



MetroTM

**City of Industry
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 Years Ended June 30, 2020 and 2019
with Report of Independent Auditors**

	<u>PAGE</u>
FINANCIAL SECTION	
Report of Independent Auditors	1
Proposition A Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	3
Statements of Revenues, Expenditures and Changes in Fund Balance	4
Supplementary Information:	
Schedule of Expenditures – Actual and LACMTA Approved Project Budget	5
Schedule of Capital Assets	6
Proposition C Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	7
Statements of Revenues, Expenditures and Changes in Fund Balance	8
Supplementary Information:	
Schedule of Expenditures – Actual and LACMTA Approved Project Budget	9
Schedule of Capital Assets	10
Measure R Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	11
Statements of Revenues, Expenditures and Changes in Fund Balance	12
Supplementary Information:	
Schedule of Expenditures – Actual and LACMTA Approved Project Budget	13
Schedule of Capital Assets	14
Measure M Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	15
Statements of Revenues, Expenditures and Changes in Fund Balance	16
Supplementary Information:	
Schedule of Expenditures – Actual and LACMTA Approved Project Budget	17
Schedule of Capital Assets	18
Notes to Funds Financial Statements	19
Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24
COMPLIANCE SECTION	
Report of Independent Auditors on Compliance	26
Compliance Matrix	28
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	31
EXIT CONFERENCE	34

FINANCIAL SECTION

Report of Independent Auditors

To the Honorable Members of the City Council of the City of Industry, 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 Industry, California (the City) which comprise the Funds' balance sheets as of June 30, 2020 and 2019, and the related statements of revenues, expenditures and changes in fund balances for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund and the Measure M Local Return Fund of the City of Industry, California, as of June 30, 2020 and 2019, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund and the Measure M Local Return Fund of the City and do not purport to, and do not present fairly the financial position of the City as of June 30, 2020 and 2019, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 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".

**Glendale, California
December 11, 2020**

City of Industry
Proposition A Local Return Fund
Balance Sheets

		June 30	
		2020	2019
ASSETS			
Cash and investment	\$	1,484,688	\$ 2,254,764
Interest receivable		5,712	9,732
	Total assets \$	1,490,400	\$ 2,264,496
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	21,764	\$ 8,021
	Total liabilities	21,764	8,021
Fund balance			
Restricted		1,468,636	2,256,475
	Total fund balance	1,468,636	2,256,475
	Total liabilities and fund balance \$	1,490,400	\$ 2,264,496

See notes to Funds financial statements.

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

	Years ended June 30	
	2020	2019
Revenues		
Proposition A	\$ 8,487	\$ 8,834
Investment income	40,362	57,666
Proposition A fund exchange	-	275,000
Total revenues	48,849	341,500
Expenditures		
Various projects	836,688	135,683
Total expenditures	836,688	135,683
Excess (deficiency) of revenues over expenditures	(787,839)	205,817
Other financing source (use)		
Transfer out - General Fund	-	(307)
Total other financing source	-	(307)
Change in fund balance	(787,839)	205,510
Fund balance at beginning of year	2,256,475	2,050,965
Fund balance at end of year	\$ 1,468,636	\$ 2,256,475

See notes to Funds financial statements.

City of Industry
Proposition A Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2020
(With Comparative Actuals for 2019)

Project Code	Project Name	2020			2019 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
160-01	Bus Stop Upgrades for ADA Compliance	\$ 525,000	\$ 23,729	\$ 501,271	\$ 6,734
360-02	Commuter Rail Station Operation	150,000	107,121	42,879	96,077
370-01	Fairway Drive Grade Separation at Walnut Drive North	200,000	-	200,000	27,488
370-02	Fullerton Road Grade at Gale Avenue	200,000	90,358	109,642	5,384
370-03	Fairway Grade Separation Underpass	1,000,000	-	1,000,000	-
380-03	Fairway Grade Separation Project	2,000,000	615,480	1,384,520	-
380-20	Park and Ride Lot	289,325	-	289,325	-
Total expenditures		\$ 4,364,325	\$ 836,688	\$ 3,527,637	\$ 135,683

See report of independent auditors.

City of Industry
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>
N/A	None	\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See report of independent auditors.

City of Industry
Proposition C Local Return Fund
Balance Sheets

		June 30	
		2020	2019
ASSETS			
Cash and investments	\$	4,347	\$ 16,767
Due from General Fund		5,920	3,809
Total assets	\$	10,267	\$ 20,576
LIABILITIES AND FUND BALANCE			
Liabilities			
Due to General Fund	\$	1,357	\$ -
Total liabilities		1,357	-
Fund balance			
Restricted		8,910	20,576
Total fund balance		8,910	20,576
Total liabilities and fund balance	\$	10,267	\$ 20,576

See notes to Funds financial statements.

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

	Years ended June 30	
	2020	2019
Revenues		
Proposition C	\$ 7,040	\$ 7,327
Investment income	-	-
Total revenues	7,040	7,327
Expenditures		
Bus Stop Upgrades for ADA Compliance	18,706	2,110
Total expenditures	18,706	2,110
Excess (deficiency) of revenues over expenditures	(11,666)	5,217
Fund balance at beginning of year	20,576	15,359
Fund balance at end of year	\$ 8,910	\$ 20,576

See notes to Funds financial statements.

City of Industry
Proposition C Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2020
(With Comparative Actuals for 2019)

Project Code	Project Name	2020		Variance Positive (Negative)	2019 Actual
		LACMTA Budget	Actual		
110-01	Annual Bus Stop ADA Improvement	\$ -	\$ -	\$ -	\$ 2,110
160-01	Bus Stop Upgrades for ADA Compliance	400,000	18,706	381,294	-
	Total expenditures	\$ 400,000	\$ 18,706	\$ 381,294	\$ 2,110

See report of independent auditors.

City of Industry
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>
N/A	None	\$ -	\$ -	\$ -	\$ -
	Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See report of independent auditors.

City of Industry
Measure R Local Return Fund
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	\$ -	\$ -

See notes to Funds financial statements.

City of Industry
Measure R Local Return Fund

Statements of Revenues, Expenditures and Changes in Fund Balance

		Years ended June 30	
		2020	2019
Revenues			
Measure R	\$	5,272	\$ 5,497
Total revenues		5,272	5,497
Expenditures			
Street Repair and Maintenance		5,272	5,497
Total expenditures		5,272	5,497
Excess of revenues over expenditures		-	-
Fund balance at beginning of year		-	-
Fund balance at end of year	\$	-	\$ -

See notes to Funds financial statements.

City of Industry
Measure R Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2020
(With Comparative Actuals for 2019)

Project Code	Project Name	2020			2019 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
1.05	Street and Repair Maintenance	\$ 5,000	\$ 5,272	\$ (272)	\$ 5,497
	Total expenditures	\$ 5,000	\$ 5,272	\$ (272)	\$ 5,497

See report of independent auditors.

City of Industry
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>
N/A	None	\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See report of independent auditors.

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

		June 30	
		2020	2019
ASSETS			
Due from General Fund	\$	-	\$ -
Total assets	\$	-	\$ -
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	-	\$ -
Total liabilities		-	-
Fund balance			
Restricted		-	-
Total fund balance		-	-
Total liabilities and fund balance	\$	-	\$ -

See notes to Funds financial statements.

City of Industry
Measure M Local Return Fund

Statements of Revenues, Expenditures and Changes in Fund Balance

		Years ended June 30	
		2020	2019
Revenues			
Measure M	\$	5,934	\$ 6,192
	Total revenues	5,934	6,192
Expenditures			
Street Repair and Maintenance		5,934	8,168
	Total expenditures	5,934	8,168
Excess (deficiency) of revenues over expenditures		-	(1,976)
Fund balance at beginning of year		-	1,976
Fund balance at end of year		\$ -	\$ -

See notes to Funds financial statements.

City of Industry
Measure M Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2020
(With Comparative Actuals for 2019)

Project Code	Project Name	2020			2019 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
1.05	Street and Repair Maintenance	\$ 5,000	\$ 5,934	\$ (934)	\$ 8,168
	Total expenditures	<u>\$ 5,000</u>	<u>\$ 5,934</u>	<u>\$ (934)</u>	<u>\$ 8,168</u>

See report of independent auditors.

City of Industry
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) 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 and 2019:

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

Information regarding the fund balance reporting policy adopted by the City is described in the City's CAFR.

NOTE 2 ANNUAL FINANCIAL STATEMENTS

The financial statements reflect only the financial position and results of operations of the PALRF, PCLRF, MRLRF and MMLRF and do not purport to, and do not present fairly the City's financial position as of June 30, 2020 and 2019, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

NOTE 3 PROPOSITION A AND PROPOSITION C LOCAL RETURN COMPLIANCE REQUIREMENTS

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

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

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

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

NOTE 4 MEASURE R LOCAL RETURN COMPLIANCE REQUIREMENTS

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

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

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

NOTE 5 MEASURE M LOCAL RETURN COMPLIANCE REQUIREMENTS

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

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

NOTE 5 MEASURE M LOCAL RETURN COMPLIANCE REQUIREMENTS (CONTINUED)

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 PROPOSITION A FUND EXCHANGE

As permitted by the Local Return Guidelines and as approved by LACMTA, the City entered into agreements with various cities to exchange the City's general fund monies with other cities' uncommitted Proposition A Local Return Fund monies. The fund exchanges which were recorded under PALRF were as follows:

Agreement Date	City	Year ended June 30, 2019	
		Proposition A Local Funds Received	General Fund Rendered
October 25, 2018	La Verne	\$ 275,000	\$ 203,500
		\$ 275,000	\$ 203,500

NOTE 8 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.

NOTE 8 SUBSEQUENT EVENTS (CONTINUED)

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 11, 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 Industry, 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 Industry, 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 11, 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. 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 and Measure M Local Return 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 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 "Vaqueria & Company LLP". The signature is written in a cursive, flowing style.

**Glendale, California
December 11, 2020**

COMPLIANCE SECTION

Report of Independent Auditors on Compliance

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

Report on Compliance

We have audited the compliance of the City of Industry, 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 Industry, 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 instances of noncompliance with the requirements, which are described in the accompanying Schedule of Findings and Questioned Costs as Findings #2020-001 to #2020-003. Our opinion is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

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, 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 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 11, 2020**

**City of Industry
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				
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		No administrative expenses were charged to LR funds.
6. All on-going and carryover projects were reported in Form B.	X				
7. Annual Project Summary Report (Form B) was submitted timely.		X			See Finding #2020-001
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 Industry
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			See Finding #2020-002
8. Expenditure Report (Form Two) was submitted timely.	X				
9. Timely use of funds.	X				
10. Administrative expenses are within the 20% cap.			X		No administrative expenses were charged to LR funds.
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 Industry
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			See Finding #2020-003
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		No administrative expenses were charged to LR funds.
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

PALRF and PCLRF: Finding #2020-001

Compliance Reference	Section I(C) Annual Project Update (Form B) of the Proposition A and C Local Return Guidelines states that, "Jurisdictions shall submit on or before August 1 st of each fiscal year an Annual Project Update (Form B) to provide current information on all approved on-going and carryover LR projects. LACMTA will review and accept or return the report for changes. Cities shall report the anticipated expenditure cash flow amounts for the covered fiscal year."
Condition	The City submitted its Form B on August 15, 2019, 14 days after the due date of August 1, 2019.
Cause	The Form B report was submitted late due to an oversight by City staff assigned to complete the task.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and controls to ensure that the Annual Project Update (Form B) is submitted by August 1 st as required by the Guidelines.
Management's Response	The City has since put in extra procedures to ensure timely reporting to comply with the requirements and the FY 2021 budget was filed on time.
Finding Corrected During the Audit	The City subsequently submitted the form. No follow up is required.

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

MRLRF: Finding #2020-002

Compliance Reference	<p>Section B (II) Expenditure Plan (Form One) of Measure R Local Return Program Guidelines state that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1st of each year.</p> <p>Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.</p>
Condition	<p>The City submitted its Expenditure Plan (Form One) on August 14, 2019, 13 days after the due date of August 1, 2019.</p>
Cause	<p>The Form One report was submitted late due to an oversight by City staff assigned to complete the task.</p>
Effect	<p>The City was not in compliance with the reporting requirements of the Local Return Guidelines.</p>
Recommendation	<p>We recommend the City establish procedures and controls to ensure that the Expenditure Plan (Form One) is submitted by August 1st as required by the Guidelines.</p>
Management's Response	<p>The City has since put in extra procedures to ensure timely reporting to comply with the requirements and the FY 2021 budget was filed on time.</p>
Finding Corrected During the Audit	<p>The City subsequently submitted the form. No follow up is required.</p>

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

MMLRF: Finding #2020-003

Compliance Reference	<p>Measure M Local Return Program Guidelines, Section XXV, Local Return, Administrative Reporting Requirements, Expenditure Plan (Form M-One) states that, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form M-One), annually, by August 1st of each year.</p> <p>Expenditure Plan (Form M-One) provides a listing of projects funded with Measure M LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. Part II is to be filled out for capital projects (projects over \$250,000). LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.</p>
Condition	<p>The City submitted its Expenditure Plan (Form M-One) on August 14, 2019, 13 days after the due date of August 1, 2019.</p>
Cause	<p>The Form M-One report was submitted late due to an oversight by City staff assigned to complete the task.</p>
Effect	<p>The City was not in compliance with the reporting requirements of the Local Return Guidelines.</p>
Recommendation	<p>We recommend the City establish procedures and controls to ensure that the Expenditure Plan (Form M-One) is submitted by August 1st as required by the Guidelines.</p>
Management's Response	<p>The City has since put in extra procedures to ensure timely reporting to comply with the requirements and the FY 2021 budget was filed on time.</p>
Finding Corrected During the Audit	<p>The City subsequently submitted the form. No follow up is required.</p>

EXIT CONFERENCE

An exit conference was held on December 11, 2020 with the City of Industry representatives. Those in attendance were:

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

City of Industry representatives:
Yamini Pathak – Finance Director
Julie Hardt – Accounting Technician III

Matters discussed:

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

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

Yamini Pathak – Finance Director
Julie Hardt – Accounting Technician III



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Vasquez & Company LLP has 50 years of experience in performing audit, accounting & consulting services for all types of nonprofit organizations, for-profit companies, governmental entities and publicly traded companies. Vasquez is a member of the RSM US Alliance. RSM US Alliance provides its members with access to resources of RSM US LLP. RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International. Visit rsmus.com/about-us for more information regarding RSM US LLP and RSM International. The RSM™ logo is used under license by RSM US LLP. RSM US Alliance products and services are proprietary to RSM US LLP.

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