



MetroTM

**City of Lawndale
Annual Financial Report of its**

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

**As of and for the Years Ended June 30, 2020 and 2019
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 Lawndale, California and the
Los Angeles County Metropolitan Transportation Authority**

Report on the Financial Statements

We have audited the accompanying financial statements of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Lawndale, 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, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund of the City of Lawndale, 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, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund of the City of Lawndale, California, 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 21, 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 "Vaguez & Company LLP". The signature is written in a cursive, flowing style.

**Glendale, California
December 21, 2020**

City of Lawndale
 Proposition A Local Return Fund
 Balance Sheets

		June 30	
		2020	2019
ASSETS			
Cash and investments	\$	1,421,129	\$ 1,380,155
Interest receivable		2,016	1,479
		Total assets \$ 1,423,145	\$ 1,381,634
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	34,692	\$ 72,603
Accrued payroll and employee benefits		2,874	2,405
		Total liabilities 37,566	75,008
Fund balance			
Restricted		1,385,579	1,306,626
		Total fund balance 1,385,579	1,306,626
		Total liabilities and fund balance \$ 1,423,145	\$ 1,381,634

See notes to Funds financial statements.

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

		Years ended June 30	
		2020	2019
Revenues			
Proposition A	\$	652,123	\$ 669,839
Proposition A Discretionary Incentive Program grant		35,029	-
Interest income		13,060	5,299
Project generated revenue - trolley fares		11,816	840
Total revenues		712,028	675,978
Expenditures			
Various projects		633,075	619,048
Total expenditures		633,075	619,048
Excess of revenues over expenditures		78,953	56,930
Fund balance at beginning of year		1,306,626	1,249,696
Fund balance at end of year	\$	1,385,579	\$ 1,306,626

See notes to Funds financial statements.

City of Lawndale
 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)	
110-01	Shuttle Bus	\$ 491,180	\$ 409,878	\$ 81,302	\$ 421,859
130-01	Special Service Paratransit	144,937	97,592	47,345	102,260
150-09	Bus Pad Replacement Project	34,545	34,544	1	-
160-02	Bus Shelters	200,000	-	200,000	-
480-03	Administration	124,940	91,061	33,879	94,929
	Total expenditures	\$ 995,602	\$ 633,075	\$ 362,527	\$ 619,048

See report of independent auditors.

City of Lawndale
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>
2001	El Dorado Aerotech	\$ 58,286	\$ -	\$ 58,286	\$ -
2003	Senior Van	45,836	-	45,836	-
Total		\$ 104,122	\$ -	\$ 104,122	\$ -

See report of independent auditors.

City of Lawndale
Proposition C Local Return Fund
Balance Sheets

		June 30	
		2020	2019
ASSETS			
Cash and investments	\$	2,232,621	\$ 2,215,274
Interest receivable		2,956	2,314
Total assets	\$	2,235,577	\$ 2,217,588
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	52,820	\$ 188,380
Retention payable		-	6,665
Accrued payroll and employee benefits		5,100	3,666
Total liabilities		57,920	198,711
Fund balance			
Restricted - Citywide Pavement Cracking Sealing and Repairs		556,772	552,135
Restricted - Others		1,620,885	1,466,742
Total fund balance		2,177,657	2,018,877
Total liabilities and fund balance	\$	2,235,577	\$ 2,217,588

See notes to Funds financial statements.

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

	Years ended June 30	
	2020	2019
Revenues		
Proposition C	\$ 540,938	\$ 555,613
Interest income	18,677	8,246
Other revenues	41,000	-
Total revenues	600,615	563,859
Expenditures		
Various projects	441,835	519,706
Total expenditures	441,835	519,706
Excess of revenues over expenditures	158,780	44,153
Fund balance at beginning of year	2,018,877	1,974,724
Fund balance at end of year	\$ 2,177,657	\$ 2,018,877

See notes to Funds financial statements.

City of Lawndale
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		
440-01	Street Maintenance and Repairs	\$ -	\$ 88,280	* \$ (88,280)	\$ -
440-03	Street Improvements	93,518	-	93,518	-
440-12	Inglewood Ave Corridor Widening Phase I	414,818	138,236	276,582	291,131
440-13	Inglewood Ave Corridor Widening Phase II	46,410	-	46,410	26,750
440-14	Inglewood Ave Corridor Widening Phase III	75,548	-	75,548	20,886
440-15	Burin Ave	1,300,000	-	1,300,000	-
480-03	Administration	297,904	88,367	209,537	86,617
500-01	Engineering Services	181,728	126,952	54,776	94,322
Total expenditures		\$ 2,409,926	\$ 441,835	\$ 1,968,091	\$ 519,706

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

See report of independent auditors.

City of Lawndale
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	\$ -	\$ -	\$ -	\$ -

See report of independent auditors.

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

		June 30	
		2020	2019
ASSETS			
Cash and investments	\$	1,085,630	\$ 769,836
Interest receivable		1,429	732
Total assets	\$	1,087,059	\$ 770,568
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	1,673	\$ 12,750
Accrued payroll and employee benefits		3,491	2,546
Total liabilities		5,164	15,296
Fund balance			
Restricted		1,081,895	755,272
Total fund balance		1,081,895	755,272
Total liabilities and fund balance	\$	1,087,059	\$ 770,568

See notes to Funds financial statements.

City of Lawndale
Measure R Local Return Fund

Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2020	2019
Revenues		
Measure R	\$ 405,123	\$ 416,829
Interest income	8,812	2,392
Total revenues	413,935	419,221
Expenditures		
Various projects	87,312	72,148
Total expenditures	87,312	72,148
Excess of revenues over expenditures	326,623	347,073
Fund balance at beginning of year	755,272	408,199
Fund balance at end of year	\$ 1,081,895	\$ 755,272

See notes to Funds financial statements.

City of Lawndale
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	Grevillea Ave (MMB/Marine)	\$ 210,363	\$ -	\$ 210,363	\$ -
1.05	RM&R Various Streets	172,773	39,465	133,308	-
1.05	Street Improvement	224,781	-	224,781	2,410
1.05	Grevillea Ave/145th to Marine	188,453	6,449	182,004	-
7.90	Other Planning	51,566	23,936	27,630	57,714
8.10	Fund Administration	107,425	17,462	89,963	12,024
Total expenditures		\$ 955,361	\$ 87,312	\$ 868,049	\$ 72,148

See report of independent auditors.

City of Lawndale
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	2011 El Dorado Aerotech 240	\$ 66,278	\$ -	\$ -	\$ 66,278
	Total	\$ 66,278	\$ -	\$ -	\$ 66,278

See report of independent auditors.

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

		June 30	
		2020	2019
ASSETS			
Cash and investments	\$	1,253,902	\$ 786,922
Interest receivable		1,701	817
Total assets	\$	1,255,603	\$ 787,739
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	11,627	\$ 10,250
Accrued payroll and employee benefits		591	-
Total liabilities		12,218	10,250
Fund balance			
Restricted		1,243,385	777,489
Total fund balance		1,243,385	777,489
Total liabilities and fund balance	\$	1,255,603	\$ 787,739

See notes to Funds financial statements.

City of Lawndale
Measure M Local Return Fund

Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2020	2019
Revenues		
Measure M	\$ 455,891	\$ 469,597
Interest income	10,005	2,513
Total revenues	465,896	472,110
Expenditures		
Various projects	-	47,337
Total expenditures	-	47,337
Excess of revenues over expenditures	465,896	424,773
Fund balance at beginning of year	777,489	352,716
Fund balance at end of year	\$ 1,243,385	\$ 777,489

See notes to Funds financial statements.

City of Lawndale
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 Improvements	\$ 47,713	\$ -	\$ 47,713	\$ 28,500
2.29	Traffic Signal Improvements	13,250	-	13,250	18,500
8.10	Administration	12,190	-	12,190	337
	Total expenditures	\$ 73,153	\$ -	\$ 73,153	\$ 47,337

See report of independent auditors.

City of Lawndale
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.

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

		June 30		
		2020	2019	
ASSETS				
Due from LACMTA	\$	31,612	\$	-
Total assets		\$ 31,612	\$ -	
LIABILITIES AND FUND BALANCE (DEFICIT)				
Liabilities				
Due to other funds	\$	31,612	\$	-
Accounts payable		1,664		-
Total liabilities		33,276	-	
Fund balance (deficit)				
Restricted		(1,664)		-
Total fund balance (deficit)		(1,664)		-
Total liabilities and fund balance (deficit)		\$ 31,612	\$ -	

See notes to Funds financial statements.

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

		Years ended June 30	
		2020	2019
Revenues			
Intergovernmental Allocations:			
Article 3	\$	31,612	\$ -
Total revenues		31,612	-
 Expenditures			
Sidewalk Reconstruction			
		33,276	-
Total expenditures		33,276	-
 Deficiency of revenues over expenditures			
		(1,664)	-
 Fund balance at beginning of year			
		-	-
 Fund balance (deficit) at end of year			
	\$	(1,664)	\$ -

See notes to Funds financial statements.

City of Lawndale
 Transportation Development Act Article 3 Fund
 Pursuant to Public Utilities Code Section 99234
 Supplementary Information
 Schedule of Transportation Development Act Allocation for Specific Projects
 Year ended June 30, 2020

Project Description	Program Year	Totals to Date		Unexpended Allocations	Project Status
		Allocations	Expenditures		
Local Allocations:					
Sidewalk Reconstruction	2020	\$ 31,612	\$ 33,276	\$ (1,664)	Completed
	Totals	\$ 31,612	\$ 33,276	(1,664)	
Fund balance at beginning of year				-	
Fund deficit at end of year				\$ (1,664)	

See notes to Funds financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

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

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

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

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

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

Basis of Accounting and Measurement Focus

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

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

Budgets and Budgetary Accounting

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement

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

Refer to the City's Comprehensive Annual Financial Report (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, MMLRF and TDAA3F 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, MMLRF and TDAA3F, 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 R 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 R 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 TRANSPORTATION DEVELOPMENT ACT COMPLIANCE REQUIREMENTS

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

NOTE 7 CASH AND INVESTMENTS

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

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

NOTE 8 PROPOSITION A DISCRETIONARY INCENTIVE PROGRAM GRANT

Proposition A Discretionary Incentive Grant amounting to \$35,029 and \$0 for the years ended June 30, 2020 and 2019, respectively, represent additional funds received from LACMTA for participating in the Voluntary National Transit Database (NTD) Reporting Program.

The Proposition A Discretionary Incentive Program grant were recorded under PALRF.

NOTE 9 PROPOSITION C CAPITAL RESERVE

Citywide Pavement Cracking, Sealing and Repairs

On June 28, 2019, the LACMTA and the City entered into an agreement to establish a capital reserve account (Account) for the Citywide Pavement Cracking Sealing and Repairs project in the initial amount of \$550,000. In accordance with the contract between the City and LACMTA, the funding of the Account will continue through Proposition C allocations until June 30, 2023.

Per agreement, all interest is accrued and placed in the capital reserve account for use exclusively for the Citywide Pavement Cracking Sealing and Repairs project.

For the years ended June 30, 2020 and 2019, the following shows the capital reserve amounts for PCLRF:

Capital reserve, June 30, 2018	\$	550,000
Add: interest income earned		2,135
Capital reserve, June 30, 2019		552,135
Add: interest income earned		4,637
Capital reserve, June 30, 2020	\$	556,772

NOTE 10 OTHER REVENUES – PCLRF

Other revenues under PCLRF amounting to \$41,000 for the year ended June 30, 2020 represent project cost reimbursement from the Centinella Valley Union High School relative to the widening of the existing school entrance and the removal and reconstruction of the three existing driveways fronting the school property as part of the City's Inglewood Ave Corridor Widening Project which was funded by PCLRF.

NOTE 11 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND REVENUE ALLOCATION

The revenue allocations for the years ended June 30, 2020 and 2019 consisted of the following:

		2020		2019
FY 2016/17 allocation	\$	16,251	\$	-
FY 2017/18 allocation		15,361		-
	\$	31,612	\$	-

NOTE 12 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUNDS RESERVED

In accordance with TDA Article 3 (SB821) Guidelines, funds which will not be spent during the fiscal year have been placed on reserve in the Local Transportation Fund (LTF) account with the County Auditor-Controller to be drawn down whenever the funds become eligible for a specific project and an approved drawdown request is received by LACMTA. As of June 30, 2020 and 2019, the City has funds on reserve as follows:

		2020		2019
FY 2016/17 allocation	\$	-	\$	16,251
FY 2017/18 allocation		6,463		21,824
FY 2018/19 allocation		22,627		22,627
FY 2019/20 allocation		24,279		-
Total reserve	\$	53,369	\$	60,702

For FY 2019/20, any TDA Article 3 funds left on reserve for FY 2015/16 or prior, are subject to lapse if not claimed by the City by June 30, 2020. There were no funds that lapsed in FY 2019/20.

NOTE 13 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 21, 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 Lawndale, California and the
Los Angeles County Metropolitan Transportation Authority**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Lawndale, 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 21, 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, Measure M Local Return Fund and Transportation Development Act Article 3 Fund financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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". The signature is written in a cursive, flowing style.

**Glendale, California
December 21, 2020**

COMPLIANCE SECTION

Report of Independent Auditors on Compliance

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

Report on Compliance

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

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

Opinion

In our opinion, the City of Lawndale, 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 are described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the 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 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 "Vasquez & Company LLP".

**Glendale, California
December 21, 2020**

**City of Lawndale
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 Lawndale
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 Lawndale
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		There were no expenditures during FY 2019/20.
2. Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a fund shortfall.			X		There were no expenditures during FY 2019/20.
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		There were no expenditures during FY 2019/20.
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		There were no expenditures during FY 2019/20.
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 Lawndale
Compliance Matrix
Year ended June 30, 2020**

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

See report of independent auditors on compliance.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

PCLRF: 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	The City claimed expenditures amounting to \$88,280 under PCLRF Project code 440-01, Street Maintenance and Repairs Project, with no prior approval from LACMTA. Although we found the expenditures to be eligible for Local Return funding, this project had no prior approval from LACMTA.
Cause	The City had submitted its budget under project code 480-03 totaling to \$297,904 for FY 2019/20 including both administration costs and street maintenance and repairs costs.
Effect	Proposition C 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 controls to ensure that approval is obtained from LACMTA prior to spending on any Local Return-funded projects.
Management's Response	The City will submit future proposals with the two costs, street maintenance and repairs and administration expenses, in separate project codes.
Finding Corrected During the Audit	LACMTA Program Manager granted a retroactive approval of projects' budget on November 2, 2020. No follow up is required.

EXIT CONFERENCE

An exit conference was held on December 21, 2020 with the City of Lawndale representative. Those in attendance were:

Vasquez and Company LLP representatives:
 Marialyn Salvador – Audit Senior Manager
 Brandon De Castro – Audit Senior (BCA Watson Rice LLP)

City of Lawndale representative:
 Jonathan Orozco – Accounting Manager

Matters discussed:

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

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

 Marla Pendleton – Director of Finance and Treasurer
 Jonathan Orozco – Accounting Manager



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