



MetroTM

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

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

**As of and for the Years Ended June 30, 2021 and 2020
with Independent Auditor's Report**

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FINANCIAL SECTION

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Azusa, California (the City) which comprise the Funds' balance sheets as of June 30, 2021 and 2020, the related statements of revenues, expenditures and changes in fund balances for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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



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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund of the City of Azusa, California, as of June 30, 2021 and 2020, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund of the City of Azusa, California, and do not purport to, and do not present fairly the financial position of the City as of June 30, 2021 and 2020, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Supplementary Information

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

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



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2021 on our consideration of the City's internal control over the Funds' financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over the Funds' financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over the Funds' financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over the Funds' financial reporting and compliance.

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

**Glendale, California
December 20, 2021**

City of Azusa
Proposition A Local Return Fund
Balance Sheets

		June 30	
		2021	2020
ASSETS			
Cash and investments	\$	2,612,444	\$ 2,483,212
Accounts receivable (Note 8)		101,589	11,319
Interest receivable		830	3,239
Total assets	\$	2,714,863	\$ 2,497,770
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	15,722	\$ 12,583
Accrued payroll and employee benefits		38,923	33,256
Accrued expenses		-	335
Total liabilities		54,645	46,174
Deferred inflow of resources			
Unavailable revenue		54,834	11,277
Total deferred inflow of resources		54,834	11,277
Fund balance			
Restricted		2,605,384	2,440,319
Total fund balance		2,605,384	2,440,319
Total liabilities, deferred inflow of resources and fund balance	\$	2,714,863	\$ 2,497,770

See notes to Funds financial statements.

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

	Years ended June 30	
	2021	2020
Revenues		
Proposition A	\$ 1,032,423	\$ 963,348
Proposition A Discretionary Incentive Program grant (Note 9)	82,237	42,896
Interest income	11,934	39,544
Project generated revenues (Note 10)	61,316	137,488
Total revenues	1,187,910	1,183,276
 Expenditures		
Various projects	1,022,845	962,110
Total expenditures	1,022,845	962,110
 Excess of revenues over expenditures	165,065	221,166
 Fund balance at beginning of year	2,440,319	2,219,153
 Fund balance at end of year	\$ 2,605,384	\$ 2,440,319

See notes to Funds financial statements.

City of Azusa
 Proposition A Local Return Fund
 Supplementary Information
 Schedule of Expenditures – Actual and Metro Approved Project Budget
 Year ended June 30, 2021
 (With Comparative Actuals for 2020)

Project Code	Project Name	2021			2020 Actual
		Metro Budget	Actual	Variance Positive (Negative)	
107	Demand Response	\$ 875,000	\$ 831,608	\$ 43,392	\$ 746,567
135	Rideshare Program	21,890	-	21,890	7,499
170	Transit Shelter Maintenance	30,000	19,555	10,445	19,555
175	Passenger Van Rental	26,250	-	26,250	-
210	Bus Replacement and Dispatch Equipment	45,000	8,634	36,366	34,551
610	Direct Administration	175,000	163,048	11,952	153,938
	Total expenditures	\$ 1,173,140	\$ 1,022,845	\$ 150,295	\$ 962,110

See Independent Auditor's Report.

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

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>
1992	5 Drawer Lateral File	\$ 771	\$ -	\$ -	\$ 771
1992	Training Video recorder	866	-	-	866
1993	2-Way Radios	9,411	-	-	9,411
1993	1993 Ford Collins #78-11 Passenger Vehicle	40,987	-	-	40,987
1994	1994 Ford Collins #79-11 Passenger Vehicle	40,987	-	-	40,987
1995	1995 Ford Collins #80-11 Passenger Vehicle	40,987	-	-	40,987
1996	HP LaserJet 4 Printer and Accessories	1,688	-	-	1,688
1996	HP Plain Paper Fax Machine	509	-	-	509
1996	GE 18 Cubic Foot Refrigerator	541	-	-	541
1996	46" RCA Television	1,623	-	-	1,623
1997	Bearcom Wireless-6 ea. Low Band 2-Way Radio	3,601	-	-	3,601
1997	5 Drawer Lateral File Cabinet	708	-	-	708
1997	"U" Shaped Workstation	592	-	-	592
1997	Lucent Technologies-Telephone Switch	16,950	-	-	16,950
1997	L&T Sink Co.	725	-	-	725
1997	Vega Audio/Radio Console	1,366	-	-	1,366
2001	1994 Ford Collins#79-11 Rebuild Transmission	2,948	-	-	2,948
2012	12 Starcraft Allstar 22' Unit # 42083	64,306	-	-	64,306
2012	12 Starcraft Allstar 22' Unit # 42084	64,306	-	-	64,306
Total \$		293,872	\$ -	\$ -	293,872

See Independent Auditor's Report.

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

		June 30	
		2021	2020
ASSETS			
Cash and investments	\$	1,880,793	\$ 2,495,378
Accounts receivable (Note 8)		7	16
Interest receivable		576	3,352
Prepaid expense		3,000	3,000
Total assets	\$	<u>1,884,376</u>	<u>\$ 2,501,746</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	18,393	\$ 14,864
Accrued payroll and employee benefits		20,366	20,403
Accrued expenses		-	41
Total liabilities		<u>38,759</u>	<u>35,308</u>
Fund balance			
Restricted		<u>1,845,617</u>	<u>2,466,438</u>
Total fund balance		<u>1,845,617</u>	<u>2,466,438</u>
Total liabilities and fund balance	\$	<u>1,884,376</u>	<u>\$ 2,501,746</u>

See notes to Funds financial statements.

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

	Years ended June 30	
	2021	2020
Revenues		
Proposition C	\$ 856,358	\$ 799,099
Interest income	10,232	40,898
Project generated revenues (Note 10)	1,391	11,535
Other revenues (Note 11)	77,186	83,280
Total revenues	945,167	934,812
Expenditures		
Various projects	1,565,988	671,641
Total expenditures	1,565,988	671,641
Excess (deficiency) of revenues over expenditures	(620,821)	263,171
Fund balance at beginning of year	2,466,438	2,203,267
Fund balance at end of year	\$ 1,845,617	\$ 2,466,438

See notes to Funds financial statements.

City of Azusa
Proposition C Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and Metro Approved Project Budget
Year ended June 30, 2021
(With Comparative Actuals for 2020)

Project Code	Project Name	2021			2020 Actual
		Metro Budget	Actual	Variance Positive (Negative)	
105	Metrolink Shuttle	\$ -	\$ -	\$ -	355,509
105	Goldline Shuttle	310,000	276,594	33,406	-
135	Bus Pass Subsidy Program	65,000	47,089	17,911	75,853
135	Rideshare Program	21,890	-	21,890	6,021
155	Recreation and Special Events	30,000	-	30,000	15,265
175	Passenger Van Rental	8,750	-	8,750	-
180	Transportation Improvement Consultant	25,050	22,358	2,692	10,129
270	Parking Structure Maintenance	80,000	3,624	76,376	3,592
302	Traffic Management System	1,117,810	1,014,772	103,038	-
620	Direct Administration	185,000	139,679	45,321	134,315
705	Foothill Boulevard Street Improvements	790,000	61,872	728,128	17,121
765	Pavement Management System	54,665	-	54,665	53,836
Total expenditures		\$ 2,688,165	\$ 1,565,988	\$ 1,122,177	\$ 671,641

See Independent Auditor's Report.

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

Date Acquired	Description	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
1996	96 Ford El Dorado-12 Passenger Van w/ Wheel Chair Lift	\$ 57,638	\$ -	\$ -	\$ 57,638
1997	HP Laserjet5 Printer and Accessories	1,689	-	-	1,689
1997	Jet Algo Pentium Computer	2,484	-	-	2,484
1997	Jet Algo Pentium Computer	2,484	-	-	2,484
1997	Lucent Technologies-Telephone Switch	11,609	-	-	11,609
1997	Infotelm/Base-Station Installed	2,484	-	-	2,484
1997	Shop Fire Door	586	-	-	586
1997	L&T Sink Cabinets	3,110	-	-	3,110
1997	Jet Algo Pentium II/333 Computer	2,003	-	-	2,003
1999	99 Ford Collins-World Trans Commuter 16 Passenger	58,894	-	-	58,894
2003	2005 Goshen GC11-CNG	51,527	-	-	51,527
2007	StarCraft Starlite Vehicle	22,326	-	22,326	-
2008	12 Radios	14,089	-	-	14,089
Total		\$ 230,923	\$ -	\$ 22,326	\$ 208,597

See Independent Auditor's Report.

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

		June 30	
		2021	2020
ASSETS			
Cash and investments	\$	785,061	\$ 1,781,766
Accounts receivable (Note 8)		9,891	9,891
Total assets	\$	794,952	\$ 1,791,657
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	2,059	\$ 571,131
Retention payable		3,953	73,281
Accrued expenses		-	14,617
Accrued payroll and employee benefits		5,874	5,562
Total liabilities		11,886	664,591
Fund balance			
Restricted - Total Road Improvement Program (Note 12)		697,797	977,432
Restricted		85,269	149,634
Total fund balance		783,066	1,127,066
Total liabilities and fund balance	\$	794,952	\$ 1,791,657

See notes to Funds financial statements.

City of Azusa
Measure R Local Return Fund
Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2021	2020
Revenues		
Measure R	\$ 643,159	\$ 598,467
Interest income	491	39,426
Total revenues	643,650	637,893
 Expenditures		
Various projects	987,650	2,190,732
Total expenditures	987,650	2,190,732
 Deficiency of revenues over expenditures	(344,000)	(1,552,839)
 Fund balance at beginning of the year	1,127,066	2,679,905
 Fund balance at end of year	\$ 783,066	\$ 1,127,066

See notes to Funds financial statements.

City of Azusa
Measure R Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and Metro Approved Project Budget
Year ended June 30, 2021
(With Comparative Actuals for 2020)

Project Code	Project Name	2021			2020 Actual
		Metro Budget	Actual	Variance Positive (Negative)	
301	Traffic Signal and Modifications for Synchronization (TRIP)	\$ 233,000	\$ 235,752	\$ (2,752)	\$ 232,119
630	Fund Administration (20% Cap)	10,000	1,027	8,973	13,172
705	Operations for Signage, Concrete, Asphalt, Painting, Signals	400,000	330,560	69,440	321,427
990	Road and Street Work Inspector/Oversight	175,000	140,185	34,815	112,892
990	Traffic Management System (Bond)	1,500,000	280,126	1,219,874	1,511,122
	Total expenditures	<u>\$ 2,318,000</u>	<u>\$ 987,650</u>	<u>\$ 1,330,350</u>	<u>\$ 2,190,732</u>

See Independent Auditor's Report.

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

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>
N/A	None	\$ -	\$ -	\$ -	\$ -
Total		\$ -	\$ -	\$ -	\$ -

City of Azusa
Measure M Local Return Fund
Balance Sheets

		June 30	
		2021	2020
ASSETS			
Cash and investments	\$	2,330,843	\$ 1,682,637
Interest receivable		729	2,105
Total assets	\$	<u>2,331,572</u>	<u>\$ 1,684,742</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	67	\$ 46,388
Accrued payroll and employee benefits		1,274	729
Accrued expense		-	826
Total liabilities		<u>1,341</u>	<u>47,943</u>
Fund balance			
Restricted		<u>2,330,231</u>	1,636,799
Total fund balance		<u>2,330,231</u>	<u>1,636,799</u>
Total liabilities and fund balance	\$	<u>2,331,572</u>	<u>\$ 1,684,742</u>

See notes to Funds financial statements.

City of Azusa
Measure M Local Return Fund

Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2021	2020
Revenues		
Measure M	\$ 728,722	\$ 674,100
Interest income	9,502	22,462
Total revenues	738,224	696,562
 Expenditures		
Various projects	44,792	82,111
Total expenditures	44,792	82,111
 Excess of revenues over expenditures	693,432	614,451
 Fund balance at beginning of year	1,636,799	1,022,348
 Fund balance at end of year	\$ 2,330,231	\$ 1,636,799

See notes to Funds financial statements.

City of Azusa
Measure M Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and Metro Approved Project Budget
Year ended June 30, 2021
(With Comparative Actuals for 2020)

Project Code	Project Name	2021			2020 Actual
		Metro Budget	Actual	Variance Positive (Negative)	
640	Administration (20%)	\$ 65,000	\$ 7,425	\$ 57,575	\$ 971
705	Newburgh Street Pavement Preservation	-	-	-	32,400
705	Rehabilitate Pavement on Alosta Avenue from Citrus Avenue to Barranca Avenue	40,000	-	40,000	-
705	Rehabilitate Pavement on Vernon Avenue from Gladstone Street to Santa Fe Ave	290,405	-	290,405	-
725	ADA Ramp Replacement	45,000	32,771	12,229	-
755	Arrow Highway Street Improvement	58,140	4,596	53,544	48,740
	Total expenditures	\$ 498,545	\$ 44,792	\$ 453,753	\$ 82,111

See Independent Auditor's Report.

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

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>
N/A	None	\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

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

	June 30	
	2021	2020
ASSETS		
Cash	\$ 66,733	\$ -
Due from Metro	-	66,341
Total assets	\$ 66,733	\$ 66,341
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
Fund balance		
Restricted	66,733	66,341
Total fund balance	66,733	66,341
Total liabilities and fund balance	\$ 66,733	\$ 66,341

See notes to Funds financial statements.

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

	Years ended June 30	
	2021	2020
Revenues		
Intergovernmental Allocations:		
TDA Article 3	\$ -	\$ 66,341
Interest Income	<u>392</u>	<u>-</u>
Total revenues	<u>392</u>	<u>66,341</u>
Expenditures		
Various projects	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	392	66,341
Fund balance at beginning of year	<u>66,341</u>	<u>-</u>
Fund balance at end of year	<u>\$ 66,733</u> * \$	<u>66,341</u>

* On June 10, 2021, Metro Principal Transportation Planner approved the City's request for an extension on the use of the remaining fund balance until June 30, 2022.

See notes to Funds financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

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

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

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

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

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

Basis of Accounting and Measurement Focus

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

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

Budgets and Budgetary Accounting

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement

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

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

Fund Balance Reporting

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

The PALRF, PCLRF, MRLRF, MMLRF and TDAA3F report the following fund balance classification as of June 30, 2021 and 2020:

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

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

Deferred Outflows and Inflows of Resources

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

Deferred inflows of resources reported by the City represent resources that are not available for spending as of June 30, 2021 and 2020.

NOTE 2 ANNUAL FINANCIAL STATEMENTS

The financial statements reflect only the financial position and results of operations of the PALRF, PCLRF, MRLRF, MMLRF and TDAA3F, and do not purport to, and do not present fairly the City's financial position as of June 30, 2021 and 2020, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

NOTE 3 PROPOSITION A AND PROPOSITION C LOCAL RETURN COMPLIANCE REQUIREMENTS

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

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

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

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

NOTE 4 MEASURE R LOCAL RETURN COMPLIANCE REQUIREMENTS

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

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

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

NOTE 5 MEASURE M LOCAL RETURN COMPLIANCE REQUIREMENTS

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

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

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

NOTE 6 TRANSPORTATION DEVELOPMENT ACT COMPLIANCE REQUIREMENTS

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

NOTE 7 CASH AND INVESTMENTS

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

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

NOTE 8 ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2021 and 2020 consisted of the following:

PALRF

	2021	2020
Los Angeles County –		
Department of Public Works	\$ 100,485	\$ 11,277
Clear Channel	1,076	-
Fees/riders fares	28	42
	\$ 101,589	\$ 11,319

NOTE 8 ACCOUNTS RECEIVABLE (CONTINUED)

PCLRF

		<u>2021</u>		<u>2020</u>
Fees/riders fares	\$	7	\$	16
		<u>7</u>		<u>16</u>

MRLRF

		<u>2021</u>		<u>2020</u>
KOA (vendor refund)	\$	9,891	\$	9,891
		<u>9,891</u>		<u>9,891</u>

NOTE 9 PROPOSITION A DISCRETIONARY INCENTIVE PROGRAM GRANT

The City entered into various Memorandum of Understanding (MOUs) agreements with the Metro to receive Proposition A Discretionary Incentive Program grant for participating in the National Transit Database (NTD) Voluntary Reporting. The amounts received for the years ended June 30, 2021 and 2020, consisted of the following:

<u>Agreement Date</u>	<u>Program Year</u>	<u>MOU Amount</u>	<u>Amount Received</u>	
			<u>2021</u>	<u>2020</u>
7/31/2018	FY2015/16	\$ 42,896	\$ -	\$ 42,896
7/1/2019	FY2016/17	40,491	40,490	-
5/1/2020	FY2017/18	41,747	41,747	-
			<u>\$ 82,237</u>	<u>\$ 42,896</u>

The Proposition A Discretionary Incentive Program grant was recorded under the PALRF.

NOTE 10 PROJECT GENERATED REVENUES

Project generated revenues for the years ended June 30, 2021 and 2020 consisted of the following:

PALRF

		<u>2021</u>		<u>2020</u>
County Dial-A-Ride	\$	56,928	\$	124,302
Fees/riders fares		3,311		7,436
Fees/advertising		1,077		5,750
		<u>61,316</u>		<u>137,488</u>

NOTE 10 PROJECT GENERATED REVENUES (CONTINUED)

PCLRF

		<u>2021</u>		<u>2020</u>
Metrolink and bus pass sales	\$	143	\$	7,399
Fees/riders fares		1,248		4,136
	\$	<u>1,391</u>	\$	<u>11,535</u>

NOTE 11 OTHER REVENUES – PCLRF

Other revenues for the years ended June 30, 2021 and 2020 consisted of the following:

		<u>2021</u>		<u>2020</u>
Gold Line lease	\$	75,461	\$	83,280
Proceeds of capital assets		1,725		-
	\$	<u>77,186</u>	\$	<u>83,280</u>

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

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

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

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

Capital reserve balance at June 30, 2019	\$	2,453,821
Add: Investment income allocated during FY 2020		34,733
Less: Expenditures during FY 2020		<u>(1,511,122)</u>
Capital reserve balance at June 30, 2020		977,432
Add: Investment income allocated during FY 2021		491
Less: Expenditures during FY 2021		<u>(280,126)</u>
Capital reserve balance at June 30, 2021	\$	<u>697,797</u>

NOTE 13 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND REVENUE ALLOCATION

The revenue allocations for the years ended June 30, 2021 and 2020 consisted of the following:

		<u>2021</u>		<u>2020</u>
FY 2016/17 allocation	\$	-	\$	17,238
FY 2017/18 allocation		-		32,234
FY 2018/19 allocation		-		16,869
	\$	-	\$	66,341

NOTE 14 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUNDS RESERVED

In accordance with TDA Article 3 (SB821) Guidelines, funds which will not be spent during the fiscal year have been placed on reserve in the Local Transportation Fund (LTF) account with the County Auditor-Controller to be drawn down whenever the funds become eligible for a specific project and an approved drawdown request is received by Metro. As of June 30, 2021 and 2020, the City has funds on reserve as follows:

		<u>2021</u>		<u>2020</u>
FY 2018/19 allocation	\$	16,870	\$	16,870
FY 2019/20 allocation		35,860		35,860
FY 2020/21 allocation		28,608		-
Total reserve	\$	81,338	\$	52,730

For FY 2020/21, any TDA Article 3 funds left on reserve for FY 2016/17 or prior, are subject to lapse if not claimed by the City by June 30, 2021. There were no funds that lapsed in FY 2020/21.

NOTE 15 IMPACT OF CORONAVIRUS

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the United States.

It is unknown how long these conditions will last and what the complete financial effect will be to businesses and other affected organizations, including local governmental entities. However, the City's management believes that the financial impact, if any, will not materially affect the June 30, 2021 funds financial statements.

NOTE 16 SUBSEQUENT EVENTS

The City has evaluated events subsequent to June 30, 2021 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through December 20, 2021, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

**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 Azusa, California and the
Los Angeles County Metropolitan Transportation Authority**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Azusa, California (the City) as of and for the year ended June 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2021.

Internal Control over Financial Reporting

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

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

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



Compliance and Other Matters

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

Purpose of this Report

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

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

**Glendale, California
December 20, 2021**

COMPLIANCE SECTION

Independent Auditor's Report on Compliance

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

Report on Compliance

We have audited the City of Azusa, California's (the City) compliance with the Proposition A and Proposition C Local Return Guidelines, Measure R Local Return Guidelines, Measure M Local Return Guidelines, Transportation Development Act Article 3, and the Los Angeles County Metropolitan Transportation Authority's Funding and Allocation Guidelines for Transportation Development Act Article 3 Bicycle and Pedestrian Funds (collectively, the Guidelines) for the year ended June 30, 2021.

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

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

Opinion

In our opinion, the City of Azusa, California complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2021.



Report on Internal Control over Compliance

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

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

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

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

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

Glendale, California
December 20, 2021

**City of Azusa
Compliance Matrix
Year ended June 30, 2021**

Compliance Requirements	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 or has established a separate Proposition A and Proposition C Local Transit Assistance Account for Local Return purposes.	X				
2. Revenues received including allocations, project generated revenues and interest income was properly credited to the Proposition A and/or Proposition C Local Return Account.	X				
3. Funds were expended with Metro's approval and were not substituted for property tax.	X				
4. Timely use of funds.	X				
5. Administrative expenses are within the 20% cap.	X				
6. Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.	X				
7. Annual Project Update Report (Form B) or electronic equivalent was submitted on time.	X				
8. Annual Expenditure Report (Form C) or electronic equivalent was submitted on time.	X				
9. Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	X				
10. Local Return Account is credited for reimbursable expenditures.			X		
11. Where Proposition A funds were given, loaned or exchanged by one jurisdiction to another, the receiving jurisdiction has credited its Local Return Account with the funds received.			X		
12. Self-Certification was completed and submitted for Intelligent Transportation Systems projects and elements.			X		

See independent auditor's report on compliance.

**City of Azusa
Compliance Matrix
Year ended June 30, 2021**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
A. Proposition A and Proposition C Local Return Funds					
13. A separate account was established for Capital reserve funds, Capital reserve was approved by Metro and current status is reported in the Annual Project Update (Form B) or electronic equivalent.			X		
14. Recreational transit form was submitted on time.			X		
15. Fund exchanges (trades, loans, or gifts) were approved by Metro.			X		
16. Proposition C Local Return Funds were used to augment, not supplant existing local revenues being used for road improvement purposes.	X				
17. All on-going and carryover projects were reported on Form B or electronic equivalent.	X				
18. Cash or cash equivalents are maintained.	X				
19. Accounting procedures, record keeping, and documentation are adequate.	X				

See independent auditor's report on compliance.

**City of Azusa
Compliance Matrix
Year ended June 30, 2021**

Compliance Requirements	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				
2. Separate Measure R Local Return Account was established.	X				
3. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X				
4. Funds were expended with Metro's approval.	X				
5. Funds were not substituted for property tax and are in compliance with the Maintenance of Effort.	X				
6. Timely use of funds.	X				
7. Administrative expenses are within the 20% cap.	X				
8. Expenditure Plan (Form One or electronic equivalent) was submitted timely.	X				
9. Annual Expenditure Report (Form Two or electronic equivalent) was submitted timely.	X				
10. Where funds expended were reimbursable by other grants or fund sources, the reimbursement was credited to the Local Return Account upon receipt of the reimbursement.			X		
11. Where Measure R funds were given, loaned or exchanged by one jurisdiction to another, the receiving jurisdiction has credited its Local Return Account with the funds received.			X		
12. A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.			X		
13. Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.	X				

See independent auditor's report on compliance.

**City of Azusa
Compliance Matrix
Year ended June 30, 2021**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
B. Measure R Local Return Fund					
14. Recreational transit form was submitted on time.			X		
15. Fund exchanges (trades, loans, or gifts) were approved by Metro.			X		
16. Accounting procedures, record keeping, and documentation are adequate.	X				

See independent auditor's report on compliance.

**City of Azusa
Compliance Matrix
Year ended June 30, 2021**

Compliance Requirements	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				
2. Separate Measure M Local Return Account was established.	X				
3. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	X				
4. Funds were expended with Metro's approval.	X				
5. Funds were not substituted for property tax and are in compliance with the Maintenance of Effort.	X				
6. Timely use of funds.	X				
7. Administrative expenses are within the 20% cap.	X				
8. Expenditure Plan (Form M-One or electronic equivalent) was submitted timely.	X				
9. Expenditure Report (Form M-Two or electronic equivalent) was submitted timely.	X				
10. Where funds expended were reimbursable by other grants or fund sources, the reimbursement was credited to the Local Return Account upon receipt of the reimbursement.			X		
11. Where Measure M funds were given, loaned or exchanged by one jurisdiction to another, the receiving jurisdiction has credited its Local Return Account with the funds received.			X		
12. A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.			X		
13. Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.	X				

See independent auditor's report on compliance.

**City of Azusa
Compliance Matrix
Year ended June 30, 2021**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
C. Measure M Local Return Fund					
14. Recreational transit form was submitted on time.			X		
15. Fund exchanges (trades, loans, or gifts) were approved by Metro.			X		
16. Accounting procedures, record keeping, and documentation are adequate.	X				

See independent auditor's report on compliance.

City of Azusa
 Compliance Matrix
 Year ended June 30, 2021

Compliance Requirements	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				
2. Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.			X		

See Independent Auditor's Report on compliance.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

There were no findings noted.

EXIT CONFERENCE

An exit conference was held on December 20, 2021 with the City of Azusa representatives. Those in attendance were:

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

City of Azusa representatives:
 Kristina Pascarella – Finance Manager
 Henry Quintero – Senior Accountant

Matters discussed:

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

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

Kristina Pascarella – Finance Manager
Henry Quintero – Senior Accountant



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