total liabilities, deferred inflows of resources and fund balance	\$ 9,119,985	\$ 8,942,407

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

CITY OF PASADENA
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	\$ 2,179,080	\$ 2,144,653
Investment income	38,213	43,565
Proposition A Discretionary Incentive Grant (Note 10)	247,201	223,358
Proposition A Growth Over Inflation Grant (Note 10)	472,954	464,354
Federal Transit Administration (FTA) Grant	417,234	407,869
Project generated revenues (Note 9)	1,202,208	1,246,765
Miscellaneous revenues	38,580	3,076
Total revenues	4,595,470	4,533,640
EXPENDITURES		
Various projects	6,916,108	5,847,271
Total expenditures	6,916,108	5,847,271
Deficiency of revenues under expenditures	(2,320,638)	(1,313,631)
OTHER FINANCING SOURCES		
Transfers in from General Fund	750,000	378,994
Transfers in from Traffic Reduction Fund	-	700,000
Transfers in from Fold and Go Bicycle Program	21,889	-
Transfers in from MRLRF	-	773,415
Transfers in from MMLRF	1,477,968	-
Total other financing sources	2,249,857	1,852,409
(Deficiency) excess of revenues (under) over expenditures and other financing sources	(70,781)	538,778
Fund balance at beginning of year	8,107,334	7,568,556
Fund balance at end of year	\$ 8,036,553	\$ 8,107,334

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

CITY OF PASADENA
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 (Unfavorable)	
110-01	Arts Community Circulator	\$ 1,247,522	\$ 5,662,934	a \$ (4,415,412)	\$ 4,764,445
140-02	Recreation Transit	15,000	12,681	2,319	14,790
180-02	Alternative Fuel Bus Purchase	321,655	-	321,655	-
180-03	Fixed Route & Demand Response Vehicles and Misc Equipment	2,000,000	876,143	1,123,857	700,318
200-02	ARTS Bus Purchase	500,000	-	500,000	-
250-01	College Pass Subsidy Program	25,000	-	25,000	-
270-13	Transportation Planning Organizations	15,000	-	15,000	-
310-14	Gold Line Light Rail Station Enhancements #75021	166,500	-	166,500	-
380-01	Metro Gold Line Enhancements	666,347	-	666,347	-
380-20	Gold Line Pedestrian Enhancements	190,000	-	190,000	-
480-02	Proposition C Administration	369,629	364,350	5,279	358,145
	SCAG - Other Funding Sources	-	-	-	9,573
	Total expenditures	\$ 5,516,653	\$ 6,916,108	(1,399,455)	\$ 5,847,271

The actual variance after considering other funding sources is calculated as follows:

110-01 a)	Metro Budget	\$ 1,247,522
	Total expenditures	\$ 5,662,934
	Less: Project generated revenues (Note 9)	(1,202,208)
	Less: Proposition A Discretionary Incentive Grant (Note 10)	(247,201)
	Less: Proposition A Growth Over Inflation Grant (Note 10)	(472,954)
	Less: Federal Transit Administration Grant	(417,234)
	Less: Transfers in from General Fund	(750,000)
	Less: Transfer in from MMLRF	(1,477,968)
	PCLRF expenditures	<u>1,095,369</u>
	Actual Variance Positive	<u>\$ 152,153</u>

See accompanying independent auditor's report.

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

Date <u>Acquired</u>	<u>Description</u>	Balance <u>7/1/2017</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/2018</u>
9/13/2006	2007 El Dorado CNG Buses 2007 \$	309,684 \$	-	-	309,684 \$
9/13/2006	El Dorado CNG Bus 2007	309,684	-	-	309,684
6/7/2011	Computer Software Adobe Illustrator	599	-	-	599
6/1/2011	Computer/Monitor	1,218	-	-	1,218
9/1/2012	2012 El Dorado E-Z Rider II Max	42,654	-	-	42,654
9/1/2012	2012 El Dorado E-Z Rider II Max	42,654	-	-	42,654
9/1/2012	2012 El Dorado E-Z Rider II Max	42,654	-	-	42,654
9/1/2012	2012 El Dorado E-Z Rider II Max	42,654	-	-	42,654
9/1/2012	2012 El Dorado E-Z Rider II Max	42,654	-	-	42,654
9/1/2012	2012 El Dorado E-Z Rider II Max	42,654	-	-	42,654
9/1/2012	2012 El Dorado E-Z Rider II Max	42,654	-	-	42,654
9/1/2012	2012 El Dorado E-Z Rider II Max	42,654	-	-	42,654
9/1/2012	2012 El Dorado E-Z Rider II Max	42,654	-	-	42,654
9/1/2012	2012 El Dorado E-Z Rider II Max	42,654	-	-	42,654
4/13/2017	2016 Paratransit Minivan	4,639	-	-	4,639
4/13/2017	2016 Paratransit Minivan	4,638	-	-	4,638
6/30/2017	2017 El Dorado EZ Rider II/BRT	171,671	-	-	171,671
6/30/2017	2017 El Dorado EZ Rider II/BRT	171,671	-	-	171,671
6/30/2017	2017 El Dorado EZ Rider II/BRT	171,671	-	-	171,671
6/30/2017	2017 El Dorado EZ Rider II/BRT	171,670	-	-	171,670
6/29/2018	New Flyer / Excelsior – SX35	-	183,292	-	183,292
6/29/2018	New Flyer / Excelsior – SX35	-	183,292	-	183,292
6/29/2018	New Flyer / Excelsior – SX35	-	183,292	-	183,292
6/29/2018	New Flyer / Excelsior – SX35	-	183,292	-	183,292
Total \$		<u>1,743,685</u>	<u>\$ 733,168</u>	<u>-</u>	<u>\$ 2,476,853</u>

See accompanying independent auditor's report.

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

	2018	2017
ASSETS		
Cash and investments	\$ 1,026,277	\$ 1,764,068
Interest receivable	4,963	4,345
Total assets	\$ 1,031,240	\$ 1,768,413
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 295,810	\$ 850,265
Total liabilities	295,810	850,265
 Fund Balance		
Restricted	735,430	918,148
Total fund balance	735,430	918,148
Total liabilities and fund balance	\$ 1,031,240	\$ 1,768,413

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

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

	2018	2017
REVENUES		
Measure R	\$ 1,634,267	\$ 1,606,778
Interest income	6,900	10,130
Total revenues	1,641,167	1,616,908
EXPENDITURES		
Various projects	1,823,885	1,327,429
Total expenditures	1,823,885	1,327,429
 (Deficiency) excess of revenues (under) over expenditures	 (182,718)	 289,479
OTHER FINANCING USES		
Transfer out to PCLRF	-	(773,415)
Total other financing uses	-	(773,415)
 Deficiency of revenues under expenditures and other financing uses	 (182,718)	 (483,936)
 Fund balance at beginning of year	 918,148	 1,402,084
 Fund balance at end of year	 \$ 735,430	 \$ 918,148

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

CITY OF PASADENA
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)	
3.25	Citywide Program	\$ 100,000	\$ -	\$ 100,000	\$ -
3.25	Pasadena Bike Share Program	1,260,663	1,074,596	186,067	850,265
1.30	Cordova Street Road Diet	457,500	34,994	422,506	-
1.30	Union Street Cycle Track	280,120	187,125	92,995	8,880
2.03	Intelligent Transportation System (ITS) Improvements	124,000	124,000	-	-
2.04	Arterials Speed Management Program	50,000	50,000	-	-
2.05	Mobility Corridors - Rose Bowl	233,414	155,745	77,669	90,586
3.16	Bicycle Selection Systems	-	-	-	230,886
3.20	Pedestrian Crossing Enhancement	131,503	127,473	4,030	5,048
3.20	Safety Enhancements at Lincoln/Forest and Lincoln/Mountain	69,952	69,952	-	141,764
3.90	Pasadena Bicycle Program	56,810	-	56,810	-
	Total expenditures	<u>2,763,962</u>	<u>1,823,885</u>	<u>940,077</u>	<u>1,327,429</u>
	Transfer Out to PCLRF				
4.05	ARTS	-	-	-	<u>773,415</u>
	Total expenditures and transfer out to PCLRF	<u>\$ 2,763,962</u>	<u>\$ 1,823,885</u>	<u>\$ 940,077</u>	<u>\$ 2,100,844</u>

See accompanying independent auditor's report.

CITY OF PASADENA
MEASURE R 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 PASADENA
MEASURE M LOCAL RETURN FUND
BALANCE SHEET
June 30

	2018
ASSETS	
Cash and investments	\$ 900
Total assets	\$ 900
 LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	\$ -
Total liabilities	-
 Fund Balance	
Restricted	900
Total fund balance	900
Total liabilities and fund balance	\$ 900

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

CITY OF PASADENA
MEASURE M LOCAL RETURN FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE
For the Fiscal Years Ended June 30

		2018
REVENUES		
Measure M	\$	1,481,020
Investment loss		(2,152)
Total revenues		1,478,868
EXPENDITURES		
Various projects		-
Total expenditures		-
Excess of revenues over expenditures		1,478,868
OTHER FINANCING USES		
Transfer out to PCLRF		(1,477,968)
Total other financing uses		(1,477,968)
Excess of revenues over expenditures and other financing uses		900
Fund balance at beginning of year		-
Fund balance at end of year	\$	900

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

CITY OF PASADENA
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	
4.20	Support Existing Levels of Transit Operations	\$ 1,756,776	\$ 1,477,968	\$ 278,808
	Total transfer out to PCLRF	\$ <u>1,756,776</u>	\$ <u>1,477,968</u>	\$ <u>278,808</u>

See accompanying independent auditor's report.

CITY OF PASADENA
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	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report.

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

	2018	2017
ASSETS		
Due from Metro	\$ 12,113	\$ -
Total assets	\$ 12,113	\$ -
 LIABILITIES AND FUND BALANCE		
Liabilities		
Due to General Fund	\$ 119,109	\$ -
Total liabilities	119,109	-
 Fund Balance		
Unassigned	(106,996)	-
Total fund balance	(106,996)	-
Total liabilities and fund balance	\$ 12,113	\$ -

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

CITY OF PASADENA
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	\$ 12,113	\$ 180,000
Total revenues	12,113	180,000
 EXPENDITURES		
Annual Sidewalk Program	119,079	180,000
Total expenditures	119,079	180,000
 (Deficiency) excess of revenues (under) over expenditures	(106,966)	-
 Fund balance at beginning of year	-	-
 Fund balance at end of year	\$ (106,966)	\$ -

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

CITY OF PASADENA
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					
Annual Sidewalk Program	2017-18	\$ 12,113	\$ 119,079	\$ (106,966)	Completed
	Total	<u>\$ 12,113</u>	<u>\$ 119,079</u>	<u>(106,966)</u>	
Fund balance at beginning of year				-	
Fund balance at end of year				<u>\$ (106,966)</u>	

See accompanying independent auditor's report.

CITY OF PASADENA
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 revenues, expenditures and change in fund balance for Special Revenue Funds generally presents 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 presented in accordance with accounting principles generally accepted in the United States of America.

CITY OF PASADENA
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 Governmental Accounting Standards 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 classifications 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).
- Unassigned - The unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted to those purposes.

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

Reclassification

Certain reclassifications have been made to fiscal year 2017 amounts in order to conform to the fiscal year 2018 presentation. Such reclassifications had no effect on the previously reported change in fund balance.

NOTE 2 – ANNUAL FINANCIAL STATEMENTS

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

CITY OF PASADENA
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 and investment balances were pooled with various other City funds for deposit and investment purposes. The share of each fund in the pooled cash and investments account was separately maintained and interest income was apportioned to the participating funds based on the relationship of their average monthly balances to the total of the pooled cash and investments.

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

NOTE 8 – PROPOSITION A LOCAL RETURN FUND EXCHANGE

During the fiscal year 2018, the City entered into an agreement with the City of Montebello to exchange the City’s General Fund money amounting to \$750,000 for \$1,000,000 of the City of Montebello’s Proposition A Local Return monies or \$0.75 General Fund per \$1 of Proposition A Local Return.

NOTE 9 – PROJECT GENERATED REVENUES

Project generated revenues for the years ended June 30, 2018 and 2017 consisted of the following:

PALRF:	2018	2017
Senior/disabled bus passes	\$ 44,876	\$ 45,316
Fare transit program	204,021	178,743
Farebox revenue	50,870	45,379
Total	<u>\$ 299,767</u>	<u>\$ 269,438</u>
PCLRF:	2018	2017
Transit shelter program	\$ 353,700	\$ 359,100
Farebox revenue	748,508	787,665
Other private contribution	100,000	100,000
Total	<u>\$ 1,202,208</u>	<u>\$ 1,246,765</u>

NOTE 10 – PROPOSITION A DISCRETIONARY INCENTIVE GRANTS

Proposition A Discretionary Incentive Grants for the years ended June 30, 2018 and 2017 consisted of the following:

	2018	2017
Sub-regional paratransit services (under Prop A)	\$ 378,197	\$ 356,939
Voluntary NTD reporting (under Prop C)	247,201	223,358
Total	<u>\$ 625,398</u>	<u>\$ 580,297</u>

The Proposition A Discretionary Incentive Grant - Sub-Regional Paratransit Services amounting to \$378,197 and \$356,939 for the years ended June 30, 2018 and 2017, respectively, represents incentive funds received from Metro for extended services provided by the Dial-A-Ride program in the Pasadena area. The revenue was recorded under PALRF.

The Proposition A Discretionary Incentive Grant - Voluntary National Transit Database (NTD) Reporting amounting to \$247,201 and \$223,358 for the years ended June 30, 2018 and 2017, respectively, represents additional funds received from Metro for participating in the Voluntary NTD Program for the fiscal years 2016-2017 and 2015-2016, respectively. The revenue was recorded under PCLRF where the corresponding project expenditures were recorded.

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

NOTE 10 – PROPOSITION A DISCRETIONARY INCENTIVE GRANTS (continued)

The **Proposition A Growth Over Inflation Grant** amounting to \$472,954 and \$464,354 for the years ended June 30, 2018 and 2017, respectively, represent additional funds received from Metro to expand and improve fixed route transit services provided in the Pasadena area. The revenue was recorded in the PCLRF where the corresponding expenditures were recorded.

NOTE 11 – CAPITAL RESERVE

In August 2004, Metro and the City entered into an agreement to establish a capital reserve account (Account) of \$4,566,347 for the Metro Gold Line Enhancements (Project). The Account will be funded with the PALRF of \$3,900,000 and PCLRF of \$666,347. All interest and investment earnings shall be accrued and placed in the Account for exclusive use of the Project.

With the exception granted by Metro in writing to extend the terms, unexpended funds will be automatically lapsed in three (3) years. On July 1, 2007, Metro and the City amended the agreement to extend the term of the reserve agreement for an additional three (3) years to September 2, 2010. In June 2011, Metro and the City amended the agreement to further extend the term of the Account to June 30, 2016.

The capital reserve agreement between the City and Metro was due to expire on June 30, 2017. During fiscal year 2017, the light rail project was delayed, and all funds were not expended. As such, on November 16, 2017, the City requested to re-purpose the funds restricted under the agreement to be used for other approved Proposition A and C Local Return Projects. The program manager approved this request on November 20, 2017, so the remaining capital reserve in the Account at June 30, 2017 was planned to be re-allocated for use on approved local return projects during fiscal year 2018.

During FY2018, the Metro Gold Line was terminated and the City returned previous funds expended to the PALRF.

For the years ended June 30, 2018 and 2017, the following is the capital project balance appropriated from the Account:

	PALRF	PCLRF
Account at 6/30/16	\$ 1,635,589	\$ 1,113,790
Allocations and earnings during the year	<u>19,336</u>	<u>6,172</u>
Account at 6/30/17	1,654,925	1,119,962
Allocations and earnings during the year	<u>217,223</u>	<u>9,142</u>
Account at 6/30/18	\$ <u><u>1,872,148</u></u>	\$ <u><u>1,129,104</u></u>

NOTE 12 - LIGHT RAIL RELATED PROJECTS

The City Council has elected to restrict a portion of the ending fund balance within both the PALRF and the PCLRF to fund light rail related projects, which are various general and future capital projects for the Metro Gold Line.

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

NOTE 12- LIGHT RAIL RELATED PROJECTS (continued)

For the years ended June 30, 2018 and 2017, the following is the restricted fund balance appropriated for light rail related projects:

	<u>PALRF</u>	<u>PCLRF</u>
Light rail related project balance at 6/30/16	\$ 453,638	\$ -
Appropriation during the year	-	1,973,645
Capital expenditures during the year	<u>(339,972)</u>	<u>(777,705)</u>
Light rail related project balance at 6/30/17	113,666	1,195,940
Appropriation during the year	(26,059)	-
Capital expenditures during the year	<u>(2,661)</u>	<u>(876,143)</u>
Light rail related project balance at 6/30/18	<u>\$ 84,946</u>	<u>\$ 319,797</u>

NOTE 13 – 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 2012-13 allocation	\$ -	\$ 8,028
FY 2013-14 allocation	-	113,456
FY 2014-15 allocation	<u>12,113</u>	<u>58,516</u>
Total payment requested	<u>\$ 12,113</u>	<u>\$ 180,000</u>

NOTE 14 – TRANSPORTATION DEVELOPMENT ACT FUNDS RESERVED

In accordance with Transportation Development Act Article 3 (SB 821) 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:

	<u>2018</u>	<u>2017</u>
FY 2014-15 allocation	\$ 21,767	\$ 33,880
FY 2015-16 allocation	89,755	89,755
FY 2016-17 allocation	93,751	93,751
FY 2017-18 allocation	<u>91,829</u>	<u>-</u>
Available reserve balance	<u>\$ 297,102</u>	<u>\$ 217,386</u>

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

NOTE 15 – SUBSEQUENT EVENTS

The City has evaluated events or transactions that occurred subsequent to June 30, 2018 through December 12, 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.



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS
FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

**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 Pasadena, 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 Pasadena, 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 12, 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, reading "Simpson & Simpson".

Los Angeles, California
December 12, 2018

COMPLIANCE SECTION



SIMPSON & SIMPSON

CERTIFIED PUBLIC ACCOUNTANTS
FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320 LOS
ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

Independent Auditor's Report On Compliance

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

Report on Compliance

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



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 requirement of the Guidelines. Accordingly, this report is not suitable for any other purpose.

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

Los Angeles, California
December 12, 2018

CITY OF PASADENA
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	The City uses funds from other funding sources to offset expenditures over budget.
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	There was no Intelligent Transportation Systems projects or elements in FY 2017-18.
14.	Assurances and Understandings form was on file.	X			None	
15.	Recreational transit form was submitted on time.	X			None	

CITY OF PASADENA
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	There were no administrative expenditures in FY 2017/18.
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 recreational transit in FY 2017/18.

CITY OF PASADENA
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	
2.	Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.	X			None	
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	
6.	Funds were expended with Metro's approval.	X			None	
7.	Expenditure Plan (Form One) was submitted on time.	X			None	
8.	Expenditure Report (Form Two) was submitted on time.	X			None	
9.	Timely use of funds	X			None	
10.	Administrative expenses are within the 20% cap.			X	None	There were no administrative expenditures in FY 2017/18.
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 timely.			X	None	Recreational transit form was not required for Measure M in FY 2017/18.

CITY OF PASADENA
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	
2.	Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.	X			None	

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

No findings were noted.

EXIT CONFERENCE

CITY OF PASADENA
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 12, 2018 with the City of Pasadena. Those in attendance were:

Simpson & Simpson Representative:

Tian Bian, Staff Auditor

City's Representative:

Vicky Ly, Senior Accountant

Matters Discussed:

Results of the audit disclosed no significant control deficiencies or 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:

Vicky Ly, Senior Accountant

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

RE: CITY OF PASADENA 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 Pasadena and agree with the contents of the report except as indicated below:

(Attach additional pages if necessary)

Very truly yours,

Name

Title

Date