



MetroTM

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

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

**As of and for the Year Ended June 30, 2020
with Report of Independent Auditors**

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FINANCIAL SECTION

Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund and the Measure M Local Return Fund (collectively, the Funds) of the City of Compton, California (the City) which comprise the Funds' balance sheet as of June 30, 2020, and the related statement of revenues, expenditures and changes in fund balances for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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



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

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

Basis for Qualified Opinions

During our audit of the Funds' 2020 financial statements, the City has made adjustments to the PALRF, PCLRF, MRLRF and MMLRF's beginning fund balances for expenditures reported and not reported in those funds in prior years. The adjustments resulted from the audits of the City's financial statements as a whole. As of the date of this report, the audits of the City's financial statements as of and for the fiscal years ended June 30, 2019 and 2020 are still ongoing. Consequently, we were unable to determine whether additional adjustments will still be necessary as a result of the audits being conducted on the City's financial statements.

Qualified Opinions

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinions paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund and the Measure M Local Return Fund of the City of Compton, California, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements are intended to present only the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund and the Measure M Local Return Fund of the City of Compton, California and do not purport to, and do not present the financial position of the City as of June 30, 2020, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.



Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 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 solely to describe the scope of our testing of internal control over the Funds' financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over the Funds' financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over the Funds' financial reporting and compliance.

A handwritten signature in black ink that reads "Vasquez & Company LLP". The signature is written in a cursive, flowing style.

**Glendale, California
December 14, 2020**

City of Compton
Proposition A Local Return Fund
Balance Sheet
June 30, 2020

ASSETS		
Cash and investments	\$	4,909,979
Accounts receivable		452
Interest receivable		11,594
Total assets	\$	<u><u>4,922,025</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$	225,804
Total liabilities		<u>225,804</u>
Fund balance		
Restricted		4,696,221
Total fund balance		<u>4,696,221</u>
Total liabilities and fund balance	\$	<u><u>4,922,025</u></u>

See notes to Funds financial statements.

City of Compton
Proposition A Local Return Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Year ended June 30, 2020

Revenues

Proposition A	\$	1,937,163
Proposition A Discretionary Incentive Program Grant		59,579
Interest income		64,828
Project generated revenues		28,337
	Total revenues	<u>2,089,907</u>

Expenditures

Various projects		1,341,095
	Total expenditures	<u>1,341,095</u>

Excess of revenues over expenditures		748,812
Fund balance at beginning of year, as restated		<u>3,947,409</u>
Fund balance at end of year	\$	<u><u>4,696,221</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, 2020

Project Code	Project Name	LACMTA Budget	Actual	Variance Positive (Negative)
110-07	Fixed Route Transit System	\$ 1,226,616	\$ 1,128,914	\$ 97,702
130-04	Dial-A-Ride Transit System	246,637	106,989	139,648
160-15	Bus Shelter / Bus Stop Improvements	85,000	-	85,000
280-29	Marketing and Promotions of the Compton Renaissance Fixed Route Transit	8,917	-	8,917
280-30	Compton Station Transit Oriented Development (TOD) Specific Plan	-	20,000 *	(20,000)
480-09	Direct Administration	404,292	35,989	368,303
500-07	Self Insured Compton Employer	50,000	49,203	797
Total expenditures		<u>\$ 2,021,462</u>	<u>\$ 1,341,095</u>	<u>\$ 680,367</u>

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

See report of independent auditors.

**City of Compton
Proposition A Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2020**

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</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	-	125,359	40,389
2005	MLK Transit Center Renovation	986,798	-	262,920	723,878
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	-	19,435	10,435
2010	Bus Stop Improvement Project	103,043	95,366	-	198,409
2014	5 Buses	310,735	-	310,735	-
2018	2 Clean Air Buses	332,795	-	332,795	-
Total		\$ 7,042,721	\$ 95,366	\$ 4,095,006	\$ 3,043,081

See report of independent auditors.

City of Compton
Proposition C Local Return Fund
Balance Sheet
June 30, 2020

ASSETS

Cash and investments	\$	3,668,038
Interest receivable		5,901
		3,673,939
Total assets	\$	3,673,939

LIABILITIES AND FUND BALANCE

Liabilities

YMCA contribution payable	\$	26
		26
Total liabilities		26

Fund balance

Restricted		3,673,913
		3,673,913
Total fund balance		3,673,913
Total liabilities and fund balance	\$	3,673,939

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, 2020

Revenues	
Proposition C	\$ 1,606,880
Interest income	32,994
Total revenues	<u>1,639,874</u>
 Expenditures	
Various projects	<u>292,742</u>
Total expenditures	<u>292,742</u>
 Excess of revenues over expenditures	 1,347,132
Fund balance at beginning of year, as restated	<u>2,326,781</u>
Fund balance at end of year	<u><u>\$ 3,673,913</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, 2020

Project Code	Project Name	LACMTA Budget	Actual	Variance Positive (Negative)
270-04	Wilmington Avenue Safe Street Pedestrian/ Bicycle Improvement Project, Phase II	\$ 800,000	\$ 101,544	\$ 698,456
270-05	Compton Blvd Street Improvement Design Project	535,167	42,803	492,364
270-06	Memberships, Gateway Cities, I-710 Corridor (Formerly 19-270)	200,000	51,552	148,448
420-01	2005 Congestion Management Program (CMP)	10,000	-	10,000
440-19	Slurry and Re-striping Project on Hunsaker Ave	58,294	37,625	20,669
440-31	Los Angeles County Public Works Traffic Signals and Lane Lines and Markings Project	300,000	669	299,331
480-09	Direct Administration	335,350	58,549	276,801
Total expenditures		<u>\$ 2,238,811</u>	<u>\$ 292,742</u>	<u>\$ 1,946,069</u>

See report of independent auditors.

**City of Compton
Proposition C Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2020**

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</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	-	52,249	78,373
Total		\$ 3,650,734	\$ -	\$ 750,735	\$ 2,899,999

See report of independent auditors.

City of Compton
Measure R Local Return Fund
Balance Sheet
June 30, 2020

ASSETS

Cash and investments	\$	2,027,250
Interest receivable		6,944
		6,944
Total assets	\$	2,034,194

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$	580
		580
Total liabilities		580

Fund balance

Restricted		2,033,614
		2,033,614
Total fund balance		2,033,614
Total liabilities and fund balance	\$	2,034,194

See notes to Funds financial statements.

City of Compton
Measure R Local Return Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2020

Revenues

Measure R	\$	1,203,437
Interest income		38,827
		1,242,264
Total revenues		1,242,264

Expenditures

Various projects		821,000
		821,000
Total expenditures		821,000

Excess of revenues over expenditures		421,264
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Fund balance at beginning of year, as restated		1,612,350
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Fund balance at end of year	\$	2,033,614
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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, 2020

Project Code	Project Name	LACMTA Budget	Actual	Variance Positive (Negative)
1.05	Street and Road Repair and Maintenance	\$ 571,010	\$ 656,800	\$ (85,790)
1.05	Pot Hole Repair	75,966	-	75,966
8.10	Fund Administration	620,721	164,200	456,521
Total expenditures		\$ 1,267,697	\$ 821,000	\$ 446,697

See report of independent auditors.

City of Compton
Measure R Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2020

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>
2011	Mona Boulevard Project	\$ 26,800	\$ -	\$ -	\$ 26,800
	Total	\$ 26,800	\$ -	\$ -	\$ 26,800

See report of independent auditors.

City of Compton
Measure M Local Return Fund
Balance Sheet
June 30, 2020

ASSETS

Cash and investments	\$	1,247,086
Interest receivable		4,536
		4,536
Total assets	\$	1,251,622

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$	65,064
Contract retention payable		7
Accrued liabilities		10,686
		10,686
Total liabilities		75,757

Fund balance

Restricted		1,175,865
		1,175,865
Total fund balance		1,175,865
Total liabilities and fund balance	\$	1,251,622

See notes to Funds financial statements.

City of Compton
Measure M Local Return Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Year ended June 30, 2020

Revenues	
Measure M	\$ 1,353,182
Investment income	<u>26,588</u>
Total revenues	<u>1,379,770</u>
 Expenditures	
Various projects	<u>1,348,061</u>
Total expenditures	<u>1,348,061</u>
Excess of revenues over expenditures	31,709
Fund balance at beginning of the year, as restated	<u>1,144,156</u>
Fund balance at end of year	<u><u>\$ 1,175,865</u></u>

See notes to Funds financial statements.

City of Compton
Measure M Local Return Fund
Supplementary Information

Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2020

Project Code	Project Name	LACMTA Budget	Actual	Variance Positive (Negative)
1.10	Street Repair and Maintenance	\$ 1,140,189	\$ 1,312,126	\$ (171,937)
8.10	Fund Administration	285,047	35,935	249,112
Total expenditures		\$ 1,425,236	\$ 1,348,061	\$ 77,175

See report of independent auditors.

City of Compton
Measure M Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2020

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>
N/A	None	\$ -	\$ -	\$ -	\$ -
Total		\$ -	\$ -	\$ -	\$ -

See report of independent auditors.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

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

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

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

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

Basis of Accounting and Measurement Focus

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

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

Budgets and Budgetary Accounting

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement

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

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

Fund Balance Reporting

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

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

- 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 CAFR.

NOTE 2 ANNUAL FINANCIAL STATEMENTS

The financial statements are intended to present only the financial position and results of operations of the PALRF, PCLRF, MRLRF and MMLRF, and do not purport to, and do not present the City's financial position as of June 30, 2020, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

NOTE 3 PROPOSITION A AND PROPOSITION C LOCAL RETURN COMPLIANCE REQUIREMENTS

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

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

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

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

NOTE 4 MEASURE R LOCAL RETURN COMPLIANCE REQUIREMENTS

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

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

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

NOTE 5 MEASURE M LOCAL RETURN COMPLIANCE REQUIREMENTS

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

NOTE 5 MEASURE M LOCAL RETURN COMPLIANCE REQUIREMENTS (CONTINUED)

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

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

NOTE 6 CASH AND INVESTMENTS

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

Please refer to the City's CAFR for a full description of risks relating to cash and investments.

NOTE 7 PROJECT GENERATED REVENUES

Project generated revenues under PALRF for the year ended June 30, 2020 consisted of the following:

Passenger fares	\$	27,427
Dial-A-Ride fares		910
		28,337
	\$	28,337

NOTE 8 PROPOSITION A DISCRETIONARY INCENTIVE GRANT

The Proposition A Discretionary Incentive Program grant for the year ended June 30, 2020 of \$59,579 represents additional funds received from LACMTA for participating in the Voluntary NTD Program.

The Proposition A Discretionary Incentive Grants were recorded under PALRF.

NOTE 9 PRIOR PERIOD ADJUSTMENTS

The beginning fund balances of PALRF, PCLRF, MRLRF and MMLRF were restated as follows:

	<u>PALRF</u>	<u>PCLRF</u>	<u>MRLRF</u>	<u>MMLRF</u>
Beginning fund balances, as previously reported	\$ 3,923,269	\$ 2,322,269	\$ 1,611,616	\$ 1,200,871
Adjustments to FY14/15 expenditures	-	(59,222) ^(a)	-	-
Adjustments to FY17/18 expenditures	24,140 ^(b)	63,734 ^(c)	734 ^(b)	-
Adjustments to FY18/19 expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>(56,715)^(d)</u>
Beginning fund balances, as restated	<u>\$ 3,947,409</u>	<u>\$ 2,326,781</u>	<u>\$ 1,612,350</u>	<u>\$ 1,144,156</u>

- (a) The adjustment to PCLRF financial statements is to correct the erroneous reversal of payroll cost related to direct administration in FY 2014/15.
- (b) The adjustment to the PALRF and MRLRF financial statements is to reverse accrual of payroll cost related to direct administration in FY 2017/18.
- (c) The adjustment to PCLRF financial statements is to reverse the accrual of payroll cost related to direct administration in FY 2017/18.
- (d) The adjustment to MMLRF financial statements is to correct the erroneous reversal of accrual of certain project expenditures related to Annual Residential Street Rehabilitation project in FY2018/19.

NOTE 10 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 governmental entities.

The City has evaluated events subsequent to June 30, 2020 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through December 14, 2020, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no other subsequent events occurred that require recognition or additional disclosure in the financial statements.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund and the Measure M Local Return Fund (collectively, the Funds) of the City of Compton, California (the City) as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated December 14, 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 the Funds' financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Funds' financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that have not been identified. We identified a deficiency in internal control, described in the Schedule of Findings on Internal Control over Financial Reporting as Finding No. FS 2020-001, that we consider to be a material weakness.



The City's Response to the Finding

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

Compliance and Other Matters

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

Purpose of this Report

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

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

**Glendale, California
December 14, 2020**

Finding No. FS 2020-001: Year-end Closing Process

Criteria

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

Condition and Context

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

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

Cause and Effect

During the fiscal years 2017 through 2020, the City lost several key employees in the finance and accounting department. As such, there were delays in the closing of the City's books for the fiscal year 2020 and prior years. Currently, the accounting personnel and support staff are working towards closing the books and provide the closing entries, trial balances, schedules, reconciliations, account analysis, and other financial reports needed by management and the auditors.

Recommendation

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

Views of Responsible Officials

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

COMPLIANCE SECTION

Report of Independent Auditors on Compliance

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

Report on Compliance

We have audited the compliance of the City of Compton, California (the City) with the Proposition A and Proposition C Local Return Guidelines, Measure R Local Return Guidelines, and Measure M Local Return Guidelines (collectively, the Guidelines) for the year ended June 30, 2020.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion

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



Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with the requirements, which is described in the accompanying Schedule of Findings and Questioned Costs as Finding #2020-001. Our opinion is not modified with respect to this matter.

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

Report on Internal Control over Compliance

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

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

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

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

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

**Glendale, California
December 14, 2020**

**City of Compton
Compliance Matrix
Year ended June 30, 2020**

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			See Finding #2020-001
4. Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).	X				
5. Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	X				
6. All on-going and carryover projects were reported in Form B.	X				
7. Annual Project Summary Report (Form B) was submitted timely.	X				
8. Annual Expenditure Report (Form C) was submitted timely.	X				
9. Cash or cash equivalents are maintained.	X				
10. Accounting procedures, record keeping and documentation are adequate.	X				
11. Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	X				
12. Local Return Account is credited for reimbursable expenditures.			X		
13. Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.			X		
14. Assurances and Understandings form was on file.	X				
15. Recreational Transit Form was submitted timely.			X		

See report of independent auditors on compliance.

**City of Compton
Compliance Matrix
Year ended June 30, 2020**

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

See report of independent auditors on compliance.

**City of Compton
Compliance Matrix
Year ended June 30, 2020**

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

See report of independent auditors on compliance.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Compton
Schedule of Findings and Questioned Costs
Year ended June 30, 2020

PALRF: Finding #2020-001

Compliance Reference	Section I(C) Project Description Form (Form A) 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 claimed expenditures amounting to \$20,000 under PALRF Project code 280-30, Compton Station Transit Oriented Development (TOD) Specific Plan, with no prior approval from LACMTA.</p> <p>Although we found the expenditures to be eligible for Local Return funding, this project had no prior approval from LACMTA.</p>
Cause	This condition was caused by insufficient communication between the Budget Office, Grants Department, and LACMTA.
Effect	Proposition A funds were expended towards project expenditures without prior approval by the LACMTA. The City did not comply with the Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from LACMTA prior to spending on any Local Return-funded projects.
Management's Response	<p>The City will obtain LACMTA approval prior to spending LACMTA funded projects. The City received a retroactive approval for this project on November 10, 2020.</p> <p>The City is also preparing a new grants policy by December 31, 2020, which will address the areas of communication, so this will not occur again.</p>
Finding Corrected During the Audit	LACMTA Program Manager granted a retroactive approval of projects' budget on November 10, 2020. No follow up is required.

EXIT CONFERENCE

An exit conference was held on November 16, 2020 with the City of Compton representatives. Those in attendance were:

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

City of Compton representatives:
Sharon Rahban – City Controller
Jocelyn Logan – Deputy City Controller
Michelle Blue – Accountant I
John Strickland – Project Manager

Matters discussed:

Results of the audit disclosed an issue on internal control over financial reporting and an instance 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:

Sharon Rahban – City Controller
Jocelyn Logan – Deputy City Controller
Michelle Blue – Accountant I
John Strickland – Project Manager



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