



MetroTM

**City of Compton
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 Compton, 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 Compton, 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 balances 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 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 Compton, California, as of June 30, 2016, and the respective changes in financial position for the year 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 February 24, 2016, 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 year 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 March 22, 2017 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.

Vacquez & Company LLP

Los Angeles, California
March 22, 2017

**City of Compton
 Proposition A Local Return Fund
 Balance Sheets**

		June 30	
		2016	2015
ASSETS			
Cash and investments	\$	1,716,969	\$ 1,057,553
Due from General Fund		161,987	-
Account receivable		-	2,393
Interest receivable		2,101	2,789
Total assets	\$	1,881,057	\$ 1,062,735
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	76,948	\$ 166,294
Total liabilities		76,948	166,294
Fund balance			
Restricted		1,804,109	896,441
Total fund balance		1,804,109	896,441
Total liabilities and fund balance	\$	1,881,057	\$ 1,062,735

See notes to Funds financial statements.

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

	Years ended June 30	
	2016	2015
Revenues		
Proposition A	\$ 1,770,405	\$ 1,725,182
Proposition A Discretionary Incentive Grant	61,650	56,642
Interest income	6,756	5,545
Project generated revenues	63,612	78,997
Total revenues	1,902,423	1,866,366
 Expenditures		
Various projects	994,755	1,634,899
Total expenditures	994,755	1,634,899
 Excess of revenues over expenditures	907,668	231,467
 Fund balance at beginning of year, as previously reported	896,441	605,852
 Prior period adjustment	-	59,122
 Fund Balance at the beginning of year, as restated	896,441	664,974
 Fund balance at end of year	\$ 1,804,109	\$ 896,441

See notes to Funds financial statements.

City of Compton
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		
110-07	Fixed Route Transit System	\$ 1,000,000	\$ 823,346 *	\$ 176,654	\$ 1,162,859
130-04	Dial-A-Ride Transit System	350,000	-	350,000	311,578
180-40	Bus Purchase	300,000	-	300,000	-
240-17	Dial-A-Taxi	60,000	34,292 *	25,708	60,462
280-29	Marketing and Promotions of the Compton Renaissance Fixed Route Transit	10,000	-	10,000	10,000
440-28	Street Improvement and Maintenance	-	6 *	(6)	-
480-10	Contractual Services Proposition C Support	-	47,111 *	(47,111)	-
500-07	Self Insured Compton Employer	90,000	90,000	-	90,000
Total expenditures		\$ 1,810,000	\$ 994,755	\$ 815,245	\$ 1,634,899

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

See report of independent auditors.

**City of Compton
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>
1987-91	MLK Transit Center	\$ 2,069,970	\$ -	-	\$ 2,069,970
1989	Ford Falcon	36,082	-	-	36,082
1987	Ford Econoline	40,949	-	-	40,949
1986	Ford Econoline	39,565	-	-	39,565
1984	Ford Escort Van	36,070	-	-	36,070
1984	Ford Escort Van	36,070	-	-	36,070
1984	Ford Escort Van	34,540	-	-	34,540
1991	Paratransit Bus	44,770	-	-	44,770
1992	Ford Challenger Van	43,371	-	-	43,371
1992	Gestetner Copies	3,404	-	-	3,404
1993	Ford Challenger Van	47,072	-	-	47,072
1993	Communication Equipment	833	-	-	833
1993	Furniture and Equipment	8,596	-	-	8,596
1994	Ford Challenger Van	49,445	-	-	49,445
1994	Communication Equipment	1,290	-	-	1,290
1995	Ford Champion Challenger Bus	46,803	-	-	46,803
2001	NEC Computer	3,127	-	-	3,127
2001	Motorola Radio	1,951	-	-	1,951
2002	Furniture and Equipment/MLK	1,131	-	-	1,131
2002	Communication-Curb Side Ramp	241,540	-	-	241,540
2002	Champion Paratransit Bus	99,544	-	-	99,544
2002	Motorola Wireless Base Control Antenna Kit, Two-Way Radios	3,414	-	-	3,414
2002	Land/Land Improvement	1,219,525	-	-	1,219,525
2003	Natural Gas Transit Buses	149,000	-	-	149,000
2004	5 CNG Buses	347,112	-	-	347,112
2005	Quadrant Gate at 4 Blue Line Arterial Street	165,748	-	-	165,748
2005	MLK Transit Center Renovation	986,798	-	-	986,798
2005	Machinery and Equipment	17,862	-	-	17,862
2005	7 Ford Vehicles	173,405	-	-	173,405
2007	MLK Transit Center Renovation	42,532	-	-	42,532
2007	Transit Vehicle	159,055	-	-	159,055
2008	Transit Vehicle	115,704	-	-	115,704
2010	Bus Stop Shelter Construction	29,870	-	-	29,870
2010	Bus Stop Improvement Project	103,043	-	-	103,043
2014	5 Buses	310,735	-	-	310,735
Total		\$ 6,709,926	\$ -	\$ -	\$ 6,709,926

See report of independent auditors.

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

		June 30	
		2016	2015
ASSETS			
Cash and investments	\$	2,693,178	\$ 4,125,880
Interest receivable		3,314	7,385
Total assets	\$	2,696,492	\$ 4,133,265
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	197,441	\$ 1,128,978
Contract retention payable		69,250	112,497
Accrued wages and employee benefits payable		1,658	50
Due to General Fund		58,361	-
YMCA contribution payable		26	26
Total liabilities		326,736	1,241,551
Fund balance			
Restricted		2,369,756	2,891,714
Total fund balance		2,369,756	2,891,714
Total liabilities and fund balance	\$	2,696,492	\$ 4,133,265

See notes to Funds financial statements.

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

	Years ended June 30	
	2016	2015
Revenues		
Proposition C	\$ 1,467,530	\$ 1,430,711
Interest income	11,443	19,430
Total revenues	1,478,973	1,450,141
Expenditures		
Various projects	2,000,931	2,993,416
Total expenditures	2,000,931	2,993,416
Deficiency of revenues over expenditures	(521,958)	(1,543,275)
Fund balance at beginning of year, as previously reported	2,891,714	4,702,169
Prior period adjustment	-	(267,180)
Fund balance at the beginning of year, as restated	2,891,714	4,434,989
Fund balance at end of year	\$ 2,369,756	\$ 2,891,714

See notes to Funds financial statements.

City of Compton
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		Variance Positive (Negative)	2015 Actual
		LACMTA Budget	Actual		
270-42	Central Avenue Street Corridor Transportation Study	\$ -	\$ -	\$ -	\$ 170,840
400-01	Traffic Signals Upgrade and TMOC	2,454,212	-	2,454,212	2,187,033
430-01	Bikeway Maintenance	90,000	2,311 *	87,689	-
440-28	Street Improvement and Maintenance	605,748	433,078 *	172,670	605,748
440-50	Central Avenue Pavement Rehabilitation	1,531,670	1,565,542 *	(33,872)	-
480-10	Contractual Services Proposition C Support	50,000	-	50,000	29,795
	Total expenditures	\$ 4,731,630	\$ 2,000,931	\$ 2,730,699	\$ 2,993,416

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

See report of independent auditors.

**City of Compton
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>
1995	Computer Hardware/Software	\$ 14,893	\$ -	\$ -	\$ 14,893
1998	Buses/Van	491,277	-	-	491,277
1998	Machinery and Equipment	2,565	-	-	2,565
1998	Machinery and Equipment	5,053	-	-	5,053
1998	Fire Resistance	9,872	-	-	9,872
1998	Reconstruction of the Bus Turnouts and Driveways at MLK Transit Center	50,600	-	-	50,600
1998	Rosecrans Avenue Rehabilitation Project	576,218	-	-	576,218
1998	Computer Hardware/Software	8,013	-	-	8,013
1998	Machinery and Equipment	4,998	-	-	4,998
1998	Rosecrans Avenue Rehabilitation Project	1,010,607	-	-	1,010,607
2001	Bus Shelter Benches	65,941	-	-	65,941
2001	Computer Hardware/Software	12,606	-	-	12,606
2001	Rehabilitation Project	177,117	-	-	177,117
2001	Rosecrans Avenue Rehabilitation Project	8,716	-	-	8,716
2001	MLK Park and Ride	42,528	-	-	42,528
2005	Computer Hardware/Software Upgrade	2,749	-	-	2,749
2006	Design Quadrant Gates	14,310	-	-	14,310
2006	Compton Creek	120,000	-	-	120,000
2006	Kingston Computer Hardware	23,064	-	-	23,064
2006	Trails, Greenleaf Boulevard	253,535	-	-	253,535
2006	Compton Creek Multi-Purpose Trail	93,129	-	-	93,129
2006	Painting of the Dollaride Community Center	19,175	-	-	19,175
2006	Machinery and Equipment	29,209	-	-	29,209
2010	MLK Transit Center	483,937	-	-	483,937
2010	Safe Route to School Project	130,622	-	-	130,622
Total		\$ 3,650,734	\$ -	\$ -	\$ 3,650,734

See report of independent auditors.

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

		June 30	
		2016	(as restated) 2015
ASSETS			
Cash and investments	\$	621,142	\$ 336,977
Interest receivable		364	2,109
Total assets	\$	621,506	\$ 339,086
LIABILITIES AND FUND BALANCE (DEFICIT)			
Liabilities			
Accounts payable	\$	17,018	\$ 263,588
Contract retention payable		-	128,257
Accrued liabilities		-	65,148
Due to General Fund		1,313,653	-
Total liabilities		1,330,671	456,993
Fund balance (deficit)			
Restricted		(709,165)	(117,907)
Total fund balance (deficit)		(709,165)	(117,907)
Total liabilities and fund balance (deficit)	\$	621,506	\$ 339,086

See notes to Funds financial statements.

City of Compton
Measure R Local Return Fund

Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2016	(as restated) 2015
Revenues		
Measure R	\$ 1,102,044	\$ 1,073,488
Interest income	1,570	8,627
Other revenue	45,610	14,024
Total revenues	1,149,224	1,096,139
 Expenditures		
Various projects	1,740,482	3,994,009
Total expenditures	1,740,482	3,994,009
 Deficiency of revenues over expenditures	(591,258)	(2,897,870)
 Fund balance (deficit) at the beginning of year, as restated	(117,907)	2,779,963
 Fund balance (deficit) at end of year	\$ (709,165)	\$ (117,907)

See notes to Funds financial statements.

City of Compton
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	Street and Road Repair and Maintenance	\$ -	\$ 184,061	* \$ (184,061)	\$ 3,195,725
2.05	Traffic Signal	-	1,376,838	* (1,376,838)	-
8.10	Fund Administration	-	179,583	* (179,583)	798,284
	Total expenditures	\$ -	\$ 1,740,482	\$ (1,740,482)	\$ 3,994,009

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

See report of independent auditors.

City of Compton
Measure R 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>
5/31/2011	Mona Boulevard Project	\$ 26,800	\$ -	\$ -	\$ 26,800
	Total	<u>\$ 26,800</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,800</u>

See report of independent auditors.

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

		June 30	
		2016	2015
ASSETS			
Cash and equivalents	\$	336,297	\$ 135,589
Due from LACMTA		5,207	-
Total assets	\$	341,504	\$ 135,589
LIABILITIES AND FUND BALANCE			
Liabilities			
Retention payable	\$	8,400	\$ 8,400
Total liabilities		8,400	8,400
Fund balance			
Restricted		333,104	127,189
Total fund balance		333,104	127,189
Total liabilities and fund balance	\$	341,504	\$ 135,589

See notes to Funds financial statements.

City of Compton
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 Allocations:		
Article 3	\$ 205,915	\$ -
Interest income	-	573
Total revenues	205,915	573
Expenditures		
Construction/Maintenance	-	100,000
Total expenditures	-	100,000
Excess (deficiency) of revenues over expenditures	205,915	(99,427)
Fund balance at beginning of year	127,189	226,616
Fund balance at end of year	\$ 333,104	\$ 127,189

See notes to Funds financial statements.

City of Compton
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:					
Wilmington Ave Safe Streets Pedestrian/ Bicycle Improvements	2016	\$ <u>205,915</u>	\$ <u>-</u>	\$ <u>205,915</u>	Ongoing
Totals		\$ <u><u>205,915</u></u>	\$ <u><u>-</u></u>	<u>205,915</u>	
Fund balance at beginning of year				<u>127,189</u>	
Fund balance at end of year				\$ <u><u>333,104</u></u> *	

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

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 PROPOSITION A DISCRETIONARY GRANT

The Proposition A Discretionary Incentive Grant represents additional funds received from LACMTA for participating in the Voluntary NTD Program. The amounts received for the years ended June 30, 2016 and 2015 consisted of the following:

	2016	2015
FY 2009/10 Voluntary NTD Reporting Program Year	\$ 61,650	\$ -
FY 2011/12 Voluntary NTD Reporting Program Year	-	56,642
	\$ 61,650	\$ 56,642

The grant allocation for FY 2015/16 for the FY2012/13 program year was billed and received as revenue by the City in FY 2016/17.

The Proposition A Discretionary Incentive Grants received for the years ended June 30, 2016 and 2015 were recorded under PALRF where the corresponding project expenditures were recorded.

NOTE 8 PROJECT GENERATED REVENUES

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

	2016	2015
Passenger fares	\$ 57,693	\$ 73,681
Dial-A-Ride fares	5,919	5,316
	\$ 63,612	\$ 78,997

NOTE 9 OTHER REVENUE – MRLRF

Other revenue of \$45,610 for the year ended June 30, 2016 pertains to a reimbursement from LACMTA for the project Traffic Management and Operation Center project under MOU #P0006297.

In fiscal year ended June 30, 2011, the County of Los Angeles Department of Public Works initiated a reconstruction and resurfacing project on Mona Boulevard in the Cities of Compton and Lynwood and in the unincorporated communities of East Compton and Willowbrook. The City of Compton entered into an agreement, Project ID: RDC0014206, with the County of Los Angeles Public Works and paid a deposit in the amount of \$26,800 for work to be completed in the City's jurisdiction. In the fiscal year ended June 30, 2015, the County of Los Angeles Department of Public Works refunded the City for the unused balance of the deposit in the amount of \$14,024.

NOTE 10 PRIOR PERIOD ADJUSTMENT – PALRF and PCLRF

PALRF

The opening balance at July 1, 2014 for PALRF reflects an understatement in fund balance by \$59,122. This amount represents a prior year understatement of Proposition A discretionary incentive grant revenue in the amount of \$59,122. The result is a restatement of the beginning fund balance account in the financial statement adjusted to \$664,974 for the year ended June 30, 2015.

PCLRF

The opening balance at July 1, 2014 for PCLRF reflects an overstatement in fund balance by \$267,180. This amount represents additional expenditures incurred for Traffic Signals Upgrade and TMOC project in fiscal year ended June 30, 2014. The result is a restatement of the beginning fund balance account in the financial statement adjusted to \$4,434,989 for the year ended June 30, 2015.

NOTE 11 RESTATEMENT OF MEASURE R LOCAL RETURN FUND FINANCIAL STATEMENTS

The 2015 financial statements of Measure R Local Return Fund were restated to reflect the adjustments on the following accounts to correct accrued liabilities and expenditures incurred and include interest income that were not reported under Measure R Local Return Fund in the prior year:

	Balance, as previously reported	Adjustment	Balance, as restated
Interest receivable	\$ 2,103	\$ 6	\$ 2,109
Accrued liabilities	66,480	(1,332)	65,148
Interest income	7,188	1,439	8,627
Project expenditures	3,994,408	(399)	3,994,009
Fund balance, beginning	2,780,463	(500)	2,779,963

NOTE 12 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND REVENUE ALLOCATION

The revenue allocations for the years ended June 30, 2016 and 2015 consisted of the following:

	2016	2015
FY 2013/14 allocation	\$ 79,046	\$ -
FY 2014/15 allocation	64,375	-
FY 2015/16 allocation	62,494	-
	\$ 205,915	\$ -

NOTE 13 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 and 2015, the City has funds on reserve as follows:

		2016		2015
FY 2013/14 reserve	\$	-	\$	79,046
FY 2014/15 reserve		-		64,375
	\$	-	\$	143,421

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 14 SUBSEQUENT EVENTS

The City has evaluated subsequent events through March 22, 2017, 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 Compton, 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 Compton, 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 March 22, 2017.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control described in the accompanying Schedule of Findings and Questioned Costs as Findings #2016-001, #2016-002, #2016-003 and #2016-006, that we consider to be material weaknesses.



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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the Schedule of Findings and Questioned Costs as Findings #2016-001, #2016-002, #2016-003 and #2016-006.

The City's Response to the Finding

The City's responses to the 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 the financial statements, and accordingly, we express no opinion on the responses.

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
March 22, 2017

COMPLIANCE SECTION

Report of Independent Auditors on Compliance

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

Report on Compliance

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

Basis for Adverse Opinion

As described in the accompanying Compliance Matrix and Schedule of Findings and Questioned Costs as Findings #2016-001 to 2016-006, the City of Compton did not comply with certain significant requirements as indicated in the Guidelines for Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund and Transportation Development Act Article 3 Fund. Compliance with those requirements is necessary, in our opinion, for City of Compton to comply with the requirements of the Guidelines.



Opinion

In our opinion, because of the matter discussed in the Basis of Adverse Opinion paragraph, the City of Compton, California did not comply, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2016.

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies discussed in the accompanying Schedule of Findings and Questioned Costs as Finding #2016-001, #2016-002, #2016-003 and #2016-006, collectively, to be material weaknesses.

The City's responses to the 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.

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 & Company LLP".

**Los Angeles, California
March 22, 2017**

**City of Compton
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		\$47,117	See Finding #2016-001
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		PALRF - \$119,605 PCLRF - \$703,774	See Finding #2016-002
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 Compton
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		\$1,129,557	See Finding #2016-003
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			See Finding #2016-004
8. Expenditure Report (Form Two) was submitted on time.		X			See Finding #2016-005
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 on time.			X		
C. Transportation Development Act Article 3 Fund					
1. Timely use of funds.		X			See Finding #2016-006
2. Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.			X		Not applicable. There were no expenditures during FY 2015/16.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

PALRF: Finding #2016-001

Compliance Reference	Section 1(C) states that, "Jurisdiction shall submit for approval a Project Description Form prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR Funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent greater change in an approved LR project budget on all operating or capital LR projects."
Condition	<p>The City claimed expenditures under the following PALRF projects with no prior approval from LACMTA.</p> <ul style="list-style-type: none"> a. Project code 440-28, Street Improvement and Maintenance, totaling \$6; and b. Project code 480-10, Contractual Services Proposition C Support, totaling \$47,111 <p>We found the expenditures to be eligible for Local Return funding. However, these projects had prior approval from LACMTA for funding of PCLRF and not PALRF.</p>
Cause	The City concurs with the finding that Project Form A should have been submitted for prior approval on our transit and capital project expenditures. The finding was caused by an oversight by City staff.
Effect	Proposition A funds of \$47,117 were expended towards project expenditures without prior approval by the LACMTA.
Recommendation	We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on any local return-funded projects.
Management's Response	The City will record an adjustment to report the project expenditures to the proper fund account, PCLRF.

PALRF and PCLRF: Finding #2016-002

Compliance Reference	<p>Proposition A and Proposition C Local Return Guidelines Section II states that, "A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance". Also, Section V states that, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines".</p> <p>On April 29, 2014, the LACMTA Local Return Program Manager issued a memo addressed to all Jurisdictions to provide clarification for adequate salary and related costs documentations for the audit of the Local Return funds.</p> <p>Below are recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines:</p> <ol style="list-style-type: none"> 1. All hours are required to be documented. Develop and/or maintain a system that will keep track of actual hours worked by employees whose salaries and benefits were charged to the LACMTA project. Expenditures claimed based solely on budgeted amounts is not considered adequate documentation because it does not reflect actual expenditures incurred on the LACMTA project and do not provide adequate evidence that labor hours charged has transit/transportation purpose. The record of hours worked must: a) identify the LACMTA project, b) be authenticated by the employee and approved by his/her immediate supervisor, and c) tie to hours reported in the payroll records. 2. Provide adequate support for indirect costs. For indirect expenditures allocated to LACMTA projects, develop and/or maintain a system that distributes allowable expenditures to projects based on causal or beneficial relationships. Expenditures cannot be claimed on LACMTA project if the expenditures are not allowable (i.e., not transportation or transit related) or not allocable to the LACMTA project (i.e., LACMTA project did not cause the incurrence of the expenditure or LACMTA project did not benefit from the expenditure).
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City of Compton
Schedule of Findings and Questioned Costs
Year ended June 30, 2016

PALRF and PCLRF: Finding #2016-002 (Continued)

Condition	<p>The City claimed salaries and benefits expenditures under the following projects:</p> <p><u>PALRF:</u></p> <ul style="list-style-type: none"> a) Project code 110-07, Fixed Route Transit System, total amount of \$65,197; b) Project code 240-17, Dial-A-Taxi, total amount of \$7,291; c) Project code 440-28, Street Improvement and Maintenance, total amount of \$6; and d) Project code 480-10, Contractual Services Proposition C Support, total amount of \$47,111 <p><u>PCLRF:</u></p> <ul style="list-style-type: none"> a) Project code 430-01, Bikeway Maintenance, total amount of \$2,311; b) Project code 440-28, Street Improvement and Maintenance, total amount of \$431,470; and c) Project code, 440-50, Central Avenue Pavement Rehabilitation, total amount of \$269,993. <p>The City was not able to provide the timesheets, payroll registers, labor distribution reports and other related documents to support the charges. We were not able to verify the reasonableness and allowability of these expenditures under the Local Return Guidelines.</p>
Cause	<p>There was a breakdown in internal controls over compliance to ensure that all necessary documentation was retained supporting the costs charged to the Local Return funds.</p>
Effect	<p>The salaries and benefits claimed under PALRF and PCLRF may include unallowable payroll costs and therefore, we question the total amount of \$119,605 and \$703,774, respectively.</p>
Recommendation	<p>We recommend that the City reimburse its PALRF and PCLRF accounts the amount of \$119,605 and \$703,774, respectively. In addition, we recommend that the City establish controls to ensure that the salaries and benefits charged to the Local Return funds are adequately supported by timesheets, payroll registers, personnel action forms with job descriptions, or similar documentation as required by the Guidelines.</p>

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

PALRF and PCLRF: Finding #2016-002 (Continued)

Management's Response	The City is in the process of evaluating the audit findings and gathering records to validate the local return fund expenditures. The City expects to complete its research in the next 30 days, upon which time an official response will be provided to LACMTA.
Auditor Rejoinder	On February 17, 2017, LACMTA Program Manager has granted the City up to six months to make corrective actions and the auditors will follow up at that time and perform audit procedures. Any undocumented or unsupported costs should be reimbursed to LACMTA.

MRLRF: Finding #2016-003

Compliance Reference	<p>Measure R Local Return Program Guidelines Section A(II)(8) states that, "Transportation Administration expenditures are those administrative costs associated with and incurred for the aforementioned eligible projects/program. Direct administration expenditures includes those fully burdened costs that are directly associated with administering LR program or projects, and includes salaries and benefits, office supplies and equipment, and other overhead costs. All costs must be associated with developing, maintaining, monitoring, and coordinating, reporting and budgeting specific LR project(s). Expenditures must be reasonable and appropriate to the activities undertaken by the locality. The administrative expenditures for any year shall not exceed twenty percent (20%) of the total LR annual expenditures".</p> <p>On April 29, 2014, the LACMTA Local Return Program Manager issued a memo addressed to all Jurisdictions to provide clarification for adequate salary and related costs documentations for the audit of the Local Return funds.</p> <p>Below are recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines:</p> <ol style="list-style-type: none"> 1. All hours are required to be documented. Develop and/or maintain a system that will keep track of actual hours worked by employees whose salaries and benefits were charged to the LACMTA project. Expenditures claimed based solely on budgeted amounts is not considered adequate documentation because it does not reflect actual expenditures incurred on the LACMTA project and do not provide adequate evidence that labor hours charged has transit/transportation purpose. The record of hours worked must: a) identify the LACMTA project, b) be authenticated by the employee and approved by his/her immediate supervisor, and c) tie to hours reported in the payroll records. 2. Provide adequate support for indirect costs. For indirect expenditures allocated to LACMTA projects, develop and/or maintain a system that distributes allowable expenditures to projects based on causal or beneficial relationships. Expenditures cannot be claimed on LACMTA project if the expenditures are not allowable (i.e., not transportation or transit related) or not allocable to the LACMTA project (i.e., LACMTA project did not cause the incurrence of the expenditure or LACMTA project did not benefit from the expenditure).
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City of Compton
Schedule of Findings and Questioned Costs
Year ended June 30, 2016

MRLRF: Finding #2016-003 (Continued)

Condition	<p>The City claimed salaries and benefits expenditures under project code 2.05, Traffic Signal, amounting to \$949,974 and project code 8.10, Fund Administration, amounting to \$179,583.</p> <p>The City was not able to provide the timesheets, payroll registers, labor distribution reports and other related documents to support the charges. We were not able to verify the reasonableness and allowability of these expenditures under the Local Return Guidelines.</p>
Cause	<p>There was a breakdown in internal controls over compliance to ensure that all necessary documentation was retained supporting the costs charged to Measure R.</p>
Effect	<p>The salaries and benefits claimed under Measure R may include unallowable payroll costs and therefore, we question the total amount of \$1,129,557.</p>
Recommendation	<p>We recommend that the City reimburse its MRLRF account the amount of \$1,129,557. In addition, we recommend that the City establish controls to ensure that the salaries and benefits charged to the Local Return funds are adequately supported by timesheets, payroll registers, personnel action forms with job descriptions, or similar documentation as required by the Guidelines.</p>
Management's Response	<p>The City of Compton will be establishing internal controls to ensure that evidence to support compliance with the Local Return Guidelines are met. Any return of funding would present a hardship to any economically disadvantage community such as Compton who rely on the local return funds to meet its transportation needs. We are therefore requesting a waiver be granted.</p>
Auditor Rejoinder	<p>On February 17, 2017, LACMTA Program Manager has granted the City up to six months to make corrective actions and the auditors will follow up at that time and perform audit procedures. Any undocumented or unsupported costs should be reimbursed to LACMTA.</p>

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

MRLRF: Finding #2016-004

Compliance Reference	Section B (II) (I) of the Measure R Local Return Program Guidelines states that, "To maintain eligibility and meet Measure R LR program compliance requirements, jurisdictions shall submit to LACMTA an Expenditure Plan (Form One) annually by August 1 st of each year".
Condition	The City submitted its Expenditure Plan (Form One) on November 23, 2016, which is beyond the due date set under the Guidelines.
Cause	The City lacks adequate procedures and controls to ensure that the Expenditure Plan (Form One) is submitted on time.
Effect	The City's Expenditure Plan (Form One) was not submitted timely. The City was not in compliance with the Local Return Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that Expenditure Plan (Form One) is submitted by August 1 as required by the Guidelines.
Management's Response	The previous staff person responsible for the timely submittal of our Form One and Two retired after a long tenure with the City. However, we have established a new contact person who would ensure timely submittal of future Form One and Form Two documentation.
Finding Corrected During the Audit	The City subsequently submitted the form. No follow up is required.

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

MRLRF: Finding #2016-005

Compliance Reference	Section B(II)(2) of the Measure R Local Return Program Guidelines states that "...Jurisdictions shall submit to LACMTA an Expenditure Report (Form Two), annually, by October 15 th (following the conclusion of the fiscal year)...."
Condition	The City submitted its Form Two on December 2, 2016, which is beyond the due date set under the Guidelines.
Cause	The City lacks adequate procedures and controls to ensure that the Expenditure Report (Form Two) is submitted on time.
Effect	Expenditure Report (Form Two) was not submitted timely as required by the Guidelines.
Recommendation	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.
Management's Response	The previous staff person responsible for the timely submittal of our Form One and Two retired after a long tenure with the City. However, we have established a new contact person who would ensure timely submittal of future Form One and Form Two documentation.
Finding Corrected During the Audit	The City subsequently submitted the form. No follow up is required.

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

TDAA3F: Finding #2016-006

Compliance Reference	TDA Article 3 Guidelines states that, "Agencies may only draw down the funds that they can spend during the fiscal year in which they were allocated. Agencies are not allowed to have a fund balance at the end of the fiscal year. Any funds drawn down and that remain unspent after the end of the fiscal year must be returned to LACMTA to be placed on reserve for the City under the fiscal year in which they were originally allocated. Agencies must also fully spend any interest accumulated by these funds by the end of the fiscal year in which the funds were allocated".
Condition	The City has unexpended fund balance of \$333,104 as of June 30, 2016.
Cause	There appears to be a lack of timely review of the available funding to be spent and/or returned for TDA Article 3 Fund.
Effect	The City was not in compliance with the TDA Article 3 Guidelines and will be required to return the unexpended fund balance as of June 30, 2016.
Recommendation	We recommend that the City return the unexpended funds including interest earned to LACMTA consistent with the TDA Article 3 Guidelines.
Management's Response	The City is in the process of evaluating the audit findings and gathering records to validate the local return fund expenditures. The City expects to complete its research in the next 30 days, upon which time an official response will be provided to LACMTA.

EXIT CONFERENCE

An exit conference was held on March 22, 2017 with the City of Compton representative. Those in attendance were:

Vasquez and Company LLP representatives:
Roger Martinez - Partner
Marialyn Salvador – Audit Manager

City of Compton representative:
Brandon Mims – Deputy City Controller

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 Compton representatives for comments prior to the issuance of the final report:

Brandon Mims – Deputy City Controller
Christopher Anyanwu – Accountant I
Austin Okonta - Accountant
Bob Torrez – Interim City Controller



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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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