



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

**City of Rosemead  
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**

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**FINANCIAL SECTION**

## **Report of Independent Auditors**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Rosemead, California (the City) which comprise the Funds' balance sheets as of June 30, 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 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 Rosemead, 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 Rosemead, 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 17, 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 17, 2018**

City of Rosemead  
Proposition A Local Return Fund  
Balance Sheets

		June 30	
		2018	2017
<b>ASSETS</b>			
Cash and investments	\$	484,508	\$ 251,588
Due from LACMTA		-	76,413
<b>Total assets</b>	<b>\$</b>	<b>484,508</b>	<b>\$ 328,001</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$	118	\$ -
Accrued payroll and employee benefits		9,618	6,592
<b>Total liabilities</b>		<b>9,736</b>	<b>6,592</b>
<b>Fund balance</b>			
Restricted		474,772	321,409
<b>Total fund balance</b>		<b>474,772</b>	<b>321,409</b>
<b>Total liabilities and fund balance</b>	<b>\$</b>	<b>484,508</b>	<b>\$ 328,001</b>

*See notes to Funds financial statements.*



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

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	Years ended June 30	
	2018	2017
<b>Revenues</b>		
Proposition A	\$ 1,030,239	\$ 1,003,915
Proposition A Discretionary Incentive Program grant	76,095	76,413
Project generated revenues	18,352	21,485
Investment income	262	232
<b>Total revenues</b>	<b>1,124,948</b>	<b>1,102,045</b>
 <b>Expenditures</b>		
Various projects	971,585	948,292
<b>Total expenditures</b>	<b>971,585</b>	<b>948,292</b>
 Excess of revenues over expenditures	<b>153,363</b>	153,753
 Fund balance at beginning of year	<b>321,409</b>	167,656
 Fund balance at end of year	<b>\$ 474,772</b>	\$ 321,409

*See notes to Funds financial statements.*

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

Project Code	Project Name	2018			2017 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
110-03	Explorer (Formerly Shopper Shuttle)	\$ 695,000	\$ 674,147	\$ 20,853	\$ 672,071
110-08	Vehicle Maintenance	2,400	2,966	(566)	2,818
140-05	Recreational Transit	20,000	21,357	(1,357)	17,473
170-06	Bus Shelter Maintenance	54,500	49,565	4,935	48,082
270-12	Transportation Planning	61,600	69,882	(8,282)	79,655
270-13	SGVCOG Transportation Dues	15,000	15,000	-	15,000
270-14	Training	450	434	16	1,190
280-01	Public Transportation Promotions	10,000	10,411	(411)	10,408
480-01	Administration	147,900	127,823	20,077	101,595
<b>Total expenditures</b>		<b>\$ 1,006,850</b>	<b>\$ 971,585</b>	<b>\$ 35,265</b>	<b>\$ 948,292</b>

*See report of independent auditors.*

**City of Rosemead**  
**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>
02/2001	2004 Ford Truck	\$ 18,708	\$ -	\$ 18,708	\$ -
03/2004	2005 E-350 Duty Van	24,186	-	24,186	-
05/2004	2006 Ford Truck	20,205	-	20,205	-
09/2015	2016 Ford E450 Cutaway Bus	77,388	-	31,763	45,625
09/2015	2016 Ford E450 Cutaway Bus	77,388	-	31,763	45,625
09/2015	2016 Ford E450 Cutaway Bus	77,388	-	31,763	45,625
09/2015	2016 Ford E450 Cutaway Bus	64,423	-	24,518	39,905
09/2015	2016 Ford E450 Cutaway Bus	64,423	-	24,518	39,905
	<b>Total</b>	<b>\$ 424,109</b>	<b>\$ -</b>	<b>\$ 207,424</b>	<b>\$ 216,685</b>

*See report of independent auditors.*

City of Rosemead  
Proposition C Local Return Fund  
Balance Sheets

		June 30	
		2018	2017
<b>ASSETS</b>			
Cash and investments		\$ 740,983	\$ 697,931
	<b>Total assets</b>	<b>\$ 740,983</b>	<b>\$ 697,931</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable		\$ 208,201	\$ 143,259
Accrued payroll and employee benefits		4,143	3,301
Retention payable		27,568	-
	<b>Total liabilities</b>	<b>239,912</b>	146,560
<b>Fund balance</b>			
Restricted		501,071	551,371
	<b>Total fund balance</b>	<b>501,071</b>	551,371
	<b>Total liabilities and fund balance</b>	<b>\$ 740,983</b>	<b>\$ 697,931</b>

*See notes to Funds financial statements.*

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

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	Years ended June 30	
	2018	2017
<b>Revenues</b>		
Proposition C	\$ 852,592	\$ 834,641
Project generated revenues	36,958	37,874
Investment income	467	692
<b>Total revenues</b>	<b>890,017</b>	<b>873,207</b>
<b>Expenditures</b>		
Various projects	940,317	709,120
<b>Total expenditures</b>	<b>940,317</b>	<b>709,120</b>
Excess (deficiency) of revenues over expenditures	(50,300)	164,087
Fund balance at beginning of year	551,371	387,284
Fund balance at end of year	\$ 501,071	\$ 551,371

*See notes to Funds financial statements.*

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

Project Code	Project Name	2018		Variance Positive (Negative)	2017 Actual
		LACMTA Budget	Actual		
130-04	Dial-A-Ride	\$ 170,000	\$ 142,869	\$ 27,131	\$ 153,661
170-06	Bus Shelter Maintenance	68,400	63,247	5,153	60,857
220-01	Bus/Shelter Public Safety	25,000	26,143	(1,143)	25,424
250-10	FTZ Bus Pass Subsidy	80,000	68,894	11,106	80,816
440-06	Temple City Resurfacing	-	-	-	388,362
440-07	City Wide Striping	60,000	31,072	28,928	-
440-08	Garvey Ave Resurfacing Project (21026)	625,000	571,603	53,397	-
440-09	Pavement Analysis - Valley Blvd to Mission Blvd (21027)	25,000	17,093	7,907	-
480-01	Administration	22,200	19,396	2,804	-
<b>Total expenditures</b>		<b>\$ 1,075,600</b>	<b>\$ 940,317</b>	<b>\$ 135,283</b>	<b>\$ 709,120</b>

*See report of independent auditors.*

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

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<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>
03/2017	Temple City Blvd Sidewalk Infrastructure	\$ 26,733	\$ -	\$ 1,114	\$ 25,619
	<b>Total</b>	<b>\$ 26,733</b>	<b>\$ -</b>	<b>\$ 1,114</b>	<b>\$ 25,619</b>

*See report of independent auditors.*

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

		<b>June 30</b>	
		<b>2018</b>	<b>2017</b>
<b>ASSETS</b>			
Cash and investments	\$	<b>1,130,199</b>	\$ 1,204,523
<b>Total assets</b>	<b>\$</b>	<b>1,130,199</b>	\$ 1,204,523
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$	<b>13,854</b>	\$ 1,635
Accrued payroll and employee benefits		<b>2,580</b>	1,968
<b>Total liabilities</b>		<b>16,434</b>	3,603
<b>Fund balance</b>			
Restricted		<b>1,113,765</b>	1,200,920
<b>Total fund balance</b>		<b>1,113,765</b>	1,200,920
<b>Total liabilities and fund balance</b>	<b>\$</b>	<b>1,130,199</b>	\$ 1,204,523

*See notes to Funds financial statements.*



City of Rosemead  
Measure R Local Return Fund

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

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	Years ended June 30	
	2018	2017
<b>Revenues</b>		
Measure R	\$ 640,053	\$ 624,691
Investment income	788	926
<b>Total revenues</b>	<b>640,841</b>	<b>625,617</b>
<b>Expenditures</b>		
Various projects	727,996	137,267
<b>Total expenditures</b>	<b>727,996</b>	<b>137,267</b>
Excess (deficiency) of revenues over expenditures	(87,155)	488,350
<b>Other financing source</b>		
Reimbursement from general fund	-	20,830
	-	20,830
Excess (deficiency) of revenues over expenditures and other financing source	(87,155)	509,180
Fund balance at beginning of year	1,200,920	691,740
Fund balance at end of year	\$ 1,113,765	\$ 1,200,920

*See notes to Funds financial statements.*

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

Project Code	Project Name	2018			2017 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
1.05	Garvey Ave Resurfacing - 21026	\$ 125,000	\$ 10,221	\$ 114,779	\$ -
1.90	Sidewalk Installation - Earle and Wells St	346,520	-	346,520	57,481
2.29	Traffic Study Analysis - 28003	43,038	-	43,038	6,962
2.29	Battery Back-up System for Traffic Signals - 27005	75,000	187	74,813	-
2.29	Circulation Study - Klingerman/Angelus - 28005	50,000	-	50,000	-
3.90	Sidewalk Installation Delta Ave - 24005	190,000	461,260	(271,260)	-
7.10	SR60 Coalition - Advocacy	30,000	36,280	(6,280)	14,000
7.90	Transportation Program Planning and Design	184,500	165,934	18,566	23,436
7.90	Planning and Engineering Costs	100,000	-	100,000	9,900
8.10	Transportation Program Administration	50,400	54,114	(3,714)	25,488
<b>Total expenditures</b>		<b>\$ 1,194,458</b>	<b>\$ 727,996</b>	<b>\$ 466,462</b>	<b>\$ 137,267</b>

*See report of independent auditors.*

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

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<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>
4/3/2018	Sidewalk Installation Project/Earle and Wells	\$ -	\$ 542,918	\$ -	\$ 542,918
	<b>Total</b>	<b>\$ -</b>	<b>\$ 542,918</b>	<b>\$ -</b>	<b>\$ 542,918</b>

*See report of independent auditors.*

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

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**ASSETS**

Cash and investments		\$	580,191
	<b>Total assets</b>	\$	<u>580,191</u>

**LIABILITIES AND FUND BALANCE**

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

<b>Fund balance</b>			
Restricted			580,191
	<b>Total fund balance</b>		<u>580,191</u>
	<b>Total liabilities and fund balance</b>	\$	<u>580,191</u>

*See notes to Funds financial statements.*

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

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<b>Revenues</b>	
Measure M	\$ 580,035
Investment income	156
<b>Total revenues</b>	<u>580,191</u>
 <b>Expenditures</b>	
Various projects	-
<b>Total expenditures</b>	<u>-</u>
Excess of revenues over expenditures	580,191
Fund balance at beginning of year	<u>-</u>
Fund balance at end of year	<u>\$ 580,191</u>

*See notes to Funds financial statements.*

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

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Project Code	Project Name	LACMTA Budget	Actual	Variance Positive (Negative)
		\$ -	\$ -	\$ -
	<b>Total expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*See report of independent auditors.*

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

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<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>
None		\$ -	\$ -	\$ -	\$ -
	<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

*See report of independent auditors.*

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

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		June 30	
		2018	2017
<b>ASSETS</b>			
Cash		\$ 5	\$ -
	<b>Total assets</b>	\$ 5	\$ -
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable		\$ -	\$ -
	<b>Total liabilities</b>	-	-
<b>Fund balance</b>			
Restricted		5	-
	<b>Total fund balance</b>	5	-
	<b>Total liabilities and fund balance</b>	\$ 5	\$ -

*See notes to Funds financial statements.*



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

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

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	Years ended June 30	
	2018	2017
<b>Revenues</b>		
Intergovernmental Allocations:		
Article 3	\$ 100,000	\$ -
Investment income	5	-
<b>Total revenues</b>	<b>100,005</b>	<b>-</b>
<b>Expenditures</b>		
Construction/Maintenance	100,000	-
<b>Total expenditures</b>	<b>100,000</b>	<b>-</b>
Excess of revenues over expenditures	5	-
Fund balance at beginning of year	-	-
Fund balance at end of year	\$ 5	\$ -

*See notes to Funds financial statements.*

**City of Rosemead**  
**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**

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Project Description	Program Year	Totals to Date		Unexpended Allocations	Project Status
		Allocations	Expenditures		
<b>Local Allocations:</b>					
Jay Imperial Park Pedestrian Walking Trail	2018	\$ 100,000	\$ 100,000	\$ -	Ongoing
<b>Totals</b>		<u>\$ 100,000</u>	<u>\$ 100,000</u>	-	
Interest income				5	
Fund balance at beginning of year				-	
Fund balance at end of year				<u>\$ 5</u>	*

\* The fund balance at June 30, 2018 represents interest earned during the fiscal year and was returned to LACMTA in November 2018.

See notes to Funds financial statements.

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Fund Accounting**

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

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

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

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

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

**Basis of Accounting and Measurement Focus**

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

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

**Budgets and Budgetary Accounting**

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

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

**Fair Value Measurement**

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

Refer to the City's Comprehensive Annual Financial Report 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.

**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**

The City entered into various Memorandum of Understanding (MOU) agreements with the Los Angeles County Metropolitan Transportation Authority (LACMTA) to receive Proposition A discretionary incentive grants for participating in the National Transit Database (NTD) Voluntary Reporting program. The amounts received for the years ended June 30, 2018 and 2017 consisted of the following:

Program Year	MOU Amount	Amount Received	
		<u>2018</u>	<u>2017</u>
FY 2014/15	\$ 76,095	\$ <b>76,095</b>	\$ -
FY 2013/14	76,413	-	76,413
		<u>\$ <b>76,095</b></u>	<u>\$ 76,413</u>

The Proposition A Discretionary Incentive Grant was recorded under PALRF.

**NOTE 9 PROJECT GENERATED REVENUES**

PALRF

Project generated revenues represent fare box revenues for PALRF. The City recognized \$18,352 and \$21,485 of project generated revenues for the years ended June 30, 2018 and 2017, respectively.

PCLRF

Project generated revenues under PCLRF for the years ended June 30, 2018 and 2017 are as follows:

		<u>2018</u>		<u>2017</u>
MTA bus pass sales	\$	32,611	\$	33,527
Fare box revenues		4,347		4,347
Total project generated revenues	\$	<u>36,958</u>	\$	<u>37,874</u>

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

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

		<u>2018</u>		<u>2017</u>
FY 2013/14 reserve	\$	13,073	\$	-
FY 2014/15 reserve		35,950		-
FY 2015/16 reserve		34,900		-
FY 2016/17 reserve		16,077		-
	\$	<u>100,000</u>	\$	<u>-</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 2013/14 reserve	\$	-	\$	13,073
FY 2014/15 reserve		-		35,950
FY 2015/16 reserve		-		34,900
FY 2016/17 reserve		20,382		36,459
FY 2017/18 allocation		35,974		-
Total reserve	\$	<u>56,356</u>	\$	<u>120,382</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 17, 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 Rosemead, California and the  
Los Angeles County Metropolitan Transportation Authority**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Rosemead, California (the City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated December 17, 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 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.

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

**Glendale, California  
December 17, 2018**

**COMPLIANCE SECTION**

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

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

### **Report on Compliance**

We have audited the compliance of the City of Rosemead, California (the City) with the Proposition A and Proposition C Local Return Guidelines, Measure R Local Return Guidelines, Measure M Local Return Guidelines, Transportation Development Act Article 3 and the Los Angeles County Metropolitan Transportation Authority's Funding and Allocation Guidelines for Transportation Development Act Article 3 Bicycle and Pedestrian Funds (collectively, the Guidelines) for the year ended June 30, 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 Program and Transportation Development Act Article 3 Program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

#### ***Opinion***

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



## 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 "Vagney &amp; Company LLP".

Glendale, California  
December 17, 2018

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

*See report of independent auditors on compliance.*

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

*See report of independent auditors on compliance.*

**City of Rosemead  
Compliance Matrix  
Year ended June 30, 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				
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 Rosemead  
Compliance Matrix  
Year ended June 30, 2018**

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

*See report of independent auditors on compliance.*

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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

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There were no findings noted.

**EXIT CONFERENCE**

An exit conference was held on December 17, 2018 with the City of Rosemead representatives. Those in attendance were:

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

City of Rosemead representatives:  
Pearl Lieu – Finance Director  
Colleen Ishibashi – Finance Services Supervisor

Matters discussed:

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

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

Pearl Lieu – Finance Director  
Colleen Ishibashi – Finance Services Supervisor



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