



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

**City of Pico Rivera  
Annual Financial Report of its**

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

**As of and for the Years Ended June 30, 2018 and 2017**

**and**

**Measure M Local Return Fund**

**As of and for the Year Ended June 30, 2018  
with Report of Independent Auditors**

	<u>PAGE</u>
<b>FINANCIAL SECTION</b>	
Report of Independent Auditors	1
Proposition A Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	4
Statements of Revenues, Expenditures and Changes in Fund Balance	5
Supplementary Information:	
Schedule of Expenditures – Actual and LACMTA Approved Project Budget	6
Schedule of Capital Assets	7
Proposition C Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	8
Statements of Revenues, Expenditures and Changes in Fund Balance	9
Supplementary Information:	
Schedule of Expenditures – Actual and LACMTA Approved Project Budget	10
Schedule of Capital Assets	11
Measure R Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	12
Statements of Revenues, Expenditures and Changes in Fund Balance	13
Supplementary Information:	
Schedule of Expenditures – Actual and LACMTA Approved Project Budget	14
Schedule of Capital Assets	15
Measure M Local Return Fund:	
Basic Financial Statements:	
Balance Sheet	16
Statement of Revenues, Expenditures and Changes in Fund Balance	17
Supplementary Information:	
Schedule of Expenditures – Actual and LACMTA Approved Project Budget	18
Schedule of Capital Assets	19
Transportation Development Act Article 3 Fund:	
Basic Financial Statements:	
Balance Sheets	20
Statements of Revenues, Expenditures and Changes in Fund Balance	21
Supplementary Information:	
Schedule of Transportation Development Act Allocation for Specific Projects	22
Notes to Funds Financial Statements	23
Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	29

**COMPLIANCE SECTION**

Report of Independent Auditors on Compliance	31
Compliance Matrix	33

<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>	37
--	----

<b>EXIT CONFERENCE</b>	40
------------------------	----

**FINANCIAL SECTION**

## **Report of Independent Auditors**

**To the Honorable Members of the City Council of the  
City of Pico Rivera, 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 and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Pico Rivera, California (the City) which comprise the Funds' balance sheets as of June 30, 2018 and 2017, and the related statements of revenues, expenditures and changes in fund balances for the years then ended, and the accompanying financial statements of the City's Measure M Local Return Fund (the Fund) which comprise the Fund's balance sheet as of June 30, 2018, and the related statement of revenues, expenditures and changes in fund balance for the year then ended, and the related notes to the financial statements.

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

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

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

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



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the Funds' 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 and the Transportation Development Act Article 3 Fund as of June 30, 2018 and 2017 and the Measure M Local Return Fund as of June 30, 2018, of the City of Pico Rivera, California, 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 Pico Rivera, California, and do not purport to, and do not present fairly the financial position of the City as of June 30, 2018 and 2017, 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 19, 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 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.

*Vasquez & Company LLP*

**Glendale, California  
December 19, 2018**

City of Pico Rivera  
Proposition A Local Return Fund  
Balance Sheets

		June 30	
		2018	2017
<b>ASSETS</b>			
Cash and investments	\$	2,456,317	\$ 2,279,057
Due from LACMTA		22,105	23,919
Interest receivable		6,606	9,314
<b>Total assets</b>	<b>\$</b>	<b><u>2,485,028</u></b>	<b><u>\$ 2,312,290</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$	90,365	\$ 89,898
Accrued payroll and employee benefits		5,348	486
<b>Total liabilities</b>		<b><u>95,713</u></b>	<b><u>90,384</u></b>
<b>Deferred inflows of resources</b>			
Unavailable revenues		-	23,919
<b>Total deferred inflows of resources</b>		<b><u>-</u></b>	<b><u>23,919</u></b>
<b>Fund balance</b>			
Restricted		2,389,315	2,197,987
<b>Total fund balance</b>		<b><u>2,389,315</u></b>	<b><u>2,197,987</u></b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$</b>	<b><u>2,485,028</u></b>	<b><u>\$ 2,312,290</u></b>

See notes to Funds financial statements.



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

---

	Years ended June 30	
	2018	2017
<b>Revenues</b>		
Proposition A	\$ 1,198,883	\$ 1,171,152
Proposition A Discretionary Incentive Program grant	46,024	30,806
Investment income	28,332	32,899
Bus pass sales	5,714	4,896
<b>Total revenues</b>	<b>1,278,953</b>	<b>1,239,753</b>
<b>Expenditures</b>		
Various projects	1,087,625	853,311
<b>Total expenditures</b>	<b>1,087,625</b>	<b>853,311</b>
Excess of revenues over expenditures	191,328	386,442
Fund balance at beginning of year	2,197,987	1,811,545
Fund balance at end of year	\$ 2,389,315	\$ 2,197,987

*See notes to Funds financial statements.*

City of Pico Rivera  
Proposition A Local Return Fund  
Supplementary Information  
Schedule of Expenditures – Actual and LACMTA Approved Project Budget  
Year ended June 30, 2018  
(With Comparative Actuals for 2017)

Project Code	Project Name	2018			2017 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
130-02	Special Service of U & H	\$ 650,000	\$ 549,817	\$ 100,183	\$ 635,667
140-01	Recreational Transit	100,000	51,529	48,471	-
150-01	Sidewalk Installation at Two Bus Stops Along Washington Boulevard	20,000	172	19,828	19,087
150-02	Bus Landing at Rosemead Blvd and Coffman and Pico Road	60,000	-	60,000	-
160-49	Bus Shelters Lighting Improvements Citywide	50,000	2,356	47,644	26,037
170-01	Bus Shelter Maintenance	180,000	180,163	(163)	125,071
220-01	Transit Security	100,000	80,663	19,337	-
250-06	MTA Bus Pass Buydown	24,000	16,410	7,590	14,008
270-01	Transit Feasibility Study	150,000	78,129	71,871	-
480-05	Administration	175,000	128,386	46,614	33,441
<b>Total expenditures</b>		<b>\$ 1,509,000</b>	<b>\$ 1,087,625</b>	<b>\$ 421,375</b>	<b>\$ 853,311</b>

*See report of independent auditors.*

**City of Pico Rivera**  
**Proposition A Local Return Fund**  
**Supplementary Information**  
**Schedule of Capital Assets**  
**Year ended June 30, 2018**

---

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
2010	Bus for Dial-A-Ride Program	\$ 56,727	\$ -	\$ -	\$ 56,727
2010	Bus for Dial-A-Ride Program	56,727	-	-	56,727
2012	Pico Park Transit Hub-Pkg lot Expansion	700,000	-	-	700,000
2014	Bus Shelter Replacement	203,655	-	-	203,655
2015	Gold Line Extension Project	60,000	-	-	60,000
<b>Total</b>		<b>\$ 1,077,109</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,077,109</b>

*See report of independent auditors.*

**City of Pico Rivera  
Proposition C Local Return Fund  
Balance Sheets**

		June 30	
		2018	2017
<b>ASSETS</b>			
Cash and investments	\$	1,719,630	\$ 1,273,686
Interest receivable		4,735	4,610
<b>Total assets</b>	<b>\$</b>	<b><u>1,724,365</u></b>	<b><u>\$ 1,278,296</u></b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$	147,432	\$ 800
Accrued payroll and employee benefits		2,026	1,708
<b>Total liabilities</b>		<b><u>149,458</u></b>	<b><u>2,508</u></b>
<b>Fund balance</b>			
Restricted		<u>1,574,907</u>	<u>1,275,788</u>
<b>Total fund balance</b>		<b><u>1,574,907</u></b>	<b><u>1,275,788</u></b>
<b>Total liabilities and fund balance</b>	<b>\$</b>	<b><u>1,724,365</u></b>	<b><u>\$ 1,278,296</u></b>

*See notes to Funds financial statements.*

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

---

	Years ended June 30	
	2018	2017
<b>Revenues</b>		
Proposition C	\$ 991,680	\$ 974,150
Investment income	19,472	12,831
Project reimbursement	-	48,654
<b>Total revenues</b>	<b>1,011,152</b>	<b>1,035,635</b>
<b>Expenditures</b>		
Various projects	712,033	361,617
<b>Total expenditures</b>	<b>712,033</b>	<b>361,617</b>
Excess of revenues over expenditures	299,119	674,018
Fund balance at beginning of year	1,275,788	601,770
Fund balance at end of year	\$ 1,574,907	\$ 1,275,788

*See notes to Funds financial statements.*

City of Pico Rivera  
Proposition C Local Return Fund  
Supplementary Information  
Schedule of Expenditures – Actual and LACMTA Approved Project Budget  
Year ended June 30, 2018  
(With Comparative Actuals for 2017)

Project Code	Project Name	2018			2017 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
210-09	HSIP Cycle 7 - Traffic Signal Upgrades Citywide	\$ 80,000	\$ 484	\$ 79,516	\$ 2,818
210-10	HSIP Cycle 8 - Traffic Signal Upgrades Along Five Intersections of Major Arterials	30,000	9,433	20,567	-
210-11	Beverly Boulevard TSSP	50,000	-	50,000	-
210-45	HSIP Cycle 6, Traffic Safety and Sidewalk Improvements	150,000	47,483	102,517	10,158
220-03	Graffiti Removal Transfer	75,000	75,000	-	75,000
270-22	Gateway Cities COG SR-91 / I 605 Needs Assessment Study	20,000	20,000	-	20,000
270-41	Telegraph Road over Rio Hondo River Bridge Rehabilitation Project	215,000	26,728	188,272	7,606
270-42	Washington Blvd over Rio Hondo River Bridge Rehabilitation Project	90,000	26,176	63,824	6,640
410-34	Safe Routes to School - Infrastructure/Traffic Signals and other Safety Improvements	-	-	-	64,122
450-32	Durfee Avenue Underpass Project	45,000	14,334	30,666	26,634
450-33	Whittier Blvd Rehabilitation Project	20,000	14,957	5,043	-
450-36	Rosemead Blvd/Telegraph Road Intersection Improvements	275,000	2,064	272,936	22,125
450-37	Paramount Blvd Raised Median Project	450,000	410,786	39,214	70,393
450-47	Bridge Preventative Maintenance Program	25,000	245	24,755	3,046
450-48	Telegraph Road Traffic Throughout and Safety Enhancement Project-Phase II	180,000	2,362	177,638	975
450-50	Whittier Boulevard Street Overlay	400,000	4,207	395,793	-
450-51	Passons Boulevard Underpass Project - Emergency Repairs	45,000	4,494	40,506	-
480-01	Administration	175,000	53,280	121,720	52,100
	<b>Total expenditures</b>	<b>\$ 2,325,000</b>	<b>\$ 712,033</b>	<b>\$ 1,612,967</b>	<b>\$ 361,617</b>

*See report of independent auditors.*

**City of Pico Rivera**  
**Proposition C Local Return Fund**  
**Supplementary Information**  
**Schedule of Capital Assets**  
**Year ended June 30, 2018**

<b>Date Acquired</b>	<b>Description</b>	<b>Balance July 1, 2017</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2018</b>
2004	Bus Shelter Replacement	\$ 178,422	\$ -	\$ -	\$ 178,422
2005	W. Whittier Blvd Street	179,844	-	-	179,844
2006	SG River Pkwy/Beverly	144,853	-	-	144,853
2012	Pico Rivera Transit Hub - Parking Lot Expansion	211,224	-	-	211,224
2012	Beverly Blvd Rehabilitation	268,211	-	-	268,211
2014	Pavement Management System Update	45,068	-	-	45,068
2014	Beverly Blvd Median Island Improvement Rosemead Blvd. Rehabilitation	994,685	-	-	994,685
2014	Washington	420,370	-	-	420,370
2014	Rosemead/Whittier Improvements	221,795	-	-	221,795
2014	Construction In Progress - Various Projects Sidewalk Improvements and Bus Stop	2,415,796	-	-	2,415,796
2015	Improvements Rosemead Blvd/Mines Ave Intersection	50,000	-	-	50,000
2015	Improvements	785,383	-	-	785,383
<b>Total</b>		<b>\$ 5,915,651</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,915,651</b>

*See report of independent auditors.*

City of Pico Rivera  
Measure R Local Return Fund  
Balance Sheets

		June 30	
		2018	2017
<b>ASSETS</b>			
Cash and investments	\$	1,452,308	\$ 865,430
Interest receivable		12,328	3,888
Due from other government agencies		649,181	112,092
<b>Total assets</b>	<b>\$</b>	<b>2,113,817</b>	<b>\$ 981,410</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$	719	\$ -
Accrued payroll and employee benefits		534	-
<b>Total liabilities</b>		<b>1,253</b>	<b>-</b>
<b>Deferred inflows of resources</b>			
Unavailable revenues		649,181	112,092
<b>Total deferred inflows of resources</b>		<b>649,181</b>	<b>112,092</b>
<b>Fund balance</b>			
Restricted		1,463,383	869,318
<b>Total fund balance</b>		<b>1,463,383</b>	<b>869,318</b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$</b>	<b>2,113,817</b>	<b>\$ 981,410</b>

See notes to Funds financial statements.



City of Pico Rivera  
Measure R Local Return Fund

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

---

	Years ended June 30	
	2018	2017
<b>Revenues</b>		
Measure R	\$ 744,826	\$ 728,756
Investment income	24,719	9,613
Measure R Fund Highway Grants	1,089,643	282,946
<b>Total revenues</b>	<b>1,859,188</b>	1,021,315
 <b>Expenditures</b>		
Expenditures funded by MRLRF	638,938	265,146
Expenditures funded by Measure R Fund Highway Grants	626,185	181,522
<b>Total expenditures</b>	<b>1,265,123</b>	446,668
 Excess of revenues over expenditures	594,065	574,647
 Fund balance at beginning of year	869,318	294,671
 Fund balance at end of year	\$ 1,463,383	\$ 869,318

*See notes to Funds financial statements.*

**City of Pico Rivera**  
**Measure R Local Return Fund**  
**Supplementary Information**  
**Schedule of Expenditures – Actual and LACMTA Approved Project Budget**  
**Year ended June 30, 2018**  
**(With Comparative Actuals for 2017)**

Project Code	Project Name	2018			2017 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
01-001	Beverly Blvd Rehabilitation and Landscape Median Improvements	\$ 344,369	\$ -	\$ 344,369	\$ -
01-002	Residential Road Resurfacing Project - Phase D	150,000	-	150,000	-
01-003	Residential Road Resurfacing Project - Phase E	845,000	-	845,000	-
01-004	Entrance Monument Replacement Project	260,000	-	260,000	-
01-005	Annual Sidewalk Improvement Project	200,000	-	200,000	-
01-006	Slauson Avenue Improvements	55,000	-	55,000	-
01-007	Residential Resurfacing Project - Phase F	600,000	-	600,000	-
01-008	Roadway Safety Improvements - Signage and Striping	150,000	-	150,000	-
01-009	Safe Routes to School - Safety Improvements Along Passons/Beverly Blvd	80,000	-	80,000	-
01-010	Whittier Boulevard Rehabilitation Project	300,000	-	300,000	7,270
01-011	Signing and Striping	80,000	2,975	77,025	30,413
01-012	Annual Sidewalk Improvement Project	180,000	-	180,000	187,636
01-013	Asphalt Overlay Along San Gabriel Parkway, Contruction of Curb	140,000	-	140,000	-
01-014	Residential Resurfacing Project - Phase G	500,000	484,834	15,166	5,029
01-015	Whittier Boulevard Overlay Project	10,000	-	10,000	7,072
01-016	Annual Sidewalk Improvement Project	120,000	99,523	20,477	-
01-017	Residential Resurfacing Project - Phase H	500,000	1,574	498,426	-
01-018	CDBG Sidewalk Improvements Project CIP 21364	30,000	27,192	2,808	-
02-001	Left Turn Phasing Installation to Update Antiquated Traffic Signal	120,000	-	120,000	-
02-002	Left Turn Phasing/Other Signal Improvements Throughout the City	202,000	-	202,000	-
02-003	Battery Backup System Project	50,000	-	50,000	-
02-005	Rewiring of Traffic Signals	80,000	-	80,000	71
02-007	Traffic Signal Improvement at Loch Lomond and Paramount Blvd	50,000	-	50,000	24,276
03-001	Transportation Enhancements to Pedestrian Bridge	280,000	22,840	257,160	-
03-002	Traffic Calming/Pedestrian and Bike Safety Signage	45,000	-	45,000	-
05-001	Installation of Transit Hub at Rio Vista Park	125,000	-	125,000	-
05-002	Installation of Transit Hub at Smith Park	100,000	-	100,000	-
07-001	Corridor Study for the Development of Lakewood/Rosemead Blvd	65,000	-	65,000	-
08-001	SRTS Non-Infrastructure Project - Federal Reporting	5,500	-	5,500	3,379
<b>Total expenditures</b>		<b>\$ 5,666,869</b>	<b>\$ 638,938</b>	<b>\$ 5,027,931</b>	<b>\$ 265,146</b>

*See report of independent auditors.*

**City of Pico Rivera**  
**Measure R Local Return Fund**  
**Supplementary Information**  
**Schedule of Capital Assets**  
**Year ended June 30, 2018**

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
2013	Residential Resurfacing Project - Phase D	\$ 148,125	\$ -	-	\$ 148,125
2015	Construction in Progress - Various Projects	701,696	-	-	701,696
2015	Rio Vista Park	125,000	-	-	125,000
2015	Residential Resurfacing Project	843,349	-	-	843,349
2015	Entrance Monument Replacement	221,914	-	-	221,914
2015	Slauson Ave Street Improvement	53,709	-	-	53,709
2015	Annual Sidewalk Improvement	100,000	-	-	100,000
<b>Total</b>		<b>\$ 2,193,793</b>	<b>\$ -</b>	<b>-</b>	<b>\$ 2,193,793</b>

*See report of independent auditors.*

**City of Pico Rivera**  
**Measure M Local Return Fund**  
**Balance Sheet**  
**June 30, 2018**

---

**ASSETS**

Cash and investments	\$	677,092
Interest receivable		1,610
		678,702
<b>Total assets</b>	<b>\$</b>	<b>678,702</b>

**LIABILITIES AND FUND BALANCE**

**Liabilities**

Accounts payable	\$	-
		-
<b>Total liabilities</b>		<b>-</b>

**Fund balance**

Restricted		678,702
		678,702
<b>Total fund balance</b>		<b>678,702</b>
<b>Total liabilities and fund balance</b>	<b>\$</b>	<b>678,702</b>

*See notes to Funds financial statements.*

**City of Pico Rivera**  
**Measure M Local Return Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Year ended June 30, 2018**

---

**Revenues**

Measure M	\$	674,983
Investment income		3,719
		<u>678,702</u>
<b>Total revenues</b>		<u>678,702</u>

**Expenditures**

Various projects		-
		<u>-</u>
<b>Total expenditures</b>		<u>-</u>

Excess of revenues over expenditures		678,702
Fund balance at beginning of year		<u>-</u>
Fund balance at end of year	\$	<u><u>678,702</u></u>

*See notes to Funds financial statements.*

**City of Pico Rivera**  
**Measure M Local Return Fund**  
**Supplementary Information**  
**Schedule of Expenditures – Actual and LACMTA Approved Project Budget**  
**Year ended June 30, 2018**

---

Project Code	Project Name	LACMTA Budget	Actual	Variance Positive (Negative)
None		\$ -	\$ -	-
	<b>Total expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>

*See report of independent auditors.*

**City of Pico Rivera**  
**Measure M Local Return Fund**  
**Supplementary Information**  
**Schedule of Capital Assets**  
**Year ended June 30, 2018**

---

Date Acquired	Description	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
None		\$ -	\$ -	\$ -	\$ -
	<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

*See report of independent auditors.*

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

		June 30	
		2018	2017
<b>ASSETS</b>			
Due from LACMTA	\$	96,751	\$ 63,192
<b>Total assets</b>		<b>\$ 96,751</b>	<b>\$ 63,192</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE (DEFICIT)</b>			
<b>Liabilities</b>			
Due to other funds	\$	14,278	\$ 63,005
Accounts payable		96	-
Accrued payroll and employee benefits		58	-
<b>Total liabilities</b>		<b>14,432</b>	63,005
<b>Deferred inflows of resources</b>			
Unavailable revenues		85,533	2,393
<b>Total deferred inflows of resources</b>		<b>85,533</b>	2,393
<b>Fund balance (deficit)</b>			
Restricted		(3,214)	(2,206)
<b>Total fund balance(deficit)</b>		<b>(3,214)</b>	<b>(2,206)</b>
<b>Total liabilities, deferred inflows of resources and fund balance (deficit)</b>		<b>\$ 96,751</b>	<b>\$ 63,192</b>

*See notes to Funds financial statements.*



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

---

	<b>Years ended June 30</b>	
	<b>2018</b>	<b>2017</b>
<b>Revenues</b>		
Intergovernmental Allocations:		
Article 3	\$ 11,218	\$ 60,799
Interest income	-	187
<b>Total revenues</b>	<b>11,218</b>	<b>60,986</b>
<b>Expenditures</b>		
Various projects	12,226	16,885
<b>Total expenditures</b>	<b>12,226</b>	<b>16,885</b>
Excess (deficiency) of revenues over expenditures	<b>(1,008)</b>	44,101
Fund balance (deficit) at beginning of year	<b>(2,206)</b>	(46,307)
Fund balance (deficit) at end of year	<b>\$ (3,214)</b>	\$ (2,206)

*See notes to Funds financial statements.*

**City of Pico Rivera**  
**Transportation Development Act Article 3 Fund**  
**Pursuant to Public Utilities Code Section 99234**  
**Supplementary Information**  
**Schedule of Transportation Development Act Allocation for Specific Projects**  
**Year ended June 30, 2018**

---

Project Description	Program Year	Totals to Date		Unexpended Allocations	Project Status
		Allocations	Expenditures		
<b>Local Allocations:</b>					
Pico Rivera Regional Bikeway Project	2018	\$ 11,218	\$ 12,226	\$ (1,008)	Ongoing
<b>Totals</b>		<u>\$ 11,218</u>	<u>\$ 12,226</u>	<u>(1,008)</u>	
Fund balance (deficit) at beginning of year				<u>(2,206)</u>	
Fund balance (deficit) at end of year				<u>\$ (3,214)</u>	

*See report of independent auditors.*

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Fund Accounting**

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

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

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

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

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

**Basis of Accounting and Measurement Focus**

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

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

**Budgets and Budgetary Accounting**

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

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

**Fair Value Measurement**

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

Refer to the City's Comprehensive Annual Financial Report 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, 2018 and 2017:

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

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

**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, 2018 and 2017.

**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, 2018 and 2017, 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 Comprehensive Annual Financial Report (CAFR) for a full description of risks relating to cash and investments.

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

Proposition A Discretionary Incentive Program grant represents additional funds received from LACMTA for participating in the National Transit Database Reporting Program. The Proposition A Discretionary Incentive Program grant was recorded under PALRF. The City received \$46,024 and \$30,806 for the years ended June 30, 2018 and 2017, respectively, for participating in the program.

**NOTE 9 MEASURE R HIGHWAY GRANTS**

In March 2014, LACMTA Board approved to fund "Project Approval and Environmental Documentation (PAED), Plans, Specifications, and Estimates (PSE), Right of Way (ROW), and Construction phases of the following projects:

<u>Project Description</u>	<u>MOU No.</u>	<u>Agreement No.</u>
Rosemead Boulevard/Beverly Boulevard Intersection Improvements	MOU.MR315.05	14-1490
Rosemead/Whittier Intersection Improvements	MOU.MR315.09	14-1491
Rosemead Boulevard/Washington Boulevard Intersection Improvements	MOU.MR315.21	14-1492
Rosemead Boulevard/Slauson Avenue Intersection Improvements	MOU.MR315.19	14-1493

Under the agreements, to the extent the Measure R funds are available, LACMTA shall make to the City a grant of the Measure R funds for these Projects. The funds will be released to the City on a reimbursement basis in accordance with invoices submitted in support of the monthly progress report and the quarterly expenditure report submitted to LACMTA a few days after the close of each quarter. The City recognized \$1,089,643 and \$282,946 of revenue from these projects during the years ended June 30, 2018 and 2017, respectively. A portion of the FY 2018 revenue recognized is the reimbursement for an acquisition by the City using its general fund of a property required for the Rosemead Boulevard and Beverly Boulevard Intersection Improvements Project. This amount will be spent on future project related costs.

**NOTE 10 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND REVENUE ALLOCATION**

The revenue allocations for the years ended June 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
FY 2015/16 allocation	\$ 11,218	\$ -
FY 2014/15 allocation	-	32,455
Deferral from FY 2014	-	28,344
	<u>\$ 11,218</u>	<u>\$ 60,799</u>

**NOTE 11      TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUNDS RESERVED**

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

		<u>2018</u>		<u>2017</u>
FY 2015/16 reserve	\$	1,144	\$	12,360
FY 2016/17 reserve		42,530		42,530
FY 2017/18 allocation		41,861		-
	\$	<u>85,535</u>	\$	<u>54,890</u>

For FY 2017/18, any TDA Article 3 funds left on reserve for FY 2013/14 or prior, are subject to lapse if not claimed by the City by June 30, 2018. There were no funds that lapsed in FY 2017/18.

**NOTE 12      SUBSEQUENT EVENTS**

The City has evaluated subsequent events through December 19, 2018, the date the financial statements were available to be issued, and concluded no events have occurred that require disclosure or adjustments to the financial statements.



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

**To the Honorable Members of the City Council of the  
City of Pico Rivera, 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 Pico Rivera, 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 19, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audits of the Funds' financial statements, we considered the City's internal control over the Funds' 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 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 audits 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 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.

**Glendale, California  
December 19, 2018**

**COMPLIANCE SECTION**

## **Report of Independent Auditors on Compliance**

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

### **Report on Compliance**

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

### ***Management's Responsibility***

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

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

Our responsibility is to express an opinion on the City's compliance with the Guidelines based on our audit. We conducted our audit of compliance in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the Guidelines. Those standards and the Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the Proposition A Local Return Program, Proposition C Local Return Program, Measure R Local Return Program, Measure M Local Return Fund 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 Pico Rivera, California complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2018.



### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance with the requirements, which are described in the accompanying Schedule of Findings and Questioned Costs as Findings #2018-001 through #2018-003. Our opinion is not modified with respect to these matters.

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

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses 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 "Vaguez &amp; Company LLP".

**Glendale, California  
December 19, 2018**

**City of Pico Rivera  
Compliance Matrix  
Year ended June 30, 2018**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
<b>A. Proposition A and Proposition C Local Return Funds</b>					
1. Uses the State Controller's Uniform System of Accounts and Records.	X				
2. Timely use of funds.	X				
3. Funds expended were approved and have not been substituted for property tax.	X				
4. Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A)	X				
5. Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	X				
6. All on-going and carryover projects were reported in Form B.	X				
7. Annual Project Summary Report (Form B) was submitted timely.	X				
8. Annual Expenditure Report (Form C) was submitted timely.		X			See Finding #2018-001
9. Cash or cash equivalents are maintained.	X				
10. Accounting procedures, record keeping and documentation are adequate.	X				
11. Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	X				
12. Local Return Account is credited for reimbursable expenditures.			X		
13. Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.			X		
14. Assurances and Understandings form was on file.	X				
15. Recreational Transit Form was submitted timely.			X		

*See report of independent auditors on compliance.*

**City of Pico Rivera  
Compliance Matrix  
Year ended June 30, 2018**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
<b>B. Measure R Local Return Fund</b>					
1. Funds were expended for transportation purposes.	X				
2. Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	X				
3. Signed Assurances and Understandings on file.	X				
4. Separate Measure R Local Return Account was established.	X				
5. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X				
6. Funds were expended with LACMTA's approval.	X				
7. Expenditure Plan (Form One) was submitted timely.	X				
8. Expenditure Report (Form Two) was submitted timely.		X			See Finding #2018-002
9. Timely use of funds.	X				
10. Administrative expenses are within the 20% cap.	X				
11. Fund exchanges were approved by LACMTA.			X		
12. A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.			X		
13. Recreational transit form was submitted timely.			X		

*See report of independent auditors on compliance.*

**City of Pico Rivera  
Compliance Matrix  
Year ended June 30, 2018**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
<b>C. Measure M Local Return Fund</b>					
1. Funds were expended for transportation purposes.			X		There were no expenditures in FY 2017/18.
2. Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a fund shortfall.			X		There were no expenditures in FY 2017/18.
3. Signed Assurances and Understandings on file.	X				
4. Separate Measure M Local Return Account was established.	X				
5. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	X				
6. Funds were expended with LACMTA's approval.			X		There were no expenditures in FY 2017/18.
7. Expenditure Plan (Form M-One) was submitted timely.			X		There were no expenditures in FY 2017/18.
8. Expenditure Report (Form M-Two) was submitted timely.		X			See Finding #2018-003
9. Timely use of funds.	X				
10. Administrative expenses are within the 20% cap.			X		There were no expenditures in FY 2017/18.
11. Fund exchanges were approved by LACMTA.			X		
12. A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.			X		
13. Recreational transit form was submitted timely.			X		

*See report of independent auditors on compliance.*



**City of Pico Rivera  
Compliance Matrix  
Year ended June 30, 2018**

---

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

*See report of independent auditors on compliance.*

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**City of Pico Rivera**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2018**

---

**PALRF and PCLRF: Finding #2018-001**

<b>Compliance Reference</b>	Section I(C) of Proposition A and Proposition C Local Return Program Guideline states that, "On or before October 15th of each fiscal year, the Jurisdiction shall submit an Annual Expenditure Report to provide an update on previous year LR fund receipts and expenditures."
<b>Condition</b>	The City submitted its Form C on October 23, 2018, 8 days after the due date of October 15.
<b>Cause</b>	In the past 12 months, the City realized that the prior consultant utilized to assist with LACMTA reporting and related capital projects had made several errors which made reporting difficult. In an effort to improve reporting, it was necessary to double-check prior year's work, update schedules, and better utilize the City's new ERP system to properly record transactions. The delay was directly related to the City's commitment to ensuring all information reported was accurate.
<b>Effect</b>	The City's Expenditure Report (Form C) was not submitted timely. The City was not in compliance with the Local Return Guidelines.
<b>Recommendation</b>	We recommend for the City to establish procedures and controls to ensure that Expenditure Report (Form C) is submitted by October 15 as required by the Guidelines.
<b>Management's Response</b>	The City will ensure timely submission of Form C to LACMTA moving forward.

**City of Pico Rivera**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2018**

---

**MRLRF: Finding #2018-002**

<b>Compliance Reference</b>	Section B(II) of the Measure R Local Return Program Guidelines states that, "Jurisdictions shall submit to LACMTA an Expenditures Report (Form Two), annually, by October 15th (following the conclusion of the fiscal year) ..."
<b>Condition</b>	The City submitted its Form Two on October 25, 2018, 10 days after the due date of October 15.
<b>Cause</b>	In the past 12 months, the City realized that the prior consultant utilized to assist with LACMTA reporting and related capital projects had made several errors which made reporting difficult. In an effort to improve reporting, it was necessary to double-check prior year's work, update schedules, and better utilize the City's new ERP system to properly record transactions. The delay was directly related to the City's commitment to ensuring all information reported was accurate.
<b>Effect</b>	The City's Expenditure Report (Form Two) was not submitted timely. The City was not in compliance with the Local Return Guidelines.
<b>Recommendation</b>	We recommend for the City to establish procedures and controls to ensure that Expenditure Report (Form Two) is submitted by October 15 as required by the Guidelines.
<b>Management's Response</b>	The City will ensure timely submission of Form Two to LACMTA moving forward.

**City of Pico Rivera**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2018**

---

**MMLRF: Finding #2018-003**

<b>Compliance Reference</b>	Section XXV of the Measure M Program Guidelines states that, "The submittal of an Expenditure Report (Form M-Two) is also required to maintain legal eligibility and meet Measure M LR program compliance requirements. Jurisdiction shall submit a Form M-Two, to Metro annually, by October 15 <sup>th</sup> (following the conclusion of the fiscal year)."
<b>Condition</b>	The City submitted its Form M-Two on October 25, 2018, 10 days after the due date of October 15.
<b>Cause</b>	In the past 12 months, the City realized that the prior consultant utilized to assist with LACMTA reporting and related capital projects had made several errors which made reporting difficult. In an effort to improve reporting, it was necessary to double-check prior year's work, update schedules, and better utilize the City's new ERP system to properly record transactions. The delay was directly related to the City's commitment to ensuring all information reported was accurate.
<b>Effect</b>	The City's Expenditure Report (Form M-Two) was not submitted timely. The City was not in compliance with the Local Return Guidelines.
<b>Recommendation</b>	We recommend for the City to establish procedures and controls to ensure that Expenditure Report (Form M-Two) is submitted by October 15 as required by the Guidelines.
<b>Management's Response</b>	The City will ensure timely submission of Form M-Two to LACMTA moving forward.

**EXIT CONFERENCE**

An exit conference was held on December 19, 2018 with the City of Pico Rivera representative. Those in attendance were:

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

City of Pico Rivera representative:  
Michael Solorza – Director of Administrative Services  
Hazel Vitancol-De Guzman – Senior Accountant

Matters discussed:

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

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

Michael Solorza – Director of Administrative Services  
Hazel Vitancol-De Guzman – Senior Accountant



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

Vasquez & Company LLP has over 45 years of experience in performing audit, accounting & consulting services for all types of nonprofit organizations, for-profit companies, governmental entities and publicly traded companies. Vasquez is a member of the RSM US Alliance. RSM US Alliance provides its members with access to resources of RSM US LLP. RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International. Visit [rsmus.com/about us](http://rsmus.com/about-us) for more information regarding RSM US LLP and RSM International. The RSM™ logo is used under license by RSM US LLP. RSM US Alliance products and services are proprietary to RSM US LLP.