

***CITY OF CERRITOS
ANNUAL FINANCIAL REPORT OF THE
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
FOR THE FISCAL YEARS ENDED
JUNE 30, 2020 AND 2019***



Metro[®]



Simpson & Simpson, LLP
Certified Public Accountants

CITY OF CERRITOS
TABLE OF CONTENTS

FINANCIAL SECTION	PAGE
Independent Auditor’s Report	1
Proposition A Local Return Fund:	
Financial Statements:	
Balance Sheets	3
Statements of Revenues, Expenditures and Changes in Fund Balance	4
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	5
Schedule of Capital Assets	6
Proposition C Local Return Fund:	
Financial Statements:	
Balance Sheets	7
Statements of Revenues, Expenditures and Changes in Fund Balance	8
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	9
Schedule of Capital Assets	10
Measure R Local Return Fund:	
Financial Statements:	
Balance Sheets	11
Statements of Revenues, Expenditures and Changes in Fund Balance	12
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	13
Schedule of Capital Assets	14
Measure M Local Return Fund:	
Financial Statements:	
Balance Sheets	15
Statements of Revenues, Expenditures and Changes in Fund Balance	16
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	17
Schedule of Capital Assets	18
Transportation Development Act Article 3 Fund:	
Financial Statements:	
Balance Sheets	19
Statements of Revenues, Expenditures and Changes in Fund Balance	20
Supplementary Information:	
Schedule of Transportation Development Act Allocation for Specific Projects	21
Notes to Financial Statements	22
Independent Auditor’s Report 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>	27

CITY OF CERRITOS
TABLE OF CONTENTS
(Continued)

COMPLIANCE SECTION

Independent Auditor's Report on Compliance	29
Compliance Matrix	31
Schedule of Finding and Recommendation	35
EXIT CONFERENCE	36

FINANCIAL SECTION



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

Independent Auditor's Report

To the Honorable Members of the City Council of the
City of Cerritos, 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 (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), Measure M Local Return Fund (MMLRF) and Transportation Development Act Article 3 Fund (TDAA3F) (collectively, the Funds), of the City of Cerritos, California (the City) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, as listed in the table of contents.

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.

Auditor's 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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





Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the PALRF, PCLRF, MRLRF, MMLRF and TDAA3F of the City of Cerritos, California, as of June 30, 2020 and 2019, and the respective changes in their financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the PALRF, PCLRF, MRLRF, MMLRF, and TDAA3F of the City and do not purport to, and do not, present fairly the financial position of the City of Cerritos, California, as of June 30, 2020 and 2019, and the changes in its financial position for the years then ended in conformity 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. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the Funds' financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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' financial statements or to the Funds' 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' financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated November 24, 2020, on our consideration of the City's internal control over the Funds' financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over the Funds' financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over the Funds' financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over the Funds' financial reporting and compliance.

A handwritten signature in cursive script that reads "Simpson & Simpson".

Los Angeles, California
November 24, 2020

CITY OF CERRITOS
PROPOSITION A LOCAL RETURN FUND
BALANCE SHEETS
June 30

	2020	2019
ASSETS		
Cash and investments	\$ 580,324	\$ 1,104,474
Due from Metro	-	96,835
Total assets	\$ 580,324	\$ 1,201,309
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 84,751	\$ 137,626
Total liabilities	84,751	137,626
 Fund Balance		
Restricted	495,573	1,063,683
Total fund balance	495,573	1,063,683
Total liabilities and fund balance	\$ 580,324	\$ 1,201,309

The accompanying notes are an integral part of the financial statements.

CITY OF CERRITOS
PROPOSITION A LOCAL RETURN FUND
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Fiscal Years Ended June 30

	<u>2020</u>	<u>2019</u>
REVENUES		
Proposition A	\$ 971,485	\$ 1,004,588
Proposition A Discretionary Incentive Grant (Note 8)	-	96,835
Interest income	14,280	27,443
Project generated revenue (Note 9)	<u>57,285</u>	<u>64,651</u>
Total revenues	<u>1,043,050</u>	<u>1,193,517</u>
 EXPENDITURES		
Various projects	<u>1,611,160</u>	<u>1,641,171</u>
Total expenditures	<u>1,611,160</u>	<u>1,641,171</u>
 Deficiency of revenues over expenditures	(568,110)	(447,654)
 Fund balance at beginning of year	<u>1,063,683</u>	<u>1,511,337</u>
 Fund balance at end of year	<u><u>\$ 495,573</u></u>	<u><u>\$ 1,063,683</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF CERRITOS
PROPOSITION A LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2019)

Project Code	Project Name	2020		Variance	2019 Actual
		Metro Budget	Actual	Favorable (Unfavorable)	
110-02	Cerritos on Wheels Fixed Route Transit	\$ 1,450,000	\$ 1,196,811	\$ 253,189	\$ 1,281,490
120-02	Dial-A-Ride	430,000	384,041	45,959	330,473
250-01	Long Beach Transit Subsidy	30,308	30,308	-	29,208
	Total expenditures	\$ <u>1,910,308</u>	\$ <u>1,611,160</u>	\$ <u>299,148</u>	\$ <u>1,641,171</u>

See accompanying independent auditor's report.

CITY OF CERRITOS
PROPOSITION A LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
 June 30, 2020

Date Acquired	Description	Balance 7/1/2019	Additions	Deletions	Balance 6/30/2020
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

CITY OF CERRITOS
PROPOSITION C LOCAL RETURN FUND
BALANCE SHEETS
June 30

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and investments	\$ 190,568	\$ 708,163
Accounts receivable	-	250
Total assets	<u>\$ 190,568</u>	<u>\$ 708,413</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Due to General Fund	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>
 Fund Balance		
Restricted	<u>190,568</u>	<u>708,413</u>
Total fund balance	<u>190,568</u>	<u>708,413</u>
Total liabilities and fund balance	<u>\$ 190,568</u>	<u>\$ 708,413</u>

The accompanying notes are an integral part of the financial statements.

CITY OF CERRITOS
PROPOSITION C LOCAL RETURN FUND
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Fiscal Years Ended June 30

	<u>2020</u>	<u>2019</u>
REVENUES		
Proposition C	\$ 805,849	\$ 833,277
Interest income	<u>6,306</u>	<u>7,604</u>
Total revenues	<u>812,155</u>	<u>840,881</u>
 EXPENDITURES		
Various projects	<u>1,330,000</u>	<u>132,468</u>
Total expenditures	<u>1,330,000</u>	<u>132,468</u>
 Excess (deficiency) of revenues over expenditures	 (517,845)	 708,413
 Fund balance at beginning of year	 <u>708,413</u>	 <u>-</u>
 Fund balance at end of year	 <u>\$ 190,568</u>	 <u>\$ 708,413</u>

The accompanying notes are an integral part of the financial statements.

CITY OF CERRITOS
PROPOSITION C LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2019)

Project Code	Project Name	2020		Variance Favorable (Unfavorable)	2019 Actual
		Metro Budget	Actual		
150-01	Transit Amenities Project	\$ -	\$ -	\$ -	\$ 97,468
270-04	Gateway Cities Council of Governments - Membership Dues	10,000	10,000	-	10,000
270-07	Gateway Cities Council of Governments - Corridor Study	20,000	20,000	-	20,000
270-08	NTD Audit	-	-	-	5,000
440-01	Del Amo Boulevard Street	1,300,000	1,300,000	-	-
Total expenditures		\$ 1,330,000	\$ 1,330,000	\$ -	\$ 132,468

See accompanying independent auditor's report.

CITY OF CERRITOS
PROPOSITION C LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
 June 30, 2020

Date Acquired	Description	Balance 7/1/2019	Additions	Deletions	Balance 6/30/2020
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

CITY OF CERRITOS
MEASURE R LOCAL RETURN FUND
BALANCE SHEETS
June 30

	2020	2019
ASSETS		
Cash and investments	\$ 58,167	\$ -
Total assets	\$ 58,167	\$ -
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
 Fund Balance		
Restricted	58,167	-
Total fund balance	58,167	-
Total liabilities and fund balance	\$ 58,167	\$ -

The accompanying notes are an integral part of the financial statements.

CITY OF CERRITOS
MEASURE R LOCAL RETURN FUND
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Fiscal Years Ended June 30

	2020	2019
REVENUES		
Measure R	\$ 603,522	\$ 625,138
Interest income	675	936
Total revenues	604,197	626,074
 EXPENDITURES		
Street Repair and Maintenance	546,030	626,330
Total expenditures	546,030	626,330
 Excess (deficiency) of revenues over expenditures	58,167	(256)
 Fund balance at beginning of year	-	256
 Fund balance at end of year	\$ 58,167	\$ -

The accompanying notes are an integral part of the financial statements

CITY OF CERRITOS
MEASURE R LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2019)

Project Code	Project Name	2020		Variance	2019 Actual
		Metro Budget	Actual	Favorable (Unfavorable)	
1.05	Street Repair and Maintenance	\$ 627,840	\$ 546,030	\$ 81,810	\$ 626,330
	Total expenditures	\$ 627,840	\$ 546,030	\$ 81,810	\$ 626,330

See accompanying independent auditor's report.

CITY OF CERRITOS
MEASURE R LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2020

Date Acquired	Description	Balance 7/1/2019	Additions	Deletions	Balance 6/30/2020
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

CITY OF CERRITOS
MEASURE M LOCAL RETURN FUND
BALANCE SHEETS
June 30

	2020	2019
ASSETS		
Cash and investments	\$ 408,646	\$ 49,045
Total assets	\$ 408,646	\$ 49,045
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
 Fund Balance		
Restricted	408,646	49,045
Total fund balance	408,646	49,045
Total liabilities and fund balance	\$ 408,646	\$ 49,045

The accompanying notes are an integral part of the financial statements.

CITY OF CERRITOS
MEASURE M LOCAL RETURN FUND
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30

	<u>2020</u>	<u>2019</u>
REVENUES		
Measure M	\$ 680,264	\$ 703,162
Interest income	<u>7,486</u>	<u>7,020</u>
Total revenues	<u>687,750</u>	<u>710,182</u>
EXPENDITURES		
Various projects	<u>328,149</u>	<u>661,137</u>
Total expenditures	<u>328,149</u>	<u>661,137</u>
Excess of revenues over expenditures	359,601	49,045
Fund balance at beginning of year	<u>49,045</u>	<u>-</u>
Fund balance at end of year	\$ <u><u>408,646</u></u>	\$ <u><u>49,045</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF CERRITOS
MEASURE M LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2019)

Project Code	Project Name	2020			2019 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	Carmenita Road Rehabilitation	\$ -	\$ -	\$ -	\$ 471,567
1.05	Residential Street Rehabilitation	-	-	-	189,570
1.05	Street Repair and Maintenance	200,000	200,000	-	-
1.05	Del Amo Boulevard Rehabilitation - Norwalk Boulevard to Pioneer	125,000	119,919	5,081	-
1.05	CDBG-Funded ADA Curb Ramp	15,000	8,230	6,770	-
	Total expenditures	\$ 340,000	\$ 328,149	\$ 11,851	\$ 661,137

See accompanying independent auditor's report.

CITY OF CERRITOS
MEASURE M LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
 June 30, 2020

Date Acquired	Description	Balance 7/1/2019	Additions	Deletions	Balance 6/30/2020
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

CITY OF CERRITOS
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
(PURSUANT TO PUBLIC UTILITIES CODE SECTION 99234)
BALANCE SHEETS
June 30

	2020	2019
ASSETS		
Cash and investments	\$ -	\$ -
Total assets	\$ -	\$ -
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
 Fund Balance		
Restricted	-	-
Total fund balance	-	-
Total liabilities and fund balance	\$ -	\$ -

The accompanying notes are an integral part of the financial statements.

CITY OF CERRITOS
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Fiscal Years Ended June 30

	2020	2019
REVENUES		
TDA 3	\$ -	\$ -
Total revenues	-	-
EXPENDITURES		
Construction/Maintenance	-	-
Total expenditures	-	-
Excess of revenues over expenditures	-	-
Fund balance at beginning of year	-	-
Fund balance at end of year	\$ -	\$ -

The accompanying notes are an integral part of the financial statements.

CITY OF CERRITOS
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF TRANSPORTATION DEVELOPMENT ACT
ALLOCATION FOR SPECIFIC PROJECTS
For the Fiscal Year Ended June 30, 2020

<u>Project Description</u>	<u>Program Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended Allocations</u>	<u>Project Status</u>
Local allocations					
None		\$ -	\$ -	\$ -	
Total		<u>\$ -</u>	<u>\$ -</u>	-	
Fund balance at beginning of year				-	
Fund balance at end of year				<u>\$ -</u>	

See accompanying independent auditor's report.

CITY OF CERRITOS
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The operations of the Proposition A Local Return Fund (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), Measure M Local Return Fund (MMLRF), and Transportation Development Act Article 3 Fund (TDAA3F) (collectively, the Funds) are accounted for in separate sets of self-balancing accounts that comprise their assets, liabilities, fund balance, revenues and expenditures.

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

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

MMLRF is derived from 17% 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

PALRF, PCLRF, MRLRF, MMLRF, and TDAA3F are accounted for using the modified accrual basis of accounting whereby revenues are recognized when they become both measurable and available to finance expenditures of the current period and expenditures are generally recognized when the related fund liabilities are incurred.

Special Revenue Funds are reported on the 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. The statement of revenues, expenditures and changes in fund balance 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.

CITY OF CERRITOS
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2020 and 2019
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement

In accordance with Government Accounting Standard Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, which became effective for the fiscal year ended June 30, 2016, the City categorizes its fair value measurement within the fair value hierarchy that is based on the valuation inputs used to measure the fair value of the investment. Level 1 inputs are quoted prices in active markets for identical investments; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Accordingly, the City reports its investment at fair value and recognizes unrealized gain (loss) on investments.

Refer to City’s 2020 Comprehensive Annual Financial Report for detailed disclosures regarding the City’s investment policy and fair value measurement.

Fund Balance Reporting

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 resources reported in governmental funds.

The PALRF, PCLRF, MRLRF, MMLRF, and TDAA3F report the following fund balance classification as of June 30, 2020:

- Restricted – Amounts that are constrained for specific purpose, which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation. The uses of the funds’ remaining fund balances are restricted for projects approved by Los Angeles County Metropolitan Transportation Authority (Metro).

Information regarding the fund balance reporting policy adopted by the City is described in Note 1 to the City’s Comprehensive Annual Financial Report.

NOTE 2 – ANNUAL FINANCIAL STATEMENTS

The financial statements reflect only the financial position and results of operations of the PALRF, PCLRF, MRLRF, MMLRF, and TDAA3F and their compliance with the Proposition A and Proposition C Local Return Program Guidelines, Measure R Local Return Program Guidelines, Measure M Local Return Program Guidelines, Transportation Development Act Article 3 and the Los Angeles County Metropolitan Transportation Authority Funding and Allocation Guidelines for Transportation Development Act Article 3 Bicycle and Pedestrian Funds.

CITY OF CERRITOS
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2020 and 2019
(Continued)

NOTE 3 – PROPOSITION A AND PROPOSITION C LOCAL RETURN COMPLIANCE REQUIREMENTS

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

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

On June 23, 2016, the Metro Board of Directors approved the Los Angeles County Traffic Improvement Plan Ordinance, known as Measure M. 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's cash and investment balances were pooled with various other City funds for deposit and investment purposes. The share of each fund in the pooled cash and investments account was separately maintained and interest income was apportioned to the participating funds based on the relationship of their average balances to the total of the pooled cash and investments.

CITY OF CERRITOS
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2020 and 2019
(Continued)

NOTE 8 – PROPOSITION A DISCRETIONARY INCENTIVE GRANT - PALRF

The City entered into various Memorandum of Understanding (MOU) agreements with Metro to receive Proposition A Discretionary Incentive Grants for participating in the Consolidated National Transit Database (NTD) Voluntary Reporting. The amounts received for the years ended June 30, 2020 and 2019 consisted of the following:

Agreement Date	Period	NTD Voluntary Reporting	MOU Amount	Amount Received	
				2020	2019
July 31, 2018	7/1/18 - 6/30/22	FY 2015-16	\$ 96,835	\$ -	\$ 96,835
			Total	\$ -	\$ 96,835

The Proposition A Discretionary Incentive Grants were recorded under PALRF.

NOTE 9 – PROJECT GENERATED REVENUE - PALRF

Project generated revenue under PALRF for the years ended June 30, 2020 and 2019 consisted of the following:

	2020	2019
Passenger fares and bus pass sales	\$ 57,285	\$ 64,651
Total	\$ 57,285	\$ 64,651

NOTE 10 – TRANSPORTATION DEVELOPMENT ACT FUNDS RESERVED

In accordance with TDA Article 3 (SB821) Guidelines, funds not 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 Metro. As of June 30, 2020 and 2019, the City has funds on reserve as follows:

	2020	2019
FY 2015-16 allocation *	\$ 31,702	\$ 31,702
FY 2016-17 allocation	33,114	33,114
FY 2017-18 allocation	32,186	32,186
FY 2018-19 allocation	33,927	33,927
FY 2019-20 allocation	36,163	-
Available reserve balance	\$ 167,092	\$ 130,929

* The fiscal year 2015-16 allocation of \$31,702 was not spent as of June 30, 2020 and would have lapsed. However, the City requested for an extension and received an approval from Metro on December 17, 2020 to spend the funds until June 30, 2021.

CITY OF CERRITOS
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2020 and 2019
(Continued)

NOTE 10 – TRANSPORTATION DEVELOPMENT ACT FUNDS RESERVED (Continued)

The fiscal year 2015-16 allocation of \$31,702 was not spent as of June 30, 2020 and therefore, lapsed and returned to Metro for future reallocation. See Finding No. 2020-001 on the Schedule of Finding and Recommendation.

NOTE 11 – SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries. To date, it is unknown how long these conditions will last and what the complete financial effect will be to businesses and other affected organizations, including local government entities.

The City has evaluated subsequent events through November 24, 2020, the date the accompanying financial statements were available to be issued, and concluded no other events have occurred that require disclosure or adjustments to the financial statements.



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

**Independent Auditor's Report 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 Cerritos, California and the
Los Angeles County Metropolitan Transit Authority

We have audited, 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, the financial statements of the 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 (collectively, the Funds) of the City of Cerritos, California (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated November 24, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our 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 audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Simpson & Simpson".

Los Angeles, California
November 24, 2020

COMPLIANCE SECTION



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

Independent Auditor's Report on Compliance

To the Honorable Members of the City Council of the
City of Cerritos, California and the
Los Angeles County Metropolitan Transit Authority

Report on Compliance

We have audited the compliance of the City of Cerritos, 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 the Transportation Development Act Article 3 Bicycle and Pedestrian Funds (collectively, the Guidelines) for the year ended June 30, 2020.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit. We conducted our audit of compliance in accordance with 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 referred to in the preceding paragraph. Those standards and the Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on 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 on Each Local Return Program and Transportation Development Act Article 3

In our opinion, the City complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2020.





Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Guidelines and which is described in the accompanying Schedule of Finding and Recommendation as Finding No. 2020-001. Our opinion on each local return program and Transportation Development Act Article 3 program 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 Finding and Recommendation. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the Guidelines 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance under the Guidelines 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 Guidelines 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 we consider to 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 cursive script that reads "Simpson & Simpson".

Los Angeles, California
November 24, 2020

CITY OF CERRITOS
COMPLIANCE MATRIX
Year Ended June 30, 2020

Compliance Requirement		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			None	
2.	Timely use of funds.	X			None	
3.	Funds expended were approved and have not been substituted for property tax.	X			None	
4.	Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).	X			None	
5.	Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.			X	None	
6.	All on-going and carryover projects were reported in Form B.	X			None	
7.	Annual Project Summary Report (Form B) was submitted on time.	X			None	
8.	Annual Expenditure Report (Form C) was submitted on time.	X			None	
9.	Cash or cash equivalents are maintained.	X			None	
10.	Accounting procedures, record keeping and documentation are adequate.	X			None	
11.	Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	X			None	
12.	Local Return Account is credited for reimbursable expenditures.	X			None	
13.	Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.			X	None	
14.	Signed Assurances and Understandings form was on file.	X			None	
15.	Recreational transit form was submitted on time.			X	None	

CITY OF CERRITOS
COMPLIANCE MATRIX
Year Ended June 30, 2020
(Continued)

Compliance Requirement		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			None	
2.	Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	X			None	
3.	Signed Assurances and Understandings form was on file.	X			None	
4.	Separate Measure R Local Return Account was established.	X			None	
5.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X			None	
6.	Funds were expended with Metro's approval.	X			None	
7.	Expenditure Plan (Form One) was submitted on time.	X			None	
8.	Expenditure Report (Form Two) was submitted on time.	X			None	
9.	Timely use of funds.	X			None	
10.	Administrative expenditures are within the 20% cap.			X	None	
11.	Fund exchanges were approved by Metro.			X	None	
12.	A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.			X	None	
13.	Recreational transit form was submitted on time.			X	None	

CITY OF CERRITOS
COMPLIANCE MATRIX
Year Ended June 30, 2020
(Continued)

Compliance Requirement		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			None	
2.	Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.	X			None	
3.	Signed Assurances and Understandings form was on file.	X			None	
4.	Separate Measure M Local Return Account was established.	X			None	
5.	Revenue received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	X			None	
6.	Funds were expended with Metro's approval.	X			None	
7.	Expenditure Plan (Form M-One) was submitted on time.	X			None	
8.	Expenditure Report (Form M-Two) was submitted on time.	X			None	
9.	Timely use of funds.	X			None	
10.	Administrative expenses are within the 20% cap.			X	None	
11.	Fund exchanges were approved by Metro.			X	None	
12.	A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.			X	None	
13.	Recreational transit form was submitted timely.			X	None	

CITY OF CERRITOS
COMPLIANCE MATRIX
Year Ended June 30, 2020
(Continued)

Compliance Requirement		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		None	See Finding No. 2020 - 001 on Schedule of Finding and Recommendation.
2.	Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.			X	None	

CITY OF CERRITOS
SCHEDULE OF FINDING AND RECOMMENDATION
June 30, 2020

TDAA3F: Finding No. 2020-001

Compliance Reference	According to LACMTA’s Funding and Allocation Guidelines for the TDA Article 3 Bicycle and Pedestrian Funds, Funding, Lapsing, and Accounting: “TDA Article 3 local funds may be placed on reserve for up to three years (i.e. no longer than the fourth fiscal year after they were made available by Metro Board action). Agencies may accumulate three years worth of reserved TDA Article 3 local funds before being required to obligate them or return them to the TDA Article 3 fund. Any funds left on reserve by the local agency longer than three years are subject to lapse and future reallocation.
Condition	At June 30, 2020, the City had lapsed funds of \$31,702 from the fiscal year 2015-16 allocation. However, the City received an extension approval from LACMTA to spend the lapsed funds until June 30, 2021 on December 17, 2020.
Cause	The City staff responsible for the management of the TDA 3 funds failed to recognize the lapsed funds due to an administrative oversight.
Effect	Untimely review of the funding status from the prior year allocation could result in losing the funding.
Recommendation	We recommend that the City implement internal control procedures to track the TDA Article 3 reserve balance to ensure that all TDA Article 3 funds are claimed and expended within the required timeline per the TDA Article 3 Guidelines.
Management’s Response	The Finance staff will meet with the staff responsible for the administration and management of TDA 3 funds a month prior to the waiver submission deadline on an annual basis. The meeting will involve the a) review of the TDA 3 fund balance; b) identification of any potential surplus or lapsed funds; and c) determination of the need to spend possible lapsed funds or to submit the required extension waiver application. The City is confident that this modification will result in full compliance with all TDA 3 administration requirements moving forward.
Finding Corrected During the Audit	The City was granted an extension approval by LACMTA to expend the lapsed funds until June 30, 2021 on December 17, 2020. No follow-up is required.

EXIT CONFERENCE

CITY OF CERRITOS
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
EXIT CONFERENCE
June 30, 2020

An exit conference was held on December 22, 2020 with the City of Cerritos. Those in attendance were:

Simpson & Simpson Representative:

Elizabeth Mendoza, Senior Auditor

City's Representative:

Ryan Carey, Finance Manager

Matters Discussed:

Results of the audit disclosed no significant control deficiencies and one (1) non-compliance issue with Metro Guidelines.

A copy of this report was forwarded to the following City representative(s) for their comments prior to the issuance of the final report:

Ryan Carey, Finance Manager

Simpson & Simpson, LLP
633 West 5th Street, Suite 3320
Los Angeles, CA 90071

RE: CITY OF CERRITOS ANNUAL FINANCIAL REPORT OF THE 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 FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

I have received the annual financial report of the 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 for the years ended June 30, 2020 and 2019 for the City of Cerritos and agree with the contents of the report except as indicated below:

(Attach additional pages if necessary)

Very truly yours,

Name

Title

Date