CITY OF ARTESIA
ANNUAL FINANCIAL REPORT OF THE

PROPOSITION A LOCAL RETURN FUND
PROPOSITION C LOCAL RETURN FUND
MEASURE R LOCAL RETURN FUND
MEASURE M LOCAL RETURN FUND
TRANSPORTATION DEVELOPMENT ACT
ARTICLE 3 FUND
FOR THE FISCAL YEARS ENDED
JUNE 30, 2025 AND 2024

Metro®

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Simpson & Simpson, LLP
Certified Public Accountants

CITY OF ARTESIA

TABLE OF CONTENTS

FINANCIAL SECTION	**PAGE**
Independent Auditor's Report	1
Proposition A Local Return Fund:	
Financial Statements:	
Balance Sheets	4
Statements of Revenues, Expenditures and Changes in Fund Balance	5
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	6
Schedule of Capital Assets	7
Proposition C Local Return Fund:	
Financial Statements:	
Balance Sheets	8
Statements of Revenues, Expenditures and Changes in Fund Balance	9
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	10
Schedule of Capital Assets	11
Measure R Local Return Fund:	
Financial Statements:	
Balance Sheets	12
Statements of Revenues, Expenditures and Changes in Fund Balance	13
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	14
Schedule of Capital Assets	15
Measure M Local Return Fund:	
Financial Statements:	
Balance Sheets	16
Statements of Revenues, Expenditures and Changes in Fund Balance	17
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	18
Schedule of Capital Assets	19
Transportation Development Act Article 3 Fund:	
Financial Statements:	
Balance Sheets	20
Statements of Revenues, Expenditures and Changes in Fund Balance	21
Supplementary Information:	
Schedule of Transportation Development Act Allocation for Specific Projects	22
Notes to Financial Statements	23
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	28

CITY OF ARTESIA

TABLE OF CONTENTS

(Continued)

COMPLIANCE SECTION

Independent Auditor's Report on Compliance and on Internal Control over Compliance Required by the Guidelines	30
Compliance Matrix	33
Schedule of Findings and Recommendations	40
EXIT CONFERENCE	46

FINANCIAL SECTION

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Independent Auditor's Report

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

Opinions

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 Artesia, California (the City) which comprised the Funds' balance sheets as of June 30, 2025 and 2024, and the related statements of revenues, expenditures and changes in fund balances for the years then ended, and the related notes to the Funds' financial statements, as listed in the table of contents.

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 Artesia, California, as of June 30, 2025 and 2024, 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.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Artesia, California, and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2025 and 2024, 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.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2025, 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.

Simpson & Simpson

Los Angeles, California
December 13, 2025

CITY OF ARTESIA

PROPOSITION A LOCAL RETURN FUND

BALANCE SHEETS

June 30

		2025		2024
ASSETS				
Cash and investments	$	457,656	$	1,128,355
Metro receivable		16,463		-
Total assets	$	474,119	$	1,128,355
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	$	29,316	$	28,799
Total liabilities		29,316		28,799
Fund Balance				
Restricted		444,803		1,099,556
Total fund balance		444,803		1,099,556
Total liabilities and fund balance	$	474,119	$	1,128,355

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

CITY OF ARTESIA

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

	2025	2024
REVENUES		
Proposition A	$ 422,260	$ 430,255
Interest income	46,632	50,010
Proposition A Discretionary Incentive Grant (Note 8)	16,463	-
Total revenues	485,355	480,265
EXPENDITURES		
Various projects	1,140,108	590,937
Total expenditures	1,140,108	590,937
Deficiency of revenues over expenditures	(654,753)	(110,672)
Fund balance at beginning of year	1,099,556	1,210,228
Fund balance at end of year	$ 444,803	$ 1,099,556

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

CITY OF ARTESIA

PROPOSITION A LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES

ACTUAL AND METRO APPROVED PROJECT BUDGET

For the Fiscal Year Ended June 30, 2025

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2024)

		2025			
Project Code	Project Name	Metro Budget	Actual	Variance Favorable (Unfavorable)	2024 Actual
105	Electric Bus Charging Management Software	$ 4,500	$ 3,780	$ 720	$ -
107	Dial-A-Ride	110,000	103,809	6,191	71,587
150	Valley Alarm Monitoring	20,000	18,562	1,438	22,060
155	Youth and Senior Recreation Transportation Services	72,000	44,903	27,097	53,169
175	O & M of Prop A Vehicles	251,500	260,906	(9,406)	227,626
180	Power Feasibility Study for Community Transit Vehicles	25,000	-	25,000	-
205	Installation of Bus Shelters	570,000	235,422	334,578	-
205	Bus Shelter Replacement Project	350,000	350,000	-	107,592
261	EV Charging Facility	116,000	50,390	65,610	41,700
470	Gateway Cities COG Study	34,000	30,000	4,000	20,000
510	Bus Brochures	-	-	-	632
610	General Program Administration	100,000	42,336	57,664	46,571
610	Prop A Vehicle - Personnel Salary	45,000	-	45,000	-
	Total expenditures	$ 1,698,000	$ 1,140,108	$ 557,892	$ 590,937

See accompanying independent auditor's report.

CITY OF ARTESIA
PROPOSITION A LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2025

Date Acquired	Description	Balance 7/1/2024	Additions	Deletions	Balance 6/30/2025
1990	7 Passenger Wagon	$ 18,169	$ -	$ -	$ 18,169
1993	12 Passenger Ford Cab	11,872	-	-	11,872
1995	Mobile Radio Units	3,878	-	-	3,878
2003	Pock Drill	5,170	-	-	5,170
2003	Barricade Type 1	3,428	-	-	3,428
2003	Computer System Upgrade	20,000	-	-	20,000
2012	2012 Grand Caravan SXT	27,868	-	-	27,868
2012	2012 Grand Caravan SXT	27,869	-	-	27,869
2020	35ft E2 Catalyst (Electric Bus)	115,436	-	-	115,436
2023	Creative Bus -VA101001769	108,327	-	-	108,327
2023	Creative Bus -VA101001768	108,326	-	-	108,326
	Total	$ 450,343	$ -	$ -	$ 450,343

See accompanying independent auditor's report.

CITY OF ARTESIA

PROPOSITION C LOCAL RETURN FUND

BALANCE SHEETS

June 30

		2025		2024
ASSETS				
Cash and investments	$	706,568	$	593,840
Due from Metro		-		28,032
Total assets	$	706,568	$	621,872
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	$	31,656	$	12,004
Total liabilities		31,656		12,004
Fund Balance				
Restricted		674,912		609,868
Total fund balance		674,912		609,868
Total liabilities and fund balance	$	706,568	$	621,872

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

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

	2025	2024
REVENUES		
Proposition C	$ 350,254	$ 356,886
Interest income	33,850	16,220
Total revenues	384,104	373,106
EXPENDITURES		
Various projects	319,060	265,329
Total expenditures	319,060	265,329
Excess of revenues over expenditures	65,044	107,777
Fund balance at beginning of year	609,868	502,091
Fund balance at end of year	$ 674,912	$ 609,868

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

CITY OF ARTESIA

PROPOSITION C LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2025
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2024)

		2025			
Project Code	Project Name	Metro Budget	Actual	Variance Favorable (Unfavorable)	2024 Actual
470	Gateway Cities COG Dues	$ 14,000	$ 15,015	$ (1,015)	$ 15,015
620	General Program Administration	59,000	5,827	53,173	6,420
705	Pioneer, Artesia, & Norwalk & South Street	120,000	-	120,000	-
705	Traffic Stripping Maintenance	35,000	35,922	(922)	17,416
705	Street Rehab Project on Gridley Road	-	-	-	54,356
715	SR-91 Expansion Project Peer Review	35,000	-	35,000	-
755	Pioneer, Artesia, & Norwalk Landscaped Median	225,000	208,102	16,898	172,122
765	FY 2024-25 Pavement Management System	62,000	54,194	7,806	-
	Total expenditures	$ 550,000	$ 319,060	$ 230,940	$ 265,329

See accompanying independent auditor's report.

CITY OF ARTESIA
PROPOSITION C LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2025

Date Acquired	Description	Balance 7/1/2024	Additions	Deletions	Balance 6/30/2025
2007	Computer-Senior & Youth Transportation Services	$ 1,388	$ -	$ -	$ 1,388
	Total	$ 1,388	$ -	$ -	$ 1,388

See accompanying independent auditor's report.

CITY OF ARTESIA

MEASURE R LOCAL RETURN FUND

BALANCE SHEETS

June 30

		2025		2024
ASSETS				
Cash and investments	$	726,096	$	426,127
Due from Metro		-		21,086
Total assets	$	726,096	$	447,213
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	$	2,077	$	6,560
Total liabilities		2,077		6,560
Fund Balance				
Restricted		724,019		440,653
Total fund balance		724,019		440,653
Total liabilities and fund balance	$	726,096	$	447,213

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

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

		2025		2024
REVENUES				
Measure R	$	262,642	$	267,581
Interest income		31,132		22,735
Pioneer Blvd Improvements Project Grant (Note 9)		16,590		83,974
Total revenues		310,364		374,290
EXPENDITURES				
Expenditures funded by MRLRF		26,998		500,087
Total expenditures		26,998		500,087
Excess (deficiency) of revenues over expenditures		283,366		(125,797)
Fund balance at beginning of year		440,653		566,450
Fund balance at end of year	$	724,019	$	440,653

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

CITY OF ARTESIA

MEASURE R LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES

ACTUAL AND METRO APPROVED PROJECT BUDGET

For the Fiscal Year Ended June 30, 2025

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2024)

		2025			
Project Code	Project Name	Metro Budget	Actual	Variance Favorable (Unfavorable)	2024 Actual
630	General Program Administration	$ 50,000	$ 8,701 *	$ 41,299	$ 24,013
705	Street Rehab Project on Gridley Road	-	-	-	359,082
705	Ibex Alley Reconstruction	-	-	-	108,143
780	Joint Street Rehabilitation Project on Portions of 195th Street and Flora Vista Street	330,000	-	330,000	-
806	Historic District Trails Maintenance	38,000	18,297	19,703	8,849
820	FY 24-25 Citywide Sidewalk ADA Improvement Project	200,000	-	200,000	-
	Total expenditures	$ 618,000	$ 26,998	$ 591,002	$ 500,087

*The City's administrative expenditures exceeded 20 percent of its total MRLRF annual expenditures by $4,127. See Compliance Matrix and Schedule of Findings and Recommendations, Finding No. 2025-002.

See accompanying independent auditor's report.

CITY OF ARTESIA
MEASURE R LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2025

Date Acquired	Description	Balance 7/1/2024	Additions	Deletions	Balance 6/30/2025
	None	$ -	$ -	$ -	$ -
	Total	$ -	$ -	$ -	$ -

See accompanying independent auditor's report.

CITY OF ARTESIA

MEASURE M LOCAL RETURN FUND

BALANCE SHEETS

June 30

	2025	2024
ASSETS		
Cash and investments	$ 1,457,828	$ 1,111,975
Due from Metro	-	23,906
Total assets	$ 1,457,828	$ 1,135,881
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	$ 64,549	$ -
Total liabilities	64,549	-
Fund Balance		
Restricted	1,393,279	1,135,881
Total fund balance	1,393,279	1,135,881
Total liabilities and fund balance	$ 1,457,828	$ 1,135,881

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

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

	2025	2024
REVENUES		
Measure M	$ 297,564	$ 302,156
Interest income	69,918	56,531
Total revenues	367,482	358,687
EXPENDITURES		
Various projects	110,084	554,816
Total expenditures	110,084	554,816
Excess (deficiency) of revenues over expenditures	257,398	(196,129)
Fund balance at beginning of year	1,135,881	1,332,010
Fund balance at end of year	$ 1,393,279	$ 1,135,881

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

CITY OF ARTESIA

MEASURE M LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2025
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2024)

Project Code	Project Name	2025 Metro Budget	2025 Actual	2025 Variance Favorable (Unfavorable)	2024 Actual
304	Traffic Signal Repair and Maintenance	$ 20,000	$ 20,500	$ (500)	$ -
630	General Program Administration	61,100	1,873	59,227	981
705	Citywide curb and gutter repair	30,000	-	30,000	-
705	Fiscal Year 2023-2024 Street Improvement Project	-	-	-	553,835
805	Historical District Trails Construction, Landscaping, and Amenities	650,000	58,826	591,174	-
705	Traffic Control/Curb and Approach Improvements at Various Sites	- *	28,885	(28,885)	-
	Total expenditures	$ 761,100	$ 110,084	$ 651,016	$ 554,816

* The City received retroactive approval from Metro on December 12, 2025 to use Measure M Local Return funds in the amount of $28,885 for Project Code 705, Traffic Control/Curb and Approach Improvements at Various Sites. See Compliance Matrix and Schedule of Findings and Recommendations, Finding No. 2025-002.

See accompanying independent auditor's report.

CITY OF ARTESIA
MEASURE M LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2025

Date Acquired	Description	Balance 7/1/2024	Additions	Deletions	Balance 6/30/2025
	None	$ -	$ -	$ -	$ -
	Total	$ -	$ -	$ -	$ -

See accompanying independent auditor's report.

CITY OF ARTESIA

TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
(PURSUANT TO PUBLIC UTILITIES CODE SECTION 99234)

BALANCE SHEETS

June 30

	2025	2024
ASSETS		
Due from Metro	$ 16,533	$ -
Total assets	$ 16,533	$ -
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	$ -	$ -
Total liabilities	-	-
Fund Balance		
Restricted	16,533	-
Total fund balance	16,533	-
Total liabilities and fund balance	$ 16,533	$ -

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

CITY OF ARTESIA

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

	2025	2024
REVENUES		
TDA 3	$ 16,533	$ -
Total revenues	16,533	-
EXPENDITURES		
Historical District Bike and Pedestrian Trails Project	-	-
Total expenditures	-	-
Excess of revenues over expenditures	16,533	-
Fund balance at beginning of year	-	-
Fund balance at end of year	$ 16,533	$ -

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

CITY OF ARTESIA

TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF TRANSPORTATION DEVELOPMENT ACT
ALLOCATION FOR SPECIFIC PROJECTS
For the Fiscal Year Ended June 30, 2025

Project Description	Program Year	Allocations	Expenditures	Unexpended Allocations	Project Status
Local Allocations:					
Historical District Bike and Pedestrian Trails Project	2024-2025	$ 16,533	$ -	$ 16,533	Ongoing
Total		$ 16,533	$ -	16,533	
Fund balance at beginning of year				-	
Fund balance at end of year				$ 16,533 *	

*The City has encumbered the remaining fund balance of $16,533 for Historical District Bike and Pedestrian Trails Project as of June 30, 2025.

See accompanying independent auditor's report.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

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

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

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

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

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

Basis of Accounting and Measurement Focus

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

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

Budgets and Budgetary Accounting

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement

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

Refer to City's 2025 Annual Comprehensive Financial Report (ACFR) for detailed disclosures regarding the City's investment policy and fair value measurement.

Fund Balance Reporting

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

The PALRF, PCLRF, MRLRF, MMLRF and TDAA3F report the following fund balance classifications as of June 30, 2025 and 2024:

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

Information regarding the fund balance reporting policy adopted by the City is described in Note 1 to the City's ACFR.

NOTE 2 – ANNUAL FINANCIAL STATEMENTS

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

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

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

NOTE 4 – MEASURE R LOCAL RETURN COMPLIANCE REQUIREMENTS

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

NOTE 5 – MEASURE M LOCAL RETURN COMPLIANCE REQUIREMENTS

On June 23, 2016, the Metro Board of Directors approved the Los Angeles County Traffic Improvement Plan Ordinance, known as Measure M. In accordance with Measure M Local Return Program Guidelines, funds received pursuant to these guidelines may only be used for Measure M Local Return approved programs. See accompanying Compliance Matrix.

NOTE 6 – TDA ARTICLE 3 COMPLIANCE REQUIREMENTS

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

NOTE 7 – CASH AND INVESTMENTS

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

NOTE 8 – PROPOSITION A DISCRETIONARY INCENTIVE GRANTS

The Proposition A Discretionary Incentive Grant - Voluntary National Transit Database (NTD) Reporting amounting to $16,463 and $0 for the fiscal years ended June 30, 2025 and 2024, respectively, represents additional funds received from Metro for participating in the Voluntary NTD Program. The revenue was recorded under PALRF, where the corresponding project expenditures were recorded.

NOTE 9 – PIONEER BOULEVARD IMPROVEMENTS PROJECT GRANT - MRLRF

The Pioneer Blvd at Arkansas St Intersection Improvements Project Grant amounting to $16,590 and $83,974 for the fiscal years ended June 30, 2025 and 2024, respectively, represents reimbursement funds received from Metro for the Pioneer Blvd at Arkansas St Intersection Improvements project construction. The revenues were recorded under MRLRF, where the corresponding project expenditures were recorded.

NOTE 10 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION

The revenue allocation for the years ended June 30, 2025 and 2024 consisted of the following:

	2025	2024
FY 2019-20 allocation	$ 7,483	$ -
FY 2020-21 allocation	9,050	-
Total payment requested	$ 16,533	$ -

NOTE 11 – TRANSPORTATION DEVELOPMENT ACT FUNDS RESERVED

In accordance with TDA Article 3 (SB821) Guidelines, funds not spent during the fiscal year have been placed on reserve in the Local Transportation Fund (LTF) account with the County Auditor-Controller to be drawn down whenever the funds become eligible for a specific project and an approved drawdown request is received by Metro. As of June 30, 2025, and 2024, the City has funds on reserve as follows:

	2025	2024
FY 2019-20 allocation	$ -	$ 7,483
FY 2020-21 allocation *	397	9,447
FY 2021-22 allocation	12,089	12,089
FY 2022-23 allocation	15,526	15,526
FY 2023-24 allocation	18,990	18,990
FY 2024-25 allocation	16,533	-
Available reserve balance	$ 63,535	$ 63,535

* The fiscal year 2020-21 allocation of $397 had not been expended as of June 30, 2025, and would have otherwise lapsed. However, the City received a one-time extension approval from Metro on December 12, 2025 allowing the City to expend the funds through June 30, 2026.

NOTE 12 – SUBSEQUENT EVENTS

The City has evaluated events or transactions that occurred subsequent to June 30, 2025 through December 13, 2025, the date the accompanying financial statements were available to be issued for potential recognition or disclosure in the financial statements and determined no subsequent matters require disclosure or adjustment to the accompanying financial statements.

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

To the Honorable Members of the City Council of the
City of Artesia, California and the
Los Angeles County Metropolitan Transit 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 Artesia, California (the City), as of and for the year ended June 30, 2025, and the related notes to the Funds' financial statements, and have issued our report thereon dated December 13, 2025.

Report on 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City Funds' 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Simpson & Simpson

Los Angeles, California
December 13, 2025

COMPLIANCE SECTION

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Independent Auditor's Report on Compliance and on Internal Control over Compliance Required by the Guidelines

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

Report on Compliance

Opinion

We have audited the City of Artesia, California's (the City) compliance with the Proposition A and Proposition C Local Return Guidelines, Measure R Local Return Guidelines, Measure M Local Return Guidelines, Transportation Development Act Article 3, and the Los Angeles County Metropolitan Transportation Authority's Funding and Allocation Guidelines for the Transportation Development Act Article 3 Bicycle and Pedestrian Funds (collectively, the Guidelines) for the year ended June 30, 2025.

In our opinion, the City of Artesia, California complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2025.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States *(Government Auditing Standards*); and the Guidelines. Our responsibilities under those standards and the Guidelines are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance with the Guidelines. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for the City's compliance with the Guidelines and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statues, regulations, rules, and provisions of contracts or agreements applicable to the City's 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.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Guidelines will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the Guidelines as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Guidelines, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guidelines, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Guidelines and which are described in the accompanying Schedule of Findings and Recommendations as Finding No. 2025-001 to Finding No. 2025-005. Our opinion on each local return and Transportation Development Act Article 3 program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Recommendations. The City's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the Guidelines on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with the Guidelines will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Recommendations as Finding Nos. 2025-003, 004 and 005 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the internal control over compliance findings identified in our audit were described in the accompanying Schedule of Findings and Recommendations. The City's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

Simpson & Simpson

Los Angeles, California
December 13, 2025

CITY OF ARTESIA
COMPLIANCE MATRIX
Year Ended June 30, 2025

	Compliance Requirement	In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	**No**	**N/A**		
A. Proposition A and Proposition C Local Return Funds						
1.	Uses the State Controller's Uniform System of Accounts and Records or has established a separate Proposition A and Proposition C Local Transit Assistance Account for Local Return purposes.	X			None	
2.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Proposition A and/or Proposition C Local Return Account.	X			None	
3.	Funds were expended with Metro's approval and were not substituted for property tax.	X			None	
4.	Timely use of funds.	X			None	
5.	Administrative expenses are within the 20% cap.	X			None	
6.	Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.			X	None	There were no operational expenditures that exceeded 25% of the approved budget in FY 2024-25.
7.	Annual Project Update Report (Form B) or electronic equivalent was submitted on time.	X			None	
8.	Annual Expenditure Report (Form C) or electronic equivalent was submitted on time.	X			None	
9.	Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.		X		None	See Finding No. 2025-001 on Schedule of Findings and Recommendations.
10.	Local Return Account is credited for reimbursable expenditures.	X			None	
11.	Where Proposition A funds were given, loaned or exchanged by one jurisdiction to another, the receiving jurisdiction has credited its Local Return Account with the funds received.			X	None	Proposition A funds were not given, loaned or exchanged in FY24/25.

CITY OF ARTESIA
COMPLIANCE MATRIX
Year Ended June 30, 2025
(Continued)

	Compliance Requirement	In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	**No**	**N/A**		
A. Proposition A and Proposition C Local Return Funds						
12.	Self-Certification was completed and submitted for Intelligent Transportation Systems projects and elements.			X	None	There was no Intelligent Transportation Systems projects or elements in FY 24/25.
13.	A separate account was established for Capital reserve funds, Capital reserve was approved by Metro and current status is reported in the Annual Project Update (Form B) or electronic equivalent.			X	None	There were no capital reserve funds or capital reserve in FY24/25.
14.	Recreational transit form was submitted on time.	X			None	
15.	Fund exchanges (trades, loans, or gifts) were approved by Metro.			X	None	There were no fund exchanges in FY24/25.
16.	Proposition C Local Return Funds were used to augment, not supplant existing local revenues being used for road improvement purposes.	X			None	
17.	All on-going and carryover projects were reported on Form B or electronic equivalent.	X			None	
18.	Cash or cash equivalents are maintained.	X			None	
19.	Accounting procedures, record keeping, and documentation are adequate.	X			None	

CITY OF ARTESIA
COMPLIANCE MATRIX
Year Ended June 30, 2025
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	**No**	**N/A**		
B. Measure R Local Return Fund						
1.	Funds were expended for transportation purposes.	X			None	
2.	Separate Measure R Local Return Account was established.	X			None	
3.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X			None	
4.	Funds were expended with Metro's approval.	X			None	
5.	Funds were not substituted for property tax and are in compliance with the Maintenance of Effort.	X			None	
6.	Timely use of funds.	X			None	
7.	Administrative expenses are within the 20% cap.		X		$ 4,127	See Finding No. 2025-002 on Schedule of Findings and Recommendations.
8.	Expenditure Plan (Form One or electronic equivalent) was submitted on time.	X			None	
9.	Annual Expenditure Report (Form Two or electronic equivalent) was submitted on time.	X			None	
10.	Where funds expended were reimbursable by other grants or fund sources, the reimbursement was credited to the Local Return Account upon receipt of the reimbursement.			X	None	There were no reimbursed funds by other grants in FY24/25.
11.	Where Measure R funds were given, loaned or exchanged by one jurisdiction to another, the receiving jurisdiction has credited its Local Return Account with the funds received.			X	None	Measure R funds were not given, loaned or exchanged in FY24/25.
12.	A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.			X	None	There were no capital reserve funds or capital reserve in FY24/25.
13.	Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.	X			None	

CITY OF ARTESIA
COMPLIANCE MATRIX
Year Ended June 30, 2025
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	**No**	**N/A**		
B. Measure R Local Return Fund						
14.	Recreational transit form was submitted on time.			X	None	There was no recreational transit in FY24/25.
15.	Fund exchanges (trades, loans, or gifts) were approved by Metro.			X	None	There were no fund exchanges in FY24/25.
16.	Accounting procedures, record keeping, and documentation are adequate.	X			None	

CITY OF ARTESIA
COMPLIANCE MATRIX
Year Ended June 30, 2025
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	**No**	**N/A**		
C. Measure M Local Return Fund						
1.	Funds were expended for transportation purposes.	X			None	
2.	Separate Measure M Local Return Account was established.	X			None	
3.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	X			None	
4.	Funds were expended with Metro's approval.		X		$ 28,885	See Finding No. 2025-003 on Schedule of Findings and Recommendations.
5.	Funds were not substituted for property tax and are in compliance with the Maintenance of Effort.	X			None	
6.	Timely use of funds.	X			None	
7.	Administrative expenses are within the 20% cap.	X			None	
8.	Expenditure Plan (Form M-One or electronic equivalent) was submitted on time.	X			None	
9.	Annual Expenditure Report (Form M-Two or electronic equivalent) was submitted on time.	X			None	
10.	Where funds expended were reimbursable by other grants or fund sources, the reimbursement was credited to the Local Return Account upon receipt of the reimbursement.			X	None	There were no reimbursed funds by other grants in FY24/25.
11.	Where Measure M funds were given, loaned or exchanged by one jurisdiction to another, the receiving jurisdiction has credited its Local Return Account with the funds received.			X	None	Measure M funds were not given, loaned or exchanged in FY24/25.
12.	A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.			X	None	There were no capital reserve funds or capital reserve in FY24/25.
13.	Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.	X			None	

CITY OF ARTESIA
COMPLIANCE MATRIX
Year Ended June 30, 2025
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	**No**	**N/A**		
C. Measure M Local Return Fund						
14.	Recreational transit form was submitted on time.			X	None	There was no recreational transit in FY24/25.
15.	Fund exchanges (trades, loans, or gifts) were approved by Metro.			X	None	There were no fund exchanges in FY24/25.
16.	Accounting procedures, record keeping, and documentation are adequate.	X			None	

CITY OF ARTESIA
COMPLIANCE MATRIX
Year Ended June 30, 2025
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	**No**	**N/A**		
D. Transportation Development Act Article 3 Fund						
1.	Timely use of funds.		X		$397	See Finding No. 2025-004 on Schedule of Findings and Recommendations.
2.	Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.	X			None	
3.	Claim Form (or electronic equivalent) was submitted on time.		X		None	See Finding No. 2025-005 on Schedule of Findings and Recommendations.

PCLRF: Finding No. 2025-001

Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section 11.C.7, "Jurisdictions are required to certify that they have conducted and maintain Pavement Management Systems when proposing "Street Repair and Maintenance "or "Bikeway" projects. PMS must include the following: • Inventory of existing pavements including, as a minimum, arterial and collector routes, reviewed and updated triennially; • Inventory of existing Class I bikeways, reviewed and updated triennially; • Assessment of pavement condition including, as a minimum, arterial and collector routes, reviewed and updated triennially; • Identification of all pavement sections needing rehabilitation/replacement; and • Determination of budget needs for rehabilitation or replacement of deficient sections of pavement for current and following triennial period(s). Self-certifications (included in Appendix III) executed by the Jurisdiction's Engineer or designated, registered civil engineer, must be submitted with a Form A for new street maintenance or bikeway projects, or Form B (biannually) for ongoing projects, to satisfy "Street Repair and Maintenance" and "Bikeway" project eligibility criteria". A Pavement Management System (PMS) Certification Form should be prepared and submitted to Metro for project codes 705, 710, 715, and 765.
Condition	A PMS Certification Form was required for the fiscal year 2025 because the City incurred PCLRF expenditures for Project Code 765, FY 2024-25 Pavement Management System. However, the City did not submit the required PMS Certification Form during the fiscal year 2025. The most recent PMS Certification Form on file had expired in April, 2025.
Cause	This was an oversight on the part of the City.
Effect	The City was not in compliance with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommended that the City establish and implement procedures to ensure that, when expenditures are incurred for projects with codes 705, 710, 715, or 765, a PMS Certification Form is properly completed, certified, and executed by the City Engineer or a designated registered Civil Engineer. In addition, the City should also ensure that the PMS certification form is submitted to Metro every third year from the prior submission date in order to remain in compliance with the Guidelines.

PCLRF: Finding No. 2025-001 (Continued)

Management's Response	The City is aware that the current PMS Certification on file should have been updated in the fiscal year 2025. The City is currently working with a contractor to get this certificate renewed.
Finding Corrected During the Audit	The City subsequently submitted the Claim Form to Metro on December 15, 2025. Accordingly, no further follow up is required.

MRLRF: Finding No. 2025-002

Compliance Reference	According to Measure R Local Return Guidelines, Section A (II) 8, Transportation Administration, "Transportation Administration expenditures for those administrative costs associated with and incurred for the aforementioned eligible projects/programs.... The administrative expenditures for any year shall not exceed twenty percent (20%) of the total LR annual expenditures."
Condition	The City's administrative expenditure exceeded 20 percent of its total Measure R Local Return Fund (MRLRF) annual expenditures by $4,127. This amount represents the excess over the 20 percent administrative expenditure limitation.
Cause	This was an oversight on the part of the City.
Effect	The City's Measure R Local Return Administration (Project Code 630 - General Program Administration) exceeded the allowable 20 percent of total MRLRF annual expenditure. Accordingly, the City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that administrative expenditures do not exceed the 20 percent cap of the MRLRF's total annual expenditures.
Management's Response	In the future, the City will monitor the administrative expenditures that they will not exceed more than 20 percent cap of MRLRF's total expenditures.
Finding Corrected During the Audit	The Metro Program Manager granted the City a waiver to reimburse its MRLRF account for the questioned cost of $4,127 on December 29, 2025. No follow up is required.

MMLRF: Finding No. 2025-003

Compliance Reference	According to Measure M Local Return Guidelines, Section XXV Administrative, Form Submission Timeline, "New, amended, ongoing and carryover projects must file an Expenditure Plan Form M-One by August 1st." In addition, the Audit Requirements, Financial and Compliance Provisions of the section states, "The Measure M LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines:… Verification that funds were expended with Metro's approval."
Condition	Expenditures totaling $28,885 for Measure M Local Return Funds (MMLRF) Project Code 705, Traffic Control/Curb and Approach Improvements at Various Sites, were incurred prior to receiving Metro's approval. The City subsequently received budget approval from Metro for the same amount on December 12, 2025. This is a repeat finding from fiscal year 2024.
Cause	This condition was the result of an oversight by the City due to understaffing.
Effect	The City did not comply with the Measure M Local Return Guidelines, as expenditures for the MMLRF project were incurred prior to receiving Metro's approval.
Recommendation	We recommend that the City establish and implement procedures to ensure that approval from Metro is obtained prior to implementing any Measure M Local Return projects. In addition, the City should properly enter the budgeted amount for each project into the Local Return Management System (LRMS) and submit the budget information by the required due date so that expenditures of Measure M Local Return Funds are in accordance with Metro's approval and the Measure M Local Return Guidelines.
Management's Response	The City will establish procedures to ensure that it obtains Metro's approval before expenditure is incurred.
Finding Corrected During the Audit	The Metro Program Manager granted retroactive budget approval for the project on December 12, 2025. Accordingly, no further follow up is required.

TDAA3F: Finding No. 2025-004

Compliance Reference	According to LACMTA's Funding and Allocation Guidelines for the TDA Article 3 Bicycle and Pedestrian Funds, Funding, Lapsing, and Accounting: "TDA Article 3 local funds may be placed on reserve for up to three years (i.e. no longer than the fourth fiscal year after they were made available by Metro Board action). Agencies may accumulate three years' worth of reserved TDA Article 3 local funds before being required to obligate them or return them to the TDA Article 3 fund. Any funds left on reserve by the local agency longer than three years are subject to lapse and future reallocation."
Condition	As of June 30, 2025, the City had lapsed funds totaling $397 related to the fiscal year 2020–21 allocation. However, the City subsequently received extension approval from Metro on December 12, 2025, allowing the City to expend the lapsed funds through June 30, 2026. This is a repeat finding from fiscal year 2024.
Cause	This was an oversight on the part of the City.
Effect	The City was not in compliance with the Metro Funding and Allocation Guidelines for TDA Article 3 Bicycle and Pedestrian Funds.
Recommendation	We recommend that the City implement internal control procedures to track the TDA Article 3 reserve balance to ensure that all TDA Article 3 funds are claimed and expended within the timeline required by the TDA Article 3 Guidelines.
Management's Response	The City will closely monitor reserves and communicate with Metro to ensure the timely use of funds to avoid future lapses of funds.
Finding Corrected During the Audit	On December 12, 2025, Metro granted the City an extension approval to expend the lapsed funds through June 30, 2026. Accordingly, no further follow up is required.

TDAA3F: Finding No. 2025-005

Compliance Reference	According to Metro's Funding and Allocation Guidelines for the TDA Article 3 Bicycle and Pedestrian Funds, Filing Claims, "Each agency must designate the disposition of its TDA Article 3 allocation by completing the TDA 3 Claim Form in the LRMS by May 31st."
Condition	The City did not meet the May 31, 2025 deadline for submission of the TDA 3 Claim Form (Claim Form). However, the City subsequently submitted the Claim Form on June 27, 2025. This is a repeat finding from fiscal year 2024.
Cause	This was due to an oversight on the part of the City.
Effect	The City was not in compliance with Metro Funding and Allocation Guidelines for TDA Article 3 Bicycle and Pedestrian Funds.
Recommendation	We recommend that the City establish and implement procedures to ensure that the Claim Form is properly prepared and submitted through the LRMS by the annual due date of May 31st.
Management's Response	The City will establish procedures to ensure that the future Claim Form will be submitted on time.
Finding Corrected During the Audit	The City subsequently submitted the Claim Form through the LRMS on June 27, 2025. Accordingly, no further follow up is required.

EXIT CONFERENCE

CITY OF ARTESIA

PROPOSITION A, PROPOSITION C, MEASURE R, MEASURE M LOCAL RETURN FUNDS AND TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND

EXIT CONFERENCE

June 30, 2025

An exit conference was held on December 29, 2025 with the City of Artesia. Those in attendance were:

Simpson & Simpson Representative:

Terry Bian, Senior Auditor

City's Representative:

Jamie Murguia, Finance Manager

Matters Discussed:

Results of the audit disclosed no material weakness, three (3) significant deficiencies, and five (5) non-compliance issues with Metro Guidelines.

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

Jamie Murguia, Finance Manager

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

RE: CITY OF ARTESIA ANNUAL FINANCIAL REPORT OF THE PROPOSITION A LOCAL RETURN FUND, PROPOSITION C LOCAL RETURN FUND, MEASURE R LOCAL RETURN FUND, MEASURE M LOCAL RETURN FUND AND TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND FOR THE FISCAL YEARS ENDED JUNE 30, 2025 AND 2024

I have received the annual financial report of the Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, Measure M Local Return Fund and Transportation Development Act Article 3 Fund for the years ended June 30, 2025 and 2024 for the City of Artesia and agree with the contents of the report except as indicated below:

(Attach additional pages if necessary)

Very truly yours,

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Name

____
Title

____
Date