



Metro[™]

**City of Carson
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
Transportation Development Act Article 3 Fund**

**As of and for the Years Ended June 30, 2019 and 2018
with Report of Independent Auditors**

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FINANCIAL SECTION

Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Carson, California (the City) which comprise the Funds' balance sheets as of June 30, 2019 and 2018, and the related statements of revenues, expenditures and changes in fund balances for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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



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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund of the City of Carson, California, as of June 30, 2019 and 2018, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

As discussed in Note 12, the fiscal year 2018 financial statements of Proposition A Local Return Fund and Proposition C Local Return Fund have been restated to accrue certain expenditures for the project, CNG Fuel for the Carson Circuit. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund of the City of Carson, California, and do not purport to, and do not present fairly the financial position of the City as of June 30, 2019 and 2018, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.



Supplementary Information

Our audits were conducted for the purpose of forming opinions on each of the Funds' financial statements as a whole. The supplementary information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information identified in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the Funds' basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the Funds' basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the Funds' basic financial statements or to the Funds' basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to each of the Funds' basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 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 "Vaguez & Company LLP". The signature is written in a cursive, flowing style.

**Glendale, California
December 16, 2019**

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

		June 30	
		2019	(as restated) 2018
ASSETS			
Cash and investments	\$	465,767	\$ 153,620
Due from LACMTA		191,892	194,770
Other receivables		809	2,974
Total assets	\$	658,468	\$ 351,364
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCE			
Liabilities			
Accounts payable and accrued liabilities	\$	245,922	\$ 184,352
Accrued payroll		15,536	16,123
Total liabilities		261,458	200,475
Deferred inflow of resources			
Unavailable revenue		191,892	-
Total deferred inflow of resources		191,892	-
Fund balance			
Restricted		205,118	150,889
Total fund balance		205,118	150,889
Total liabilities and fund balance	\$	658,468	\$ 351,364

See notes to Funds financial statements.

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

	Years ended June 30	
	2019	(as restated) 2018
Revenues		
Proposition A	\$ 1,880,608	\$ 1,753,276
Proposition A Discretionary Incentive Program grant	-	194,770
Investment income	13,621	667
Project generated revenues	114,894	118,844
Total revenues	2,009,123	2,067,557
Expenditures		
Various projects	1,954,894	1,980,838
Total expenditures	1,954,894	1,980,838
Excess of revenues over expenditures	54,229	86,719
Fund balance at beginning of year	150,889	64,170
Fund balance at end of year	\$ 205,118	\$ 150,889

See notes to Funds financial statements.

City of Carson
Proposition A Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2019
(With Comparative Actuals for 2018)

Project Code	Project Name	2019			Variance Positive (Negative)	(as restated) 2018 Actual
		LACMTA Budget	Actual			
110-09	Carson Circuit	\$ 950,000	\$ 846,890	\$ 103,110	\$ 832,445	
110-10	Long Beach Transit	15,285	15,282	3	9,625	
110-14	CNG Fuel for the Carson Circuit	135,000	167,847	(32,847)	150,470	
110-15	Carson Rapid Bus Priority System	1	-	1	-	
120-08	Bus Operation	285,000	254,889	30,111	381,025	
140-01	Special Event Transportation	-	-	-	4,000	
170-06	Bus Stop Maintenance	88,000	91,051	(3,051)	82,099	
240-02	Dial-A-Taxi	555,000	557,862	(2,862)	499,715	
480-11	General Administration	25,000	21,073	3,927	21,459	
Total expenditures		\$ 2,053,286	\$ 1,954,894	\$ 98,392	\$ 1,980,838	

See report of independent auditors.

City of Carson
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
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See report of independent auditors.

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

		June 30	
		2019	(as restated) 2018
ASSETS			
Cash and investments	\$	<u>966,607</u>	\$ 1,228,193
Total assets	\$	<u>966,607</u>	<u>\$ 1,228,193</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable and accrued liabilities	\$	131,811	\$ 748,580
Accrued payroll		<u>1,296</u>	1,256
Total liabilities		<u>133,107</u>	<u>749,836</u>
Fund balance			
Restricted		<u>833,500</u>	478,357
Total fund balance		<u>833,500</u>	<u>478,357</u>
Total liabilities and fund balance	\$	<u>966,607</u>	<u>\$ 1,228,193</u>

See notes to Funds financial statements.

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

	Years ended June 30	
	2019	(as restated) 2018
Revenues		
Proposition C	\$ 1,559,912	\$ 1,451,160
Investment income	27,786	4,846
Project generated revenues	39,905	53,100
Total revenues	1,627,603	1,509,106
Expenditures		
Various projects	1,272,460	1,806,149
Total expenditures	1,272,460	1,806,149
Excess (deficiency) of revenues over expenditures	355,143	(297,043)
Fund balance at beginning of year	478,357	775,400
Fund balance at end of year	\$ 833,500	\$ 478,357

See notes to Funds financial statements.

City of Carson
Proposition C Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2019
(With Comparative Actuals for 2018)

Project Code	Project Name	2019			Variance Positive (Negative)	(as restated) 2018 Actual
		LACMTA Budget	Actual			
110-09	Carson Circuit	\$ 1,150,000	\$ 1,049,713	\$ 100,287	\$ 1,066,981	
110-13	North-South Shuttle	27,000	22,421	4,579	23,166	
110-14	CNG Fuel for the Carson Circuit	135,000	165,826	(30,826)	136,333	
220-15	Carson Circuit Transit Security	40,000	34,500	5,500	33,099	
440-03	Project #1547 - Turmont Street Rehabilitation	1	-	1	546,570	
Total expenditures		\$ 1,352,001	\$ 1,272,460	\$ 79,541	\$ 1,806,149	

See report of independent auditors.

City of Carson
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>
02/29/2016	Glaval Legacy Bus 2016	\$ 158,201	\$ -	\$ -	\$ 158,201
05/31/2016	2017 Blue Bird Bus	346,911	-	-	346,911
12/08/2016	Coin Sorter	5,854	-	-	5,854
06/30/2018	Project #1547 - Turmont St Rehabilitation	-	546,570	-	546,570
	Total	\$ 510,966	\$ 546,570	\$ -	\$ 1,057,536

See report of independent auditors.

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

		June 30	
		2019	2018
ASSETS			
Cash and investments	\$	3,159,318	\$ 2,123,096
Total assets	\$	3,159,318	\$ 2,123,096
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	293,563	\$ 1,860
Accrued payroll		947	172
Due to other funds		495	189,349
Total liabilities		295,005	191,381
Fund balance			
Restricted		2,864,313	1,931,715
Total fund balance		2,864,313	1,931,715
Total liabilities and fund balance	\$	3,159,318	\$ 2,123,096

See notes to Funds financial statements.

City of Carson
Measure R Local Return Fund

Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2019	2018
Revenues		
Measure R	\$ 1,170,270	\$ 1,089,253
Investment income	90,068	12,875
Total revenues	1,260,338	1,102,128
Expenditures		
Various projects	327,740	1,157,029
Total expenditures	327,740	1,157,029
Excess (deficiency) of revenues over expenditures	932,598	(54,901)
Fund balance at beginning of year	1,931,715	1,986,616
Fund balance at end of year	\$ 2,864,313	\$ 1,931,715

See notes to Funds financial statements.

City of Carson
Measure R Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2019
(With Comparative Actuals for 2018)

Project Code	Project Name	2019			2018 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
1.10	Sepulveda Boulevard Widening	\$ 1,231,000	\$ 3,969	\$ 1,227,031	\$ 14,310
1.10	Wilmington/I-405 Improvement	1,300,000	320,434	979,566	1,142,719
2.29	Broadway Traffic Signal Upgrade	132,000	3,337	128,663	-
8.10	General Administration	10,000	-	10,000	-
Total expenditures		\$ 2,673,000	\$ 327,740	\$ 2,345,260	\$ 1,157,029

See report of independent auditors.

City of Carson
Measure R 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
FY 12-13	Project 954 - Del Amo Median	\$ 1,165,089	\$ -	\$ -	\$ 1,165,089
FY 14-15	Project 1252 - Pedestrian Bridge 213th at Dominguez	278,537	-	-	278,537
FY 14-15	Project 1359 - Citywide Annual Concrete Replacement	767,492	-	-	767,492
FY 14-15	Project 1360 - Citywide Annual Overlay	1,276,274	-	-	1,276,274
FY 17-18	Wilmington/I-405 Improvement	1,142,719	-	-	1,142,719
FY 18-19	Wilmington/I-405 Improvement	-	320,434	-	320,434
Total		\$ 4,630,111	\$ 320,434	\$ -	\$ 4,950,545

See report of independent auditors.

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

		June 30	
		2019	2018
ASSETS			
Cash and investments	\$	1,555,962	\$ 943,435
Total assets	\$	1,555,962	\$ 943,435
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	1,256	\$ 52,321
Accrued payroll		506	3,184
Total liabilities		1,762	55,505
Fund balance			
Restricted		1,554,200	887,930
Total fund balance		1,554,200	887,930
Total liabilities and fund balance	\$	1,555,962	\$ 943,435

See notes to Funds financial statements.

City of Carson
Measure M Local Return Fund

Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2019	2018
Revenues		
Measure M	\$ 1,318,352	\$ 987,112
Investment income	42,069	3,770
Total revenues	1,360,421	990,882
Expenditures		
Various projects	694,151	102,952
Total expenditures	694,151	102,952
Excess of revenues over expenditures	666,270	887,930
Fund balance at beginning of year	887,930	-
Fund balance at end of year	\$ 1,554,200	\$ 887,930

See notes to Funds financial statements.

City of Carson
Measure M Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2019
(With Comparative Actuals for 2018)

Project Code	Project Name	2019			2018 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
1.05	Citywide Pavement Overlay	\$ 90,000	\$ 17,601	\$ 72,399	\$ 6,286
1.05	Citywide Slurry Seal	900,000	675,414	224,586	12,330
1.05	Carson Green Streets/Trees Expansion	89,305	-	89,305	-
1.05	Carson Green Streets and Sustainability	169,981	-	169,981	-
1.05	Turmont Street Project	323,624	1,136	322,488	84,336
1.05	Wilmington/I-405 Improvement	500,000	-	500,000	-
Total expenditures		<u>\$ 2,072,910</u>	<u>\$ 694,151</u>	<u>\$ 1,378,759</u>	<u>\$ 102,952</u>

See report of independent auditors.

City of Carson
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>
FY 2017/18	Project #1547 - Turmont St Rehabilitation	\$ 84,336	\$ -	\$ -	\$ 84,336
	Total	<u>\$ 84,336</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,336</u>

See report of independent auditors.

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

		June 30	
		2019	2018
ASSETS			
Cash		\$ 3,012	\$ -
	Total assets	\$ 3,012	\$ -
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable		\$ -	\$ -
	Total liabilities	-	-
Fund balance			
Restricted		3,012	-
	Total fund balance	3,012	-
	Total liabilities and fund balance	\$ 3,012	\$ -

See notes to Funds financial statements.

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

	Years ended June 30	
	2019	2018
Revenues		
Intergovernmental Allocation:		
Article 3	\$ 83,000	\$ 22,749
Investment income	2,456	-
Total revenues	85,456	22,749
Expenditures		
Bike and Pedestrian Paths and Related Bike Path Activities	82,444	6,915
Total expenditures	82,444	6,915
Excess of revenues over expenditures	3,012	15,834
Fund balance (deficit) at beginning of year	-	(15,834)
Fund balance at end of year	\$ 3,012	\$ -

See notes to Funds financial statements.

City of Carson
Transportation Development Act Article 3 Fund
Pursuant to Public Utilities Code Section 99234
Supplementary Information
Schedule of Transportation Development Act Allocation for Specific Projects
Year ended June 30, 2019

Project Description	Program Year	Totals to Date		Unexpended Allocations	Project Status
		Allocations	Expenditures		
Local Allocations:					
Bike and Pedestrian Paths and Related Bike Path Activities	2019	\$ 83,000	\$ 82,444	\$ 556	Completed
Totals		<u>\$ 83,000</u>	<u>\$ 82,444</u>	556	
Investment income				2,456	
Fund balance at beginning of year				-	
Fund balance at end of year				<u>\$ 3,012</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), the Proposition C Local Return Fund (PCLRF), the Measure R Local Return Fund (MRLRF), the Measure M Local Return Fund (MMLRF) and the Transportation Development Act Article 3 Fund (TDAA3F) (collectively, the Funds) are accounted for in separate sets of self-balancing accounts that comprise their assets, liabilities, fund balance, revenues and expenditures.

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

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

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

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

Basis of Accounting and Measurement Focus

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

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

Budgets and Budgetary Accounting

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement

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

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

Fund Balance Reporting

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

The PALRF, PCLRF, MRLRF, MMLRF and TDAA3F report the following fund balance classification as of June 30, 2019 and 2018:

- 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 is restricted for projects approved by LACMTA.

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

Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the City recognizes deferred outflows and deferred inflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period.

Deferred inflows of resources reported by the City represent resources that are not available for spending as of June 30, 2019 and 2018.

NOTE 2 ANNUAL FINANCIAL STATEMENTS

The financial statements reflect only the financial position and results of operations of the PALRF, PCLRF, MRLRF, MMLRF and TDAA3F, and do not purport to, and do not present fairly the City's financial position as of June 30, 2019 and 2018, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

NOTE 3 PROPOSITION A AND PROPOSITION C LOCAL RETURN COMPLIANCE REQUIREMENTS

The Proposition A Ordinance requires that Local Return (LR) funds be used exclusively to benefit public transit. Expenditures related to fixed route and paratransit services, Transportation Demand Management, Transportation Systems Management and fare subsidy programs that exclusively benefit transit are all eligible uses of Proposition A LR funds. Proposition A LR funds may also be traded with other Jurisdictions in exchange for general or other funds.

The Proposition C Ordinance directs that LR funds also be used to benefit public transit, as described above, but provides an expanded list of eligible project expenditures including Congestion Management Programs, bikeways and bike lanes, street improvements supporting public transit service, and Pavement Management System projects. Proposition C LR funds cannot be traded.

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

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

NOTE 4 MEASURE R LOCAL RETURN COMPLIANCE REQUIREMENTS

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

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

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

NOTE 5 MEASURE M LOCAL RETURN COMPLIANCE REQUIREMENTS

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

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

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

NOTE 6 TRANSPORTATION DEVELOPMENT ACT COMPLIANCE REQUIREMENTS

In accordance with *Public Utilities Code Section 99234*, funds received pursuant to this Code's section may only be used for activities relating to pedestrians and bicycle facilities. See accompanying Compliance Matrix.

NOTE 7 CASH AND INVESTMENTS

The PALRF, PCLRF, MRLRF, MMLRF and TDAA3F cash balances were pooled with various other City funds for deposit and investment purposes. The share of each fund in the pooled cash account was separately maintained and interest income was apportioned to the participating funds based on the relationship of their average quarterly balances to the total of the pooled cash and investments.

Please refer to the City's Comprehensive Annual Financial Report (CAFR) for a full description of risks relating to cash and investments.

NOTE 8 PROJECT A DISCRETIONARY INCENTIVE PROGRAM GRANT

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

Agreement Date	Program Year	MOU Amount	Amount Received
7/31/2017	FY 2014/15	\$ 194,770	\$ <u>194,770</u>

Effective July 1, 2018, the City entered into a new MOU with LACMTA, which expires June 30, 2022 at which time all unused funds shall lapse. Under the new MOU, the City shall submit one invoice to LACMTA prior to December 31, 2020 in the amount of \$191,892. The City has performed the services and recognized the amount as Due from LACMTA and unavailable revenue in the accompanying PALRF balance sheet as of June 30, 2019. The amount was billed in November 2019 and is expected to be received in fiscal year 2020.

NOTE 9 PROJECT GENERATED REVENUES

Project generated revenues for the years ended June 30, 2019 and 2018 consisted of the following:

PALRF

	2019	2018
Dial-A-Ride fares	\$ <u>79,230</u>	\$ 75,078
Carson Circuit fares	35,664	41,247
EZ Transit pass	-	2,519
	\$ <u><u>114,894</u></u>	\$ <u><u>118,844</u></u>

PCLRF

	2019	2018
North / South Shuttle fares	\$ <u>26</u>	\$ 627
Carson Circuit fares	39,879	52,473
	\$ <u><u>39,905</u></u>	\$ <u><u>53,100</u></u>

NOTE 10 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND REVENUE ALLOCATION

The revenue allocations for the years ended June 30, 2019 and 2018 consisted of the following:

		2019		2018
FY 2014/15 allocation	\$	51,589	\$	13,494
FY 2015/16 allocation		31,411		9,255
	\$	83,000	\$	22,749

NOTE 11 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUNDS RESERVED

In accordance with TDA Article 3 (SB821) Guidelines, funds which will not be spent during the fiscal year have been placed on reserve in the Local Transportation Fund (LTF) account with the County Auditor-Controller to be drawn down whenever the funds become eligible for a specific project and an approved drawdown request is received by LACMTA. As of June 30, 2019 and 2018, the City has funds on reserve as follows:

		2019		2018
FY 2014/15 reserve	\$	-	\$	51,589
FY 2015/16 reserve		27,614		59,025
FY 2016/17 reserve		61,717		61,717
FY 2017/18 reserve		61,210		61,210
FY 2018/19 allocation		63,499		-
	\$	214,040	\$	233,541

For FY 2018/19, any TDA Article 3 funds left on reserve for FY 2014/15 or prior, are subject to lapse if not claimed by the City by June 30, 2019. There were no funds that lapsed in FY 2018/19.

NOTE 12 RESTATEMENT OF 2018 PALRF and PCLRF FINANCIAL STATEMENTS

The 2018 financial statements of PALRF and PCLRF were restated to reflect the adjustments on the following accounts:

PALRF

		Balance, as previously reported		Adjustment		Balance, as adjusted
Accounts payable and accrued liabilities	\$	164,263	\$	20,089	\$	184,352
Expenditures		1,960,749		20,089		1,980,838
Fund balance		170,978		(20,089)		150,889

**NOTE 12 RESTATEMENT OF 2018 PALRF and PCLRF FINANCIAL STATEMENTS
(CONTINUED)**

PCLRF

	<u>Balance, as previously reported</u>	<u>Adjustment</u>	<u>Balance, as adjusted</u>
Accounts payable and accrued liabilities	\$ 720,375	\$ 28,205	\$ 748,580
Expenditures	1,777,944	28,205	1,806,149
Fund balance	506,562	(28,205)	478,357

The restatement of the Proposition A and Proposition C Local Return Funds financial statements is to accrue certain expenditures for the project, CNG Fuel for the Carson Circuit.

NOTE 13 SUBSEQUENT EVENTS

The City has evaluated subsequent events through December 16, 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 Carson, California and the
Los Angeles County Metropolitan Transportation Authority**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Carson, California (the City) as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated December 16, 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 City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, Measure M Local Return Fund and Transportation Development Act Article 3 Fund financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our 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 "Vagquez & Company LLP".

**Glendale, California
December 16, 2019**

COMPLIANCE SECTION

Report of Independent Auditors on Compliance

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

Report on Compliance

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

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

Opinion

In our opinion, the City of Carson, California complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2019.



Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with the requirements, which is described in the accompanying Schedule of Findings and Questioned Costs as Finding #2019-001. Our opinion is not modified with respect to this matter.

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

Report on Internal Control over Compliance

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

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

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

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

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

**Glendale, California
December 16, 2019**

**City of Carson
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				
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 Carson
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				
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 Carson
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 funding 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				
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 Carson
Compliance Matrix
Year ended June 30, 2019**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
D. Transportation Development Act Article 3 Fund					
1. Timely use of funds.		X			See Finding #2019-001
2. Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.	X				

See report of independent auditors on compliance.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

TDAA3F: Finding #2019-001

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 remaining funds unexpended and unencumbered amounting to \$3,012 as of June 30, 2019.
Cause	This was due to an oversight by staff as the City is going through the new financial system conversion and has also experienced staff turnover.
Effect	The City was not in compliance with the TDA Article 3 Guidelines and is required to return the amount of \$3,012 that is neither expended nor encumbered as of June 30, 2019.
Recommendation	We recommend that the City return the unexpended funds of \$3,012 to LACMTA consistent with the TDA Article 3 Guidelines.
Management's Response	The City has requested LACMTA to extend the use of the unexpended \$3,012 through June 30, 2020, since the City's Bike Path Activities, the program to which the funds were originally requested towards, will resume in 2020.
Findings Resolved During the Audit	On October 2, 2019, LACMTA granted an extension of the funds remaining with the City through June 30, 2020. No follow up is required.

EXIT CONFERENCE

An exit conference was held on December 12, 2019 with the City of Carson representative. Those in attendance were:

Vasquez and Company LLP representatives:
 Marialyn Salvador – Audit Senior Manager
 Shweta Mehrotra – Audit Supervisor

City of Carson representative:
 Phat Nguyen – Accountant

Matters discussed:

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

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

Daniel Zepeda – Accounting Manager
Phat Nguyen – Accountant



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