



MetroTM

**City of Carson
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 Year Ended June 30, 2016
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 Carson, 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, Proposition C Local Return Fund, Measure R Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds), of the City of Carson, California (the City) which comprise the Funds' balance sheets as of June 30, 2016, and the related statements of revenues, expenditures and changes in fund balance for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the 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 of the City of Carson, California, as of June 30, 2016 , 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.

Other Matter

The 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, as of and for the year ended June 30, 2015, were audited by other auditors, whose report, dated October 6, 2015, expressed an unmodified opinion on those statements.

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 and the Transportation Development Act Article 3 Fund of the City and do not purport to, and do not present fairly the financial position of the City as of June 30, 2016 , 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 November 29, 2016 on our consideration of the City's internal control over the Funds' financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over the Funds' financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over the Funds' financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over the Funds' financial reporting and compliance.

Vaquero & Company LLP

Los Angeles, California
November 29, 2016

City of Carson
Proposition A Local Return Fund
Balance Sheets

		June 30	
		2016	2015
ASSETS			
Cash and investments	\$	578,537	\$ 710,716
Due from LACMTA		-	21,763
Due from other governmental agencies		3,945	3,409
Total assets	\$	582,482	\$ 735,888
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable and accrued liabilities	\$	421,821	\$ 247,906
Due to other funds		288	-
Accrued payroll		21,475	14,028
Total liabilities		443,584	261,934
Fund balance			
Restricted		138,898	473,954
Total fund balance		138,898	473,954
Total liabilities and fund balance	\$	582,482	\$ 735,888

See notes to Funds financial statements.

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

		Years ended June 30	
		2016	2015
Revenues			
Proposition A	\$	1,672,103	\$ 1,630,512
Investment income		4,245	5,348
Proposition A Discretionary Incentive Grant		192,963	202,567
Project generated revenue		174,135	210,237
Total revenues		2,043,446	2,048,664
Expenditures			
Various projects		2,378,502	2,367,757
Total expenditures		2,378,502	2,367,757
Deficiency of revenues over expenditures		(335,056)	(319,093)
Fund balance at beginning of year		473,954	793,047
Fund balance at end of year	\$	138,898	\$ 473,954

See notes to Funds financial statements.

City of Carson
Proposition A Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2016
(With Comparative Actuals for 2015)

Project Code	Project Name	2016		Variance Positive (Negative)	2015 Actual
		LACMTA Budget	Actual		
110-09	Carson Circuit	\$ 1,014,959	\$ 1,127,048	\$ (112,089)	\$ 1,175,672
110-10	Long Beach Transit	5,840	6,187	(347)	5,837
110-14	CNG Fuel for the Carson Circuit	100,000	84,347	15,653	95,927
120-08	Bus Operation	414,000	471,672	(57,672)	440,661
170-06	Bus Stop Maintenance	71,640	77,055	(5,415)	72,241
240-02	Dial-A-Taxi	543,500	576,663	(33,163)	551,385
480-11	General Administration	35,874	35,530	344	26,034
Total expenditures		\$ 2,185,813	\$ 2,378,502	\$ (192,689)	\$ 2,367,757

See report of independent auditors.

City of Carson
Proposition A Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2016

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
02/2000	Steamx Pressure Washer	\$ 6,579	\$ -	\$ 6,579	-
04/2000	GTS/Micro City Printer	3,041	-	3,041	-
06/2000	Systech Computer	1,832	-	1,832	-
08/2006	Gateway Co. Inc. Computer	2,408	-	2,408	-
10/2006	GST E Systems Color Printer	2,430	-	2,430	-
10/2009	GE Commercial Bus (P35454)	143,640	-	143,640	-
02/2011	Konica Minolta Copier	8,715	-	8,715	-
	Total	<u>\$ 168,645</u>	<u>\$ -</u>	<u>\$ 168,645</u>	<u>-</u>

See report of independent auditors.

City of Carson
Proposition C Local Return Fund
Balance Sheets

		June 30	
		2016	2015
ASSETS			
Cash and investments	\$	963,256	\$ 928,037
Accounts receivable		92	-
Total assets	\$	963,348	\$ 928,037
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable and accrued liabilities	\$	328,869	\$ 166,716
Accrued payroll		1,247	917
Total liabilities		330,116	167,633
Fund balance			
Restricted		633,232	760,404
Total fund balance		633,232	760,404
Total liabilities and fund balance	\$	963,348	\$ 928,037

See notes to Funds financial statements.

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

	Years ended June 30	
	2016	2015
Revenues		
Proposition C	\$ 1,389,345	\$ 1,355,259
Investment income	7,872	6,054
Project generated revenue	65,558	90,607
Total revenues	1,462,775	1,451,920
Expenditures		
Various projects	1,589,947	1,148,344
Total expenditures	1,589,947	1,148,344
Excess (deficiency) of revenues over expenditures	(127,172)	303,576
Fund balance at beginning of year	760,404	456,828
Fund balance at end of year	\$ 633,232	\$ 760,404

See notes to Funds financial statements.

City of Carson
Proposition C Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2016
(With Comparative Actuals for 2015)

Project Code	Project Name	2016			2015 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
110-09	Carson Circuit	\$ 1,097,000	\$ 964,425	\$ 132,575	\$ 999,357
110-13	North-South Shuttle	39,184	8,265	30,919	22,435
110-14	CNG Fuel for the Carson Circuit	120,000	84,346	35,654	95,927
200-01	Public Transit - Capital	260,000	346,911	(86,911)	-
200-02	Public Transit - Capital	260,000	158,201	101,799	-
220-15	Carson Circuit Transit Security	35,000	27,799	7,201	30,625
Total expenditures		\$ 1,811,184	\$ 1,589,947	\$ 221,237	\$ 1,148,344

See report of independent auditors.

City of Carson
Proposition C Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2016

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
01/08/2009	El Dorado Bus	\$ 244,425	\$ -	\$ 244,425	* \$ -
02/29/2016	Glaval Legacy Bus 2016	-	158,201	-	158,201
05/31/2016	2017 Blue Bird Bus	-	346,911	-	346,911
Total		<u>\$ 244,425</u>	<u>\$ 505,112</u>	<u>\$ 244,425</u>	<u>\$ 505,112</u>

* This vehicle is no longer operable and currently stored in the City's yard.

See report of independent auditors.

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

		June 30	
		2016	2015
ASSETS			
Cash and investments	\$	1,277,047	\$ 858,927
Due from other funds		31	-
Total assets	\$	<u>1,277,078</u>	<u>\$ 858,927</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	2,134	\$ 604,753
Due to other funds		-	1,397
Total liabilities		<u>2,134</u>	<u>606,150</u>
Fund balance			
Restricted		<u>1,274,944</u>	<u>252,777</u>
Total fund balance		<u>1,274,944</u>	<u>252,777</u>
Total liabilities and fund balance	\$	<u>1,277,078</u>	<u>\$ 858,927</u>

See notes to Funds financial statements.

City of Carson
Measure R Local Return Fund

Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2016	2015
Revenues		
Measure R	\$ 1,040,853	\$ 1,014,581
Investment income	10,318	9,516
Total revenues	1,051,171	1,024,097
Expenditures		
Various projects	29,004	3,104,275
Total expenditures	29,004	3,104,275
Excess (deficiency) of revenues over expenditures	1,022,167	(2,080,178)
Fund balance at beginning of year	252,777	2,332,955
Fund balance at end of year	\$ 1,274,944	\$ 252,777

See notes to Funds financial statements.

City of Carson
Measure R Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2016
(With Comparative Actuals for 2015)

Project Code	Project Name	2016		Variance Positive (Negative)	2015 Actual
		LACMTA Budget	Actual		
1.05	Annual Concrete Replacement	\$ 125,000	\$ 16,006	\$ 108,994	\$ -
1.05	Avalon Boulevard Pavement/I-405 - 223rd Street - Project 1330	150,000	-	150,000	67,031
1.05	Citywide Annual Concrete Replacement - Project 1359	-	-	-	593,084
1.05	Citywide Annual Overlay - Project 1360	-	-	-	1,276,274
1.05	Citywide Annual Slurry Seal - Project 1394	-	-	-	64,293
1.10	Sepulveda Blvd Widening	300,000	3,342	296,658	-
1.10	Avalon Blvd at Carson St Intersection Improvement	53,600	180	53,420	-
1.10	Carson/405 Fwy Interchange Improvement	150,000	-	150,000	-
1.10	Avalon/405 Fwy Interchange Improvement	150,000	-	150,000	-
1.10	Victoria St and Tamcliff Ave - Installation of Left-Turn Phases	60,000	-	60,000	-
1.20	Avalon Pavement - Project 1444	-	-	-	1,049,468
2.29	Broadway Traffic Signal Upgrade	138,399	-	138,399	-
2.29	Street Lights on 220th - Moneta to Figueroa	90,000	-	90,000	-
3.05	Pedestrian Bridge 213th at Dominguez Channel - Project 1252	-	-	-	48,554
8.10	General Administration	63,057	9,476 *	53,581	-
8.10	Labors and Operations	-	-	-	5,571
Total expenditures		\$ 1,280,056	\$ 29,004	\$ 1,251,052	\$ 3,104,275

*See Compliance Matrix and Schedule of Findings and Questioned Costs.

See report of independent auditors.

City of Carson
Measure R Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2016

<u>Date</u> <u>Acquired</u>	<u>Description</u>	<u>Balance</u> <u>July 1,</u> <u>2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30,</u> <u>2016</u>
FY 12-13	Project 954 - Del Amo Median	\$ 1,165,089	\$ -	\$ -	\$ 1,165,089
FY 14-15	Project 1252 - Pedestrian Bridge 213th at Dominguez Channel	278,537	-	-	278,537
FY 14-15	Project 1359 - Citywide Annual Concrete Replacement	767,492	-	-	767,492
FY 14-15	Project 1360 - Citywide Annual Overlay	1,276,274	-	-	1,276,274
	Total	\$ 3,487,392	\$ -	\$ -	\$ 3,487,392

See report of independent auditors.

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

		June 30	
		2016	2015
ASSETS			
Due from LACMTA		\$ 58,898	\$ 72,082
	Total assets	\$ 58,898	\$ 72,082
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable		\$ 3,834	\$ 5,050
Due to General Funds		58,898	60,132
	Total liabilities	62,732	65,182
Fund balance (deficit)			
Restricted		(3,834)	6,900
	Total fund balance (deficit)	(3,834)	6,900
	Total liabilities and fund balance (deficit)	\$ 58,898	\$ 72,082

See notes to Funds financial statements.

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

	Years ended June 30	
	2016	2015
Revenues		
Intergovernmental Allocation:		
Article 3	\$ 58,898	\$ 72,082
Total revenues	58,898	72,082
Expenditures		
Bike Path and Citywide Park Improvement Projects	69,632	91,046
Total expenditures	69,632	91,046
Deficiency of revenues over expenditures	(10,734)	(18,964)
Fund balance at beginning of year	6,900	25,864
Fund balance (deficit) at end of year	\$ (3,834)	\$ 6,900

See notes to Funds financial statements.

City of Carson
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, 2016

Project Description	Program <u>Year</u>	Totals to Date		<u>Unexpended Allocations</u>	<u>Project Status</u>
		<u>Allocations</u>	<u>Expenditures</u>		
Local Allocations:					
Bike Path and Citywide Park Improvement Projects	2016	\$ <u>58,898</u>	\$ <u>69,632</u>	\$ <u>(10,734)</u>	Completed
Totals		\$ <u><u>58,898</u></u>	\$ <u><u>69,632</u></u>	<u>(10,734)</u>	
Fund balance at beginning of year				<u>6,900</u>	
Fund balance (deficit) at end of year				\$ <u><u>(3,834)</u></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), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF) and Transportation Development Act Article 3 Fund (TDAA3F) (collectively, the Funds) are accounted for in separate sets of self-balancing accounts that comprise their assets, liabilities, fund balance, revenues and expenditures.

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

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

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, 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 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*, which became effective for the fiscal year ended June 30, 2016, the City categorizes its fair value measurement within the fair value hierarchy that is based on the valuation inputs used to measure the fair value of the investment. Level 1 inputs are quoted prices in active markets for identical investments; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Accordingly, the City reports its investments at fair value and recognizes unrealized gain (loss) on investments.

Refer to the City's 2016 Comprehensive Annual Financial Report for detailed disclosures regarding the City's investments policy and fair value measurements.

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, and TDAA3F report the following fund balance classification as of June 30, 2016:

- 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 Note 1 to the City's Comprehensive Annual Financial Report.

NOTE 2 ANNUAL FINANCIAL STATEMENTS

The financial statements reflect only the financial position and results of operations of the PALRF, PCLRF, MRLRF and TDAA3F, and do not purport to, and do not present fairly the City's financial position as of June 30, 2016, and the changes in its financial position for the year 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.

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.

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 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 6 CASH AND INVESTMENTS

The PALRF, PCLRF, MRLRF 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 7 PROJECT A DISCRETIONARY INCENTIVE GRANT

The City entered into various Memorandum of Understanding (MOU) agreements with the Los Angeles County Metropolitan Transportation Authority (Metro) to receive Proposition A discretionary incentive grants for participating in the Consolidated National Transit Database (NTD) Voluntary Reporting. The amounts received for the years ended June 30, 2016 and 2015 consisted of the following:

Agreement Date	Period	NTD Voluntary Reporting	MOU Amount	Amount Received	
				2016	2015
9/14/2015	7/1/14 - 6/30/16	FY 2012 - 13	\$ 192,963	\$ 192,963	\$ -
5/21/2014	7/1/13 - 6/30/15	FY 2011 - 12	\$ 202,567	\$ -	\$ 202,567
				<u>\$ 192,963</u>	<u>\$ 202,567</u>

NOTE 8 PROJECT GENERATED REVENUES

Project generated revenues for the years ended June 30, 2016 and 2015 consisted of the following:

PALRF

	2016	2015
Dial-A-Ride fares	\$ 76,341	\$ 66,357
Carson Circuit fares	86,985	101,744
EZ Transit pass	10,809	42,136
	<u>\$ 174,135</u>	<u>\$ 210,237</u>

PCLRF

	2016	2015
North / South Shuttle fares	\$ 1,343	\$ 1,008
Carson Circuit fares	64,215	89,599
	<u>\$ 65,558</u>	<u>\$ 90,607</u>

NOTE 9 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND REVENUE ALLOCATION

The revenue allocations for the year ended June 30, 2016 consisted of the following:

	2016	2015
FY 2012/13 allocation*	\$ 58,898	\$ 69,765
FY 2013/14 allocation	-	2,317
	<u>\$ 58,898</u>	<u>\$ 72,082</u>

* The revenue was accrued at June 30, 2016. However, the drawdown was not processed by LACMTA until FY 2016/17 for FY 2015/16. This amount is presented as part of the balance of funds reserved on Note 10.

NOTE 10 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, 2016, the City has funds on reserve as follows:

		<u>2016</u>		<u>2015</u>
FY 2013/14 allocation	\$	72,392	\$	72,392
FY 2014/15 allocation		60,844		60,844
FY 2015/16 allocation		59,025		-
	\$	<u>192,261</u>	\$	<u>133,236</u>

For FY 2015/16, any TDA Article 3 funds left on reserve for FY 2011/12 or prior, are subject to lapse if not claimed by the City by June 30, 2016. There were no funds that lapsed in FY 2015/16.

NOTE 11 SUBSEQUENT EVENTS

The City has evaluated subsequent events through November 29, 2016, 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 Carson, 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 and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Carson, California (the City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated November 29, 2016.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our 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, 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Los Angeles, California
November 29, 2016

COMPLIANCE SECTION

Report of Independent Auditors on Compliance

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

Report on Compliance

We have audited the compliance of the City of Carson, California (the City) with the Proposition A and Proposition C Local Return Guidelines, Measure R 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, 2016.

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, 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 Carson, California complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2016.



Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with the requirements, which is described in the accompanying Schedule of Findings and Questioned Costs as Finding #2016-001. Our opinion is not modified with respect to this matter.

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

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Finding #2016-001, that we consider to be a significant deficiency.

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

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

A handwritten signature in black ink that reads "Vasquez & Company LLP".

Los Angeles, California
November 29, 2016

**City of Carson
Compliance Matrix
Year ended June 30, 2016**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
A. Proposition A and Proposition C Local Return Funds					
1. Uses the State Controller's Uniform System of Accounts and Records.	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 on time.	X				
8. Annual Expenditure Report (Form C) was submitted on time.	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 on time.			X		

**City of Carson
Compliance Matrix
Year ended June 30, 2016**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
B. Measure R Local Return Fund					
1. Funds were expended for transportation purposes.	X				
2. 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 on time.	X				
8. Expenditure Report (Form Two) was submitted on time.	X				
9. Timely use of funds.	X				
10. Administrative expenses are within the 20% cap.		X		\$4,594	See Finding #2016-001
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 on time.			X		
C. Transportation Development Act Article 3 Fund					
1. Timely use of funds.	X				
2. Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.	X				

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Carson
Schedule of Findings and Questioned Costs
Year ended June 30, 2016

Finding #2016-001: MRLRF

Compliance Reference	Section II(A)(15) of Measure R Local Return Program Guideline states that, "The administrative expenditures for any year shall not exceed 20 percent of the total LR annual expenditures, based on year-end expenditures, and will be subject to an audit finding if the figure exceeds 20%."
Condition	The City's administrative expenditures exceeded more than 20% of its total Measure R Local Return expenditures in the amount of \$4,594.
Cause	The City uses its best estimate of percentage of its project and administrative employees' salaries to determine the administrative payroll charges to MRLRF.
Effect	The City's MRLRF administrative expenditures exceeded 20 percent of its local return annual expenditure. The City did not comply with the Guidelines. Amount exceeded 20 percent cap resulted in questioned cost of \$4,594. The City is required to reimburse the MRLRF account for this amount.
Recommendation	We recommend that the City establish procedures and controls to ensure that administrative expenditures are within the 20 percent cap of the MRLRF's total annual expenditures. Also, the City should return the amount of \$4,594, the amount over the 20% cap, to the MRLRF account.
Management's Response	The City will establish a review process to periodically perform a comparison of actual hours to budgeted/charged amount to ensure that the administrative expenditures reported to MRLRF are within the 20% cap.
Finding Corrected During the Audit	The City has reimbursed the City's MRLRF account the amount of \$4,594 in FY 2016/17. No follow up is required.

EXIT CONFERENCE

An exit conference was held on November 29, 2016 with the City of Carson representatives. Those in attendance were:

Vasquez and Company LLP representatives:
Cristy Canieda – Partner
Marialyn Salvador – Audit Manager

City of Carson representatives:
Hrant Manuelian – Accounting Manager
Phat Nguyen – Accountant

Matters discussed:

Results of the audit disclosed an instance of noncompliance with the Local Return Guidelines.

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

Hrant Manuelian – Accounting Manager
Phat Nguyen – Accountant



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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 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.

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