



MetroTM

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

**Proposition A Local Return Fund
Proposition C Local Return Fund
Measure R Local Return Fund
Transportation Development Act Article 3 Fund**

**As of and for the Year Ended June 30, 2017
with Report of Independent Auditors**

	<u>PAGE</u>
FINANCIAL SECTION	
Report of Independent Auditors	1
Proposition A Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	3
Statements of Revenues, Expenditures and Changes in Fund Balance	4
Supplementary Information:	
Schedule of Expenditures – Actual and LACMTA Approved Project Budget	5
Schedule of Capital Assets	6
Proposition C Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	7
Statements of Revenues, Expenditures and Changes in Fund Balance	8
Supplementary Information:	
Schedule of Expenditures – Actual and LACMTA Approved Project Budget	9
Schedule of Capital Assets	10
Measure R Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	11
Statements of Revenues, Expenditures and Changes in Fund Balance	12
Supplementary Information:	
Schedule of Expenditures – Actual and LACMTA Approved Project Budget	13
Schedule of Capital Assets	14
Transportation Development Act Article 3 Fund:	
Basic Financial Statements:	
Balance Sheets	15
Statements of Revenues, Expenditures and Changes in Fund Balance	16
Supplementary Information:	
Schedule of Transportation Development Act Allocation for Specific Projects	17
Notes to Funds Financial Statements	18
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 <i>Government Auditing Standards</i>	23
Schedule of Findings on Internal Control over Financial Reporting	25
COMPLIANCE SECTION	
Report of Independent Auditors on Compliance	27
Compliance Matrix	30
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	32
EXIT CONFERENCE	38

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 were engaged to audit the accompanying financial statements of the Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds), of the City of Compton, California (the City) which comprise the Funds' balance sheets as of June 30, 2017, and the related statements of revenues, expenditures and changes in fund balances for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As of the date of our audit report, management was still in the process of preparing their bank reconciliations and was unable to provide investment statements for its Local Agency Investment Funds (LAIF). We were unable to confirm or verify by alternative means bank and investment balances included in the balance sheets at a total amount of \$1,425,444, \$1,057,097, \$711,169 and \$229,622 which represent 61%, 105%, 62% and 104% of the Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund and Transportation Development Act Article 3 Funds' fund balance, respectively, at June 30, 2017. Moreover, management was in the process of reconciling the beginning fund balances (deficit) of the Funds, the results of which were not available as of the date of this report. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded investments, reconciling fund balances, and the elements making up the statements of revenues, expenditures and changes in fund balances. Furthermore, management has not provided a signed management representation letter which constitutes a limitation on the scope of the audit.



Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

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 Transportation Development Act Article 3 Fund of the City and do not purport to, and do not present the financial position of the City as of June 30, 2017, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Supplementary Information

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

The supplementary information identified in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the Funds' basic financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, it is inappropriate to and we do not express an opinion on the supplemental schedule.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2017 on our consideration of the City's internal control over the Funds' financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

Los Angeles, California
December 27, 2017

**City of Compton
Proposition A Local Return Fund
Balance Sheet
June 30, 2017**

ASSETS

Cash and investments	\$ <u>2,433,724</u>
Total assets	\$ <u><u>2,433,724</u></u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ <u>81,336</u>
Total liabilities	<u>81,336</u>

Fund balance

Restricted	<u>2,352,388</u>
Total fund balance	<u>2,352,388</u>
Total liabilities and fund balance	\$ <u><u>2,433,724</u></u>

See notes to Funds financial statements.

City of Compton
Proposition A Local Return Fund
Statements of Revenues, Expenditures and Changes in Fund Balance
Year ended June 30, 2017

Revenues

Proposition A	\$	1,797,474
Proposition A Discretionary Incentive Program grant		59,098
Interest income		8,342
Project generated revenues		54,227
	Total revenues	<u>1,919,141</u>

Expenditures

Various projects		<u>1,417,290</u>
	Total expenditures	<u>1,417,290</u>

Excess of revenues over expenditures		501,851
Fund balance at beginning of year		<u>1,850,537</u>
Fund balance at end of year	\$	<u><u>2,352,388</u></u>

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, 2017

Project Code	Project Name	LACMTA Budget	Actual	Variance Positive (Negative)
110-07	Fixed Route Transit System	\$ 992,578	\$ 1,203,664	\$ (211,086)
130-04	Dial-A-Ride Transit System	234,000	-	234,000
180-40	Bus Purchase	300,000	-	300,000
280-29	Marketing and Promotions of the Compton Renaissance Fixed Route Transit	10,000	9,154	846
480-10	Contractual Services Proposition C Support	200,000	142,576	57,424
500-07	Self Insured Compton Employer	90,000	61,896	28,104
Total expenditures		\$ 1,826,578	\$ 1,417,290	\$ 409,288

See report of independent auditors.

**City of Compton
Proposition A Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2017**

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
1987-91	MLK Transit Center	\$ 2,069,970	\$ -	-	\$ 2,069,970
1989	Ford Falcon	36,082	-	-	36,082
1987	Ford Econoline	40,949	-	-	40,949
1986	Ford Econoline	39,565	-	-	39,565
1984	Ford Escort Van	36,070	-	-	36,070
1984	Ford Escort Van	36,070	-	-	36,070
1984	Ford Escort Van	34,540	-	-	34,540
1991	Paratransit Bus	44,770	-	-	44,770
1992	Ford Challenger Van	43,371	-	-	43,371
1992	Gestetner Copies	3,404	-	-	3,404
1993	Ford Challenger Van	47,072	-	-	47,072
1993	Communication Equipment	833	-	-	833
1993	Furniture and Equipment	8,596	-	-	8,596
1994	Ford Challenger Van	49,445	-	-	49,445
1994	Communication Equipment	1,290	-	-	1,290
1995	Ford Champion Challenger Bus	46,803	-	-	46,803
2001	NEC Computer	3,127	-	-	3,127
2001	Motorola Radio	1,951	-	-	1,951
2002	Furniture and Equipment/MLK	1,131	-	-	1,131
2002	Communication - Curb Side Ramp	241,540	-	-	241,540
2002	Champion Paratransit Bus	99,544	-	-	99,544
2002	Motorola Wireless Base Control Antenna Kit, Two-Way Radios	3,414	-	-	3,414
2002	Land/Land Improvement	1,219,525	-	-	1,219,525
2003	Natural Gas Transit Buses	149,000	-	-	149,000
2004	5 CNG Buses	347,112	-	-	347,112
2005	Quadrant Gate at 4 Blue Line Arterial Street	165,748	-	-	165,748
2005	MLK Transit Center Renovation	986,798	-	-	986,798
2005	Machinery and Equipment	17,862	-	-	17,862
2005	7 Ford Vehicles	173,405	-	-	173,405
2007	MLK Transit Center Renovation	42,532	-	-	42,532
2007	Transit Vehicle	159,055	-	-	159,055
2008	Transit Vehicle	115,704	-	-	115,704
2010	Bus Stop Shelter Construction	29,870	-	-	29,870
2010	Bus Stop Improvement Project	103,043	-	-	103,043
2014	5 Buses	310,735	-	-	310,735
Total		\$ 6,709,926	\$ -	-	\$ 6,709,926

See report of independent auditors.

City of Compton
Proposition C Local Return Fund
Balance Sheet
June 30, 2017

ASSETS

Cash and investments		\$	1,256,115
	Total assets	\$	<u>1,256,115</u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable		\$	80,492
Contract retention payable			110,845
Due to General Fund			58,361
YMCA contribution payable			<u>26</u>
	Total liabilities		<u>249,724</u>

Fund balance

Restricted			<u>1,006,391</u>
	Total fund balance		<u>1,006,391</u>
	Total liabilities and fund balance	\$	<u>1,256,115</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, 2017

Revenues

Proposition C	\$	1,490,830
Interest income		5,480
Other revenues		3,314
Total revenues		<u>1,499,624</u>

Expenditures

Various projects		<u>2,818,333</u>
Total expenditures		<u>2,818,333</u>

Deficiency of revenues over expenditures		(1,318,709)
--	--	-------------

Fund balance at the beginning of year		<u>2,325,100</u>
---------------------------------------	--	------------------

Fund balance at end of year	\$	<u><u>1,006,391</u></u>
-----------------------------	----	-------------------------

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, 2017

Project Code	Project Name	LACMTA Budget	Actual	Variance Positive (Negative)
450-51	Wilmington Avenue Safe Street Pedestrian/ Bicycle Improvement	\$ 1,518,725	\$ 2,758,558	* \$ (1,239,833)
470-43	Updated Pavement Study Project	77,907	59,775	18,132
Total expenditures		<u>\$ 1,596,632</u>	<u>\$ 2,818,333</u>	<u>\$ (1,221,701)</u>

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

See report of independent auditors.

**City of Compton
Proposition C Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2017**

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</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, 2017

ASSETS

Cash and investments	\$ 1,140,586
Total assets	\$ <u>1,140,586</u>

LIABILITIES AND FUND BALANCE (DEFICIT)

Liabilities

Accounts payable	\$ 17,755
Due to General Fund	<u>1,313,654</u>
Total liabilities	<u>1,331,409</u>

Fund balance (deficit)

Restricted	<u>(190,823)</u>
Total fund balance (deficit)	<u>(190,823)</u>
Total liabilities and fund balance (deficit)	\$ <u>1,140,586</u>

See notes to Funds financial statements.

City of Compton
Measure R Local Return Fund
Statements of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2017

Revenues	
Measure R	\$ 1,118,488
Interest income	<u>2,153</u>
Total revenues	<u>1,120,641</u>
Expenditures	
Various projects	<u>601,140</u>
Total expenditures	<u>601,140</u>
Excess (deficiency) of revenues over expenditures	519,501
Fund balance (deficit) at beginning of the year	<u>(710,324)</u>
Fund balance (deficit) at end of year	<u><u>\$ (190,823)</u></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, 2017

Project Code	Project Name	LACMTA Budget	Actual	Variance Positive (Negative)
1.05	Street and Road Repair and Maintenance	\$ 1,108,598	\$ 601,140	\$ 507,458
	Total expenditures	<u>\$ 1,108,598</u>	<u>\$ 601,140</u>	<u>\$ 507,458</u>

See report of independent auditors.

City of Compton
Measure R Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2017

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
5/31/2011	Mona Boulevard Project	\$ 26,800	\$ -	\$ -	\$ 26,800
	Total	\$ 26,800	\$ -	\$ -	\$ 26,800

See report of independent auditors.

City of Compton
Transportation Development Act Article 3 Fund
Pursuant to Public Utilities Code Section 99234
Balance Sheet
June 30, 2017

ASSETS

Cash and equivalents	\$	229,622
Due from LACMTA		5,439
		<u>235,061</u>
Total assets	\$	<u>235,061</u>

LIABILITIES AND FUND BALANCE

Liabilities		
Accounts payable	\$	4,971
Retention payable		8,400
		<u>13,371</u>
Total liabilities		<u>13,371</u>
 Fund balance		
Restricted		<u>221,690</u>
Total fund balance		<u>221,690</u>
Total liabilities and fund balance	\$	<u>235,061</u>

See notes to Funds financial statements.

City of Compton
Transportation Development Act Article 3 Fund
Pursuant to Public Utilities Code Section 99234
Statements of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2017

Revenues

Intergovernmental Allocations:

Article 3

\$ 65,266

Total revenues 65,266

Expenditures

Construction/Maintenance

176,680

Total expenditures 176,680

Excess (deficiency) of revenues over expenditures

(111,414)

Fund balance at beginning of year

333,104

Fund balance at end of year

\$ 221,690

See notes to Funds financial statements.

City of Compton
Transportation Development Act Article 3 Fund
Pursuant to Public Utilities Code Section 99234
Supplementary Information
Schedule of Transportation Development Act Allocation for Specific Projects
Year ended June 30, 2017

Project Description	Program Year	Totals to Date		Unexpended	Project Status
		Allocations	Expenditures	Allocations	
Local Allocations:					
Wilmington Ave Safe Streets Pedestrian/ Bicycle Improvements	2017	\$ 65,266	\$ 176,680	\$ (111,414)	Ongoing
Totals		\$ 65,266	\$ 176,680	(111,414)	
Fund balance at beginning of year				333,104	
Fund balance at end of year				\$ 221,690 *	

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

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

Basis of Accounting and Measurement Focus

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

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

Budgets and Budgetary Accounting

The budgeted amounts presented in this report for comparison to the actual amounts are presented in accordance with accounting principles generally accepted in the United States of America.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, 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 TDAA3F report the following fund balance classification as of June 30, 2017:

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

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

NOTE 2 ANNUAL FINANCIAL STATEMENTS

The financial statements are intended to present only the financial position and results of operations of the PALRF, PCLRF, MRLRF and TDAA3F, and do not purport to, and do not present the City's financial position as of June 30, 2017, 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 TRANSPORTATION DEVELOPMENT ACT COMPLIANCE REQUIREMENTS

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

NOTE 6 CASH AND INVESTMENTS

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

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

NOTE 7 PROPOSITION A DISCRETIONARY INCENTIVE PROGRAM GRANT

The Proposition A Discretionary Incentive Program grant represents additional funds received from LACMTA for participating in the Voluntary NTD Program. The amounts received for the year ended June 30, 2017 consisted of the following:

FY 2012/13 Voluntary NTD			
Reporting Program Year	\$	59,098	
	\$	59,098	

NOTE 8 PROJECT GENERATED REVENUES

Project generated revenues under PALRF for the year ended June 30, 2017 consisted of the following:

Passenger fares			
Dial-A-Ride fares	\$	46,949	
		7,278	
	\$	54,227	

NOTE 9 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND REVENUE ALLOCATION

The revenue allocations for the year ended June 30, 2017 consisted of the following:

FY 2016/17 allocation			
	\$	65,266	
	\$	65,266	

NOTE 10 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUNDS RESERVED

In accordance with TDA Article 3 (SB821) Guidelines, funds which will not be spent during the fiscal year have been placed on reserve in the Local Transportation Fund (LTF) account with the County Auditor-Controller to be drawn down whenever the funds become eligible for a specific project and an approved drawdown request is received by LACMTA. As of June 30, 2017, the City has no funds on reserve.

NOTE 11 SUBSEQUENT EVENTS

The City has evaluated subsequent events through December 27, 2017, the date the financial statements were available to be issued, and concluded no events have occurred that require disclosure or adjustments to the financial statements.

**Report of Independent Auditors on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Compton, California (the City) as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated December 27, 2017.

Internal Control over Financial Reporting

In planning and performing our audits of the Funds' financial statements, we considered the City's internal control over the Funds' financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Funds' financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We identified deficiencies in internal control described in the Schedule of Findings on Internal Control over Financial Reporting as Findings No. FS 2017-001 and No. FS 2017-002 that we consider to be material weaknesses.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, and Transportation Development Act Article 3 Fund financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's Responses to the Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings on Internal Control over financial Reporting. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 "Vaquero & Company LLP". The signature is written in a cursive, flowing style.

Los Angeles, California
December 27, 2017

Finding No. FS 2017-001: Cash Management and Bank Reconciliation

Criteria

Proposition A and Proposition C Local Return Guidelines Section V states that, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines".

Condition

We noted during our audit that the City had not prepared its monthly bank reconciliation statements since the beginning of the fiscal year. The reconciliation of bank account balances with accounting records is a necessary element of an effective internal control system for cash. This process should be a routine procedure in the City's accounting process.

Internal control is key to ensuring that account balances are accurate so that financial positions of the municipality is accurate and the City's governing body can make informed decisions. The timely preparation of the monthly bank reconciliation statements enables management to detect and resolve any discrepancies and problems in the account balances within a reasonable period of time.

Cause and Effect

We learned that the City lost several key employees in the finance and accounting department during the fiscal year 2017. As such, preparation of the monthly bank reconciliation statements was delayed as account balances are not properly adjusted. Delay in the preparation and review of the bank reconciliation statements can lead to the risk that discrepancies will not be detected or resolved in a timely manner, and also can lead to a higher risk of misappropriation.

Recommendation

Bank and cash reconciliations should be performed monthly to ensure accuracy and accountability for all cash transactions. The City should review its internal control procedures to determine what changes need to be made to ascertain bank accounts are always reconciled on a timely basis. Some changes to consider could be cross-training as well as developing relationships with consultants that could assist the accounting department when employee turnover occurs.

Views of Responsible Officials

Not available as of date of report.

Finding No. FS 2017-002: Year-end Closing Process

Criteria

Proposition A and Proposition C Local Return Guidelines Section V states that, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines".

Condition and Context

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

- Reconciliation of major balance sheet accounts including bank accounts.
- Cut off procedures. Cut off procedures relating to year-end accruals were inadequate to ensure the recording of transactions in the proper period.
- Beginning Fund balances were not reconciled with the prior year audited reports

Cause and Effect

We learned that the City lost several key employees in the finance and accounting department during the fiscal year 2017. As such, there was delay in the closing of the City's books for the fiscal year 2017. Currently, the accounting personnel and support do not have the institutional knowledge to ensure the books are updated and transactions are recorded correctly. These conditions resulted in delays in producing closing entries, trial balances, schedules, reconciliations, account analysis, and other financial reports needed by management and the auditors.

Recommendation

We recommend that the City of 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

Not available as of date of report.

COMPLIANCE SECTION

Report of Independent Auditors on Compliance

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

Report on Compliance

We have audited the compliance of the City of Compton, California (the City) with the Proposition A and Proposition C Local Return Guidelines, Measure R Local Return Guidelines, Transportation Development Act Article 3, and the Los Angeles County Metropolitan Transportation Authority's Funding and Allocation Guidelines for Transportation Development Act Article 3 Bicycle and Pedestrian Funds (collectively, the Guidelines) for the year ended June 30, 2017.

Management's Responsibility

Management is responsible for the City's compliance with the Guidelines.

Auditors' Responsibility

Our responsibility is to express an opinion on the City's compliance with the Guidelines based on our audit. We conducted our audit of compliance in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the Guidelines. Those standards and the Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the Proposition A Local Return Program, Proposition C Local Return Program, Measure R Local Return Program, and Transportation Development Act Article 3 Program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion

In our opinion, the City of Compton, California did not comply, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2017.



Other Matters

The results of our auditing procedures disclosed instances of noncompliance with the requirements, which are described in the accompanying Schedule of Findings and Questioned Costs as Findings CF No. 2017-001 through CF No. 2017-006. Our opinion is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 under the Guidelines and Requirements 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, such that there is a reasonable possibility that material noncompliance under the Guidelines and Requirements will not be prevented, or detected and corrected, on a timely basis. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Findings FS No. 2017-001, FS No. 2017-002, CF No. 2017-001, CF No. 2017-2 and CF No. 2017-006, that we consider to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines and Requirements that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Findings CF No.2017-004 and CF No.2017-005, that we consider to be significant deficiencies.

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



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

Vasquez & Company LLP

**Los Angeles, California
December 27, 2017**

**City of Compton
Compliance Matrix
Year ended June 30, 2017**

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			See Finding CF No. 2017-001
5. Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	X				
6. All on-going and carryover projects were reported in Form B.	X				
7. Annual Project Summary Report (Form B) was submitted on time.	X				
8. Annual Expenditure Report (Form C) was submitted on time.	X				
9. Cash or cash equivalents are maintained.	X				
10. Accounting procedures, record keeping and documentation are adequate.		X			See Finding CF No. 2017-002
11. Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	X				
12. Local Return Account is credited for reimbursable expenditures.			X		
13. Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.			X		
14. Assurances and Understandings form was on file.	X				
15. Recreational Transit Form was submitted on time.	X				

See report of independent auditors on compliance.

**City of Compton
Compliance Matrix
Year ended June 30, 2017**

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			See Finding CF No. 2017-003
2. Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	X				
3. Signed Assurances and Understandings on file.	X				
4. Separate Measure R Local Return Account was established.	X				
5. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X				
6. Funds were expended with LACMTA's approval.	X				
7. Expenditure Plan (Form One) was submitted on time.		X			See Finding CF No. 2017-004
8. Expenditure Report (Form Two) was submitted on time.		X			See Finding CF No. 2017-005
9. Timely use of funds.	X				
10. Administrative expenses are within the 20% cap.	X				
11. Fund exchanges were approved by LACMTA.			X		
12. A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.			X		
13. Recreational transit form was submitted on time.			X		
C. Transportation Development Act Article 3 Fund					
1. Timely use of funds.		X		\$221,690	See Finding CF No. 2017-006
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 Compton
Schedule of Findings and Questioned Costs
Year ended June 30, 2017

PCLRF: Finding CF No. 2017-001

Compliance Reference	Section I(C) of the Proposition A and C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	<p>The City exceeded LACMTA's approved budget by more than 25% without obtaining prior approval through a revised Form A for PCLRF's Project code 450-51, Wilmington Ave Safe Street Pedestrian/Bicycle Improvement. Amount in excess of 25% of the approved budget was \$860,152.</p> <p>Projects with greater than 25% change from the approved project budget should be amended by submitting an amended Project Description Form (Form A).</p>
Cause	The City concurs with the finding that an amended Project Form A should have been submitted for approval for the projects that would exceed 25% of the approved budget. The finding was caused by an oversight by City staff.
Effect	The City's PCLRF project expenditures exceeded 25 percent of LACMTA's approved budget without LACMTA's approval and the City did not comply with the Guidelines.
Recommendation	We recommend for the City to submit a Form A to obtain LACMTA's approval for the change in project budget and for the City to implement controls to ensure compliance with this requirement at all times.
Management's Response	The City will ensure that a revised Form A is submitted for every expenditure that exceeds the approved budget.
Finding Corrected During the Audit	The City subsequently submitted an amended Form A and obtained LACMTA's approval for the increase in the budget.

City of Compton
Schedule of Findings and Questioned Costs
Year ended June 30, 2017

PCLRF: Finding CF No. 2017-002

Compliance Reference	Proposition A and Proposition C Local Return Guidelines indicates that all projects must have Project Codes. This code is critical in Form submittal as it is used in the LR database system. Section II (A)(1) of the Proposition A and Proposition C Local Return Guidelines specifically identified Project 480 for Administration costs.
Condition	Salaries of administrative personnel were reported under Project code 450-51, Wilmington Ave Safe Street Pedestrian/Bicycle Improvement totaling to \$75,238 instead of Project code 480 for administration costs. If the City had charged administration salaries to the appropriate project code, the City would have been in compliance with the 20% admin cap.
Cause	There was a breakdown in internal controls over compliance to ensure that all administration costs related to the implementation of Proposition C projects are reported in the proper project code categories as stated in the Guidelines.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend for the City to revise the Project code used for the administration costs to align with the Local Return Guidelines.
Management's Response	The City will reclassify the administrative expenditures from project code 450-51 to project code 480 to comply with the approved budget. The project manager is beginning to check time sheets to ensure that admin expenses are coded to the appropriate project.

City of Compton
Schedule of Findings and Questioned Costs
Year ended June 30, 2017

MRLRF: Finding CF No. 2017-003

Compliance Reference	<p>The Measure R LR Guidelines were developed to provide a more flexible program where it would be easier for the cities to use the funds, but ensure that the requirements of the ordinance are met. The eligible project uses are condensed to nine categories: 1)Streets and Roads, 2) Traffic Control Measures, 3) Bikeways and Pedestrian Improvements, 4) Public Transit Services, 5) Public Transit Capital, 6) Transportation Marketjng,7) Planning, Engineering and/or Study, CMP, 8) Transportation Administration, and 9) Local Funding Contributions.</p> <p>Further, jurisdictions are required to specify administration charges to Direct Administration in order to verify compliance of the 20% cap on administration costs.</p>
Condition	<p>Salaries of administrative personnel were reported under Project code 1.05, Street and Road repair and maintenance totaling to \$49,992 instead of Project code 8.10 for administration costs.</p> <p>If the City had charged administration salaries to the appropriate project code, the City would have been in compliance with the 20% admin cap.</p>
Cause	<p>There was a breakdown in internal controls over compliance to ensure that all administration costs related to the implementation of Measure R projects are reported in the proper project code categories as stated in the Measure R LR Guidelines.</p>
Effect	<p>The City was not in compliance with the reporting requirements of the Local Return Guidelines.</p>
Recommendation	<p>We recommend for the City to revise the Project code used for the administration costs to align with the Local Return Guidelines.</p>
Management's Response	<p>The City will revise and reclassify the administrative expenditures from project code 1.05 to project code 8.10 I compliance with the requirement. The project manager is reviewing time sheets to ensure coding to appropriated project.</p>

**City of Compton
Schedule of Findings and Questioned Costs
Year ended June 30, 2017**

MRLRF: Finding CF No. 2017-004

Compliance Reference	Section B (II) (I) of the Measure R Local Return Program Guidelines states that, "to maintain eligibility and meet Measure R LR program compliance requirements, jurisdictions shall submit to LACMTA an Expenditure Plan (Form One) annually by August 1 st of each year."
Condition	The City submitted its Expenditure Plan (Form One) on August 9, 2016, 8 days beyond the due date set under the Guidelines. This is a repeat finding from prior year audit.
Cause	The City lacks adequate procedures and controls to ensure that the Expenditure Plan (Form One) is submitted on time.
Effect	The City's Expenditure Plan (Form One) was not submitted timely. The City was not in compliance with the Local Return Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that Expenditure Plan (Form One) is submitted by August 1 as required by the Guidelines.
Management's Response	The City will ensure that all LACMTA fund expenditures are reflected in the General Ledger before the end of July each year to ensure that Form I is accurately prepared and submitted when due.
Finding Corrected During the Audit	The City subsequently submitted the form. No follow up is required.

City of Compton
Schedule of Findings and Questioned Costs
Year ended June 30, 2017

MRLRF: Finding CF No. 2017-005

Compliance Reference	Section B(II)(2) of the Measure R Local Return Program Guidelines states that "...Jurisdictions shall submit to LACMTA an Expenditure Report (Form Two), annually, by October 15 th (following the conclusion of the fiscal year)...."
Condition	The City submitted its Form Two on October 19, 2017, four days beyond the due date set under the Guidelines. This is a repeat finding from prior year audit.
Cause	The City lacks adequate procedures and controls to ensure that the Expenditure Report (Form Two) is submitted on time.
Effect	Expenditure Report (Form Two) was not submitted timely as required by the Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that Expenditure Report (Form Two) is submitted by October 15 as required by the Guidelines.
Management's Response	Henceforth, the City will ensure timely completion of all transactions regarding all LACMTA funds including Measure R to enhance preparation and submission of Form II before the due date.
Finding Corrected During the Audit	The City subsequently submitted the form. No follow up is required.

City of Compton
Schedule of Findings and Questioned Costs
Year ended June 30, 2017

TDAA3F: Finding CF No. 2017-006

Compliance Reference	TDA Article 3 Guidelines states that, "Agencies may only draw down the funds that they can spend during the fiscal year in which they were allocated. Agencies are not allowed to have a fund balance at the end of the fiscal year. Any funds drawn down and that remain unspent after the end of the fiscal year must be returned to LACMTA to be placed on reserve for the City under the fiscal year in which they were originally allocated. Agencies must also fully spend any interest accumulated by these funds by the end of the fiscal year in which the funds were allocated".
Condition	The City has unexpended fund balance of \$221,690 as of June 30, 2017. This is a repeat finding from prior year audit.
Cause	There appears to be a lack of timely review of the available funding to be spent and/or returned for TDA Article 3 Fund.
Effect	The City was not in compliance with the TDA Article 3 Guidelines and will be required to return the unexpended fund balance as of June 30, 2017.
Recommendation	We recommend that the City return the unexpended funds to LACMTA consistent with the TDA Article 3 Guidelines.
Management's Response	The City is still investigating this finding because there are several contracted projects that are in process.

EXIT CONFERENCE

An exit conference was held on January 8, 2018 with the City of Compton representatives. Those in attendance were:

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

City of Compton representatives:
Austin Okonta – Accountant
John Strickland – Project Manager

Matters discussed:

Results of the audit disclosed instances of noncompliance with the Guidelines.

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

Nita Mckay – City Controller
Austin Okonta – Accountant
John Strickland – Project Manager



www.vasquezcpa.com

Vasquez & Company LLP has over 45 years of experience in performing audit, accounting & consulting services for all types of nonprofit organizations, for-profit companies, governmental entities and publicly traded companies. Vasquez is a member of the RSM US Alliance. RSM US Alliance provides its members with access to resources of RSM US LLP. RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International. Visit [rsmus.com/about us](http://rsmus.com/about-us) for more information regarding RSM US LLP and RSM International. The RSM™ logo is used under license by RSM US LLP. RSM US Alliance products and services are proprietary to RSM US LLP.

801 South Grand Avenue, Suite 400 • Los Angeles, California 90017-4646 • Ph. (213) 873-1700 • Fax (213) 873-1777