



Metro[™]

**City of Compton
Annual Financial Report of its**

**Proposition A Local Return Fund
Proposition C Local Return Fund
Measure R Local Return Fund
Measure M Local Return Fund**

**As of and for the Year Ended June 30, 2019
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, the Proposition C Local Return Fund, the Measure R Local Return Fund and the Measure M Local Return Fund (collectively, the Funds) of the City of Compton, California (the City) which comprise the Funds' balance sheet as of June 30, 2019, and the related statement 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 audit. We conducted our audit 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.



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

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

Basis for Qualified Opinions on Proposition A Local Return Fund (PALRF), Proposition C Local Return Fund (PCLRF) and Measure R Local Return Fund (MRLRF)

During our audit of the Funds' 2018 financial statements, the City has made adjustments to the PALRF, PCLRF and MRLRF's beginning fund balances for expenditures not reported in those funds in prior years. The adjustments resulted from the audits of the City's financial statements as a whole. As of the date of this report, the audits of the City's financial statements as of and for the fiscal years ended June 30, 2018 and 2019 are still ongoing. Consequently, we were unable to determine whether additional adjustments will still be necessary as a result of the audits being conducted on the City's financial statements.

Qualified Opinions on PALRF, PCLRF and MRLRF

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinions paragraph, 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 and the Measure R Local Return Fund of the City of Compton, California, as of June 30, 2019, 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.

Unmodified Opinion on the Measure M Local Return Fund (MMLRF)

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure M Local Return Fund of the City of Compton, California as of June 30, 2019, and the change in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements are intended to present only the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund and the Measure M Local Return Fund of the City of Compton, California and do not purport to, and do not present the financial position of the City as of June 30, 2019, 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 audit was 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, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the supplementary information is fairly stated, in all material respects, in relation to each of the Funds' basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2019 on our consideration of the City's internal control over the Funds' financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over the Funds' financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over the Funds' financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over the Funds' financial reporting and compliance.

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

**Glendale, California
December 23, 2019**

City of Compton
Proposition A Local Return Fund
Balance Sheet
June 30, 2019

ASSETS

Cash and investments	\$	3,844,285
Due from LACMTA		160,183
Accounts receivable		468
Interest receivable		19,838
		19,838
Total assets	\$	4,024,774

LIABILITIES AND FUND BALANCE

Liabilities		
Accounts payable	\$	77,365
Accrued wages payable		24,140
		101,505
Total liabilities		101,505
 Fund balance		
Restricted		3,923,269
		3,923,269
Total fund balance		3,923,269
Total liabilities and fund balance	\$	4,024,774

See notes to Funds financial statements.

City of Compton
Proposition A Local Return Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Year ended June 30, 2019

Revenues

Proposition A	\$	2,008,614
Interest income		71,464
Passenger fares		39,784
		2,119,862
Total revenues		2,119,862

Expenditures

Various projects		1,103,757
		1,103,757
Total expenditures		1,103,757

Excess of revenues over expenditures		1,016,105
Fund balance at beginning of year		2,907,164
Fund balance at end of year	\$	3,923,269

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, 2019

Project Code	Project Name	LACMTA Budget	Actual	Positive (Negative)
110-07	Fixed Route Transit System	\$ 1,299,055	\$ 958,554	\$ 340,501
130-04	Dial-A-Ride Transit System	167,548	96,203	71,345
280-29	Marketing and Promotions of the Compton Renaissance Fixed Route Transit	10,000	-	10,000
480-09	Direct Administration	391,651	-	391,651
500-07	Self Insured Compton Employer	90,000	49,000	41,000
Total expenditures		\$ 1,958,254	\$ 1,103,757	\$ 854,497

See report of independent auditors.

City of Compton
Proposition A Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2019

Date Acquired	Description	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
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
2018	2 Clean Air Buses	332,795	-	-	332,795
Total \$		7,042,721	\$ -	\$ -	\$ 7,042,721

See report of independent auditors.

City of Compton
Proposition C Local Return Fund
Balance Sheet
June 30, 2019

ASSETS

Cash and investments	\$	2,264,741
Accounts receivable		132,866
Interest receivable		10,096
Total assets	\$	<u><u>2,407,703</u></u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$	18,935
Accrued wages payable		66,473
YMCA contribution payable		26
Total liabilities		<u>85,434</u>

Fund balance

Restricted		2,322,269
Total fund balance		<u>2,322,269</u>
Total liabilities and fund balance	\$	<u><u>2,407,703</u></u>

See notes to Funds financial statements.

City of Compton
Proposition C Local Return Fund
Statements of Revenues, Expenditures and Changes in Fund Balance
Year ended June 30, 2019

Revenues

Proposition C	\$	1,666,089
Interest income		36,311
Other		15,456
		1,717,856
Total revenues		1,717,856

Expenditures

Various projects		429,506
		429,506
Total expenditures		429,506

Excess of revenues over expenditures		1,288,350
Fund balance at beginning of year		1,033,919
Fund balance at end of year	\$	2,322,269

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, 2019**

Project Code	Project Name	LACMTA Budget	Actual	Variance Positive (Negative)
160-15	Bus Shelter/Bus Stop Improvements	\$ 50,000	\$ -	\$ 50,000
270-04	Wilmington Avenue Safe Street Pedestrian/ Bicycle Improvement Project, Phase II	98,809	47,435	51,374
270-05	Compton Blvd Street Improvement Design Project	535,167	193,193	341,974
420-01	2005 Congestion Management Program (CMP)	10,000	-	10,000
440-31	Los Angeles County Public Works Traffic Signals and Lane Lines and Markings Project	300,000	-	300,000
450-52	Central Avenue Pavement Rehabilitation Project Phase II	894,456	188,878	705,578
480-01	Memberships, Gateway Cities, I-710 Corridor (Formerly 19-270)	45,000	-	45,000
480-09	Direct Administration	324,864	-	324,864
Total expenditures		\$ 2,258,296	\$ 429,506	\$ 1,828,790

See report of independent auditors.

**City of Compton
Proposition C Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2019**

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</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 Sheet
June 30, 2019

ASSETS

Cash and investments	\$	1,616,463
Due from LACMTA		99,648
Interest receivable		11,881
		1,727,992
Total assets	\$	<u>1,727,992</u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$	80,997
Accrued wages payable		6,217
Accrued liabilities		29,162
		116,376
Total liabilities		<u>116,376</u>

Fund balance

Restricted		1,611,616
		1,611,616
Total fund balance		<u>1,611,616</u>
Total liabilities and fund balance	\$	<u>1,727,992</u>

See notes to Funds financial statements.

City of Compton
Measure R Local Return Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2019

Revenues	
Measure R	\$ 1,249,926
Interest income	39,219
Total revenues	<u>1,289,145</u>
 Expenditures	
Various projects	<u>253,897</u>
Total expenditures	<u>253,897</u>
Excess of revenues over expenditures	1,035,248
Fund balance at beginning of year	<u>576,368</u>
Fund balance at end of year	<u>\$ 1,611,616</u>

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, 2019

Project Code	Project Name	LACMTA Budget	Actual	Variance Positive (Negative)
1.05	Street and Road Repair and Maintenance	\$ 974,613	\$ 199,140	\$ 775,473
3.20	ADA Improvements	50,000	54,757	(4,757)
8.10	Fund Administration	243,653	-	243,653
Total expenditures		\$ 1,268,266	\$ 253,897	\$ 1,014,369

See report of independent auditors.

City of Compton
Measure R Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2019

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
5/31/2011	Mona Boulevard Project	\$ 26,800	\$ -	\$ -	\$ 26,800
	Total	\$ 26,800	\$ -	\$ -	\$ 26,800

See report of independent auditors.

City of Compton
Measure M Local Return Fund
Balance Sheet
June 30, 2019

ASSETS

Cash and investments	\$	1,204,011
Due from LACMTA		113,762
Interest receivable		9,659
		9,659
Total assets	\$	1,327,432

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$	69,256
Contract retention payable		48,000
Accrued liabilities		9,305
		9,305
Total liabilities		126,561

Fund balance

Restricted		1,200,871
		1,200,871
Total fund balance		1,200,871
Total liabilities and fund balance	\$	1,327,432

See notes to Funds financial statements.

City of Compton
Measure M Local Return Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Year ended June 30, 2019

Revenues

Measure M	\$	1,409,215
Investment income		21,144
		1,430,359
Total revenues		1,430,359

Expenditures

Various projects		1,292,561
		1,292,561
Total expenditures		1,292,561

Excess of revenues over expenditures		137,798
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Fund balance at beginning of the year		1,063,073
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Fund balance at end of year	\$	1,200,871
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See notes to Funds financial statements.

City of Compton
Measure M Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2019

Project Code	Project Name	LACMTA Budget	Actual	Variance Positive (Negative)
1.05	Pothole Repair	\$ 1,056,000	\$ 960,000	\$ 96,000
1.05	Annual Residential Street Rehabilitation Project	617,000	332,561	284,439
	Total expenditures	\$ 1,673,000	\$ 1,292,561	\$ 380,439

See report of independent auditors.

City of Compton
Measure M Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2019

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<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), the Proposition C Local Return Fund (PCLRF), the Measure R Local Return Fund (MRLRF) and the Measure M Local Return Fund (MMLRF) (collectively, the Funds) of the City of Compton (the City) are accounted for in separate sets of self-balancing accounts that comprise their assets, liabilities, fund balance, revenues and expenditures.

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

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

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

Basis of Accounting and Measurement Focus

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

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

Budgets and Budgetary Accounting

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement

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

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

Fund Balance Reporting

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

The PALRF, PCLRF, MRLRF and MMLRF report the following fund balance classification as of June 30, 2019:

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

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

NOTE 2 ANNUAL FINANCIAL STATEMENTS

The financial statements are intended to present only the financial position and results of operations of the PALRF, PCLRF, MRLRF and MMLRF, and do not purport to, and do not present the City's financial position as of June 30, 2019, 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.

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

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

NOTE 4 MEASURE R LOCAL RETURN COMPLIANCE REQUIREMENTS

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

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

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

NOTE 5 MEASURE M LOCAL RETURN COMPLIANCE REQUIREMENTS

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

NOTE 5 MEASURE M LOCAL RETURN COMPLIANCE REQUIREMENTS (CONTINUED)

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

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

NOTE 6 CASH AND INVESTMENTS

The PALRF, PCLRF, MRLRF and MMLRF 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 GENERATED REVENUES

Project generated revenues under PALRF for the year ended June 30, 2019 consisted of the following:

Passenger fares	\$ 37,614
Dial-A-Ride fares	2,170
	<u> 39,784</u>

NOTE 8 OTHER REVENUE – PCLRF

Other revenue of \$15,456 recognized under PCLRF for the year ended June 30, 2019 represents reimbursement from LACMTA related to the 1999 Call for Projects Memorandum of Understanding P0006297 for the Compton TMOC and Retrofit of City Traffic Signal System Project. Project expenditures were incurred between August 1, 2002 to June 30, 2015.

NOTE 9 SUBSEQUENT EVENTS

The City has evaluated subsequent events through December 23, 2019, 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 Measure M Local Return Fund (collectively, the Funds) of the City of Compton, California (the City) as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated December 23, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the Funds' financial statements, we considered the City's internal control over the Funds' financial reporting (internal control) 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 have not been identified. We identified a deficiency in internal control, described in the Schedule of Findings on Internal Control over Financial Reporting as Finding No. FS 2019-001, that we consider to be a material weakness.



The City's Response to the Finding

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings on Internal Control over Financial Reporting. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

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 Measure M Local Return 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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

**Glendale, California
December 23, 2019**

Finding No. FS 2019-001: Year-end Closing Process

Criteria

Proposition A and Proposition C Local Return Guidelines Section V, Measure R Local Return Guidelines Section VII and Measure M Local Return Guidelines Section XXV 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".

Condition and Context

This year's closing process was delayed because some important procedures were not performed on time. These include:

- Cut off procedures. Cut off procedures relating to year-end accruals were inadequate to ensure the recording of transactions in the proper period. This resulted in the City's adjustments which affected prior period's account balances.
- Beginning fund balances were not reconciled with the prior year audited reports.

Cause and Effect

During the fiscal years 2017 through 2019, the City lost several key employees in the finance and accounting department. As such, there was delay in the closing of the City's books for the fiscal year 2019 and prior years. Currently, the accounting personnel and support staff are working towards closing the books and provide the closing entries, trial balances, schedules, reconciliations, account analysis, and other financial reports needed by management and the auditors.

Recommendation

We recommend that the City establish and document proper closing and reconciliation procedures and assign responsibility for completing the procedures to specific City personnel. The closing procedures should be documented in a checklist that indicates who will perform each procedure and when completion of each procedure is due and is accomplished. The timing of specific procedures could be coordinated with the timing of management's or the auditor's need for the information. These reconciliations will provide assurance that financial statements are meaningful and accurate.

Views of Responsible Officials

The City is in the process of catching up on all accounting processes that have not been completed due to staff turnover and various other reasons. The new management team in the Controller's office are putting procedures in place to ensure monthly and annual year-end closing processes are well documented and occur on time.

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, and Measure M Local Return Guidelines (collectively, the Guidelines) for the year ended June 30, 2019.

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 Measure M Local Return 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 Compton, California complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2019.



Report on Internal Control over Compliance

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

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

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

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

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

Glendale, California
December 23, 2019

**City of Compton
Compliance Matrix
Year ended June 30, 2019**

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		Not applicable. There were no administrative expenses during FY 2018/19.
6. All on-going and carryover projects were reported in Form B.	X				
7. Annual Project Summary Report (Form B) was submitted timely.	X				
8. Annual Expenditure Report (Form C) was submitted timely.	X				
9. Cash or cash equivalents are maintained.	X				
10. Accounting procedures, record keeping and documentation are adequate.	X				
11. Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	X				
12. Local Return Account is credited for reimbursable expenditures.			X		
13. Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.			X		
14. Assurances and Understandings form was on file.	X				
15. Recreational Transit Form was submitted timely.			X		

See report of independent auditors on compliance.

**City of Compton
Compliance Matrix
Year ended June 30, 2019**

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 timely.	X				
8. Expenditure Report (Form Two) was submitted timely.	X				
9. Timely use of funds.	X				
10. Administrative expenses are within the 20% cap.			X		Not applicable. There were no administrative expenses during FY 2018/19.
11. Fund exchanges were approved by LACMTA.			X		
12. A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.			X		
13. Recreational transit form was submitted timely.			X		

See report of independent auditors on compliance.

**City of Compton
Compliance Matrix
Year ended June 30, 2019**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
C. Measure M Local Return Fund					
1. Funds were expended for transportation purposes.	X				
2. Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a fund shortfall.	X				
3. Signed Assurances and Understandings on file.	X				
4. Separate Measure M Local Return Account was established.	X				
5. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	X				
6. Funds were expended with LACMTA's approval.	X				
7. Expenditure Plan (Form M-One) was submitted timely.	X				
8. Expenditure Report (Form M-Two) was submitted timely.	X				
9. Timely use of funds.	X				
10. Administrative expenses are within the 20% cap.			X		Not applicable. There were no administrative expenses during FY 2018/19.
11. Fund exchanges were approved by LACMTA.			X		
12. A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.			X		
13. Recreational transit form was submitted timely.			X		

See report of independent auditors on compliance.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**City of Compton
Schedule of Findings and Questioned Costs
Year ended June 30, 2019**

There were no findings noted.

EXIT CONFERENCE

An exit conference was held on December 18, 2019 with the City of Compton representatives. Those in attendance were:

Vasquez and Company LLP representatives:
Cristy Canieda – Partner
Marialyn Salvador – Audit Senior Manager
Erica Ong – Audit Senior Auditor

City of Compton representatives:
Rafaela King – Controller
Christopher Sutton – Deputy Controller
Michael Antwine – Assistant City Manager

Matters discussed:

Results of the audit disclosed issues on internal control over financial reporting.

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

Rafaela King – Controller
Wanda Davis – Deputy Controller
Christopher Sutton – Deputy Controller
Michelle Blue – Accountant
John Strickland – Project Manager
Wendell Johnson – Public Works Director



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