



MetroTM

**City of Commerce
Annual Financial Report of the**

Measure M 20% Transit Operations Fund

**As of and for the Years Ended June 30, 2023 and 2022
with Independent Auditor's Report**

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FINANCIAL SECTION



Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Measure M 20% Transit Operations Fund (the Fund) of the City of Commerce, California (the City) which comprise the Fund's balance sheets as of June 30, 2023 and 2022, the related statements of revenues, expenditures and changes in fund balance for the years then ended, and the related notes to the Fund's 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 financial position of the Measure M 20% Transit Operations Fund of the City of Commerce, California, as of June 30, 2023 and 2022, 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.

Basis for Opinion

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 opinion.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the Measure M 20% Transit Operations Fund of the City of Commerce, California, and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2023 and 2022, 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.



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 opinion. 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 opinion on each of the Fund's 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. 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 Fund's basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the Fund's 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 Fund's basic financial statements or to the Fund's basic 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 Fund's basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2023 on our consideration of the City's internal control over the Fund's 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 Fund's 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 Fund's 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 Fund's financial reporting and compliance.

**Glendale, California
December 11, 2023**

**City of Commerce
Measure M 20% Transit Operations Fund
Balance Sheets**

| | | June 30 | |
|-------------------------------------|---|-----------|-----------|
| | | 2023 | 2022 |
| ASSETS | | | |
| Cash and investments | | \$ - | \$ - |
| | Total assets | \$ - | \$ - |
| LIABILITIES AND FUND DEFICIT | | | |
| Liabilities | | | |
| Due to Transit Fund | | \$ 95,456 | \$ 95,456 |
| | Total liabilities | 95,456 | 95,456 |
| Fund deficit | | | |
| Restricted | | (95,456) | (95,456) |
| | Total fund deficit | (95,456) | (95,456) |
| | Total liabilities and fund deficit | \$ - | \$ - |

See notes to fund financial statements.

City of Commerce
Measure M 20% Transit Operations Fund
Statements of Revenues, Expenditures and Changes in Fund Balance

| | | Years ended June 30 | |
|---|---------------------------|----------------------------|-------------|
| | | 2023 | 2022 |
| Revenues | | | |
| Measure M 20% Transit Operations | | \$ 164,700 | \$ 173,900 |
| | Total revenues | 164,700 | 173,900 |
| Expenditures | | | |
| Transit operating costs | | 164,700 | 269,356 |
| | Total expenditures | 164,700 | 269,356 |
| Excess (deficiency) of revenues over expenditures | | - | (95,456) |
| Fund balance (deficit) at beginning of year | | (95,456) | - |
| Fund deficit at end of year | | \$ (95,456) | \$ (95,456) |

See notes to fund financial statements.

City of Commerce
Measure M 20% Transit Operations Fund
Supplementary Information
Schedule of Expenditures – Actual and Metro Approved Project Budget
Year ended June 30, 2023
(With Comparative Actuals for 2022)

| <u>Project Code</u> | <u>Project Name</u> | <u>2023</u> | | | <u>2022 Actual</u> |
|---------------------|---------------------------|---------------------|-------------------|-------------------------------------|--------------------|
| | | <u>Metro Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> | |
| NA | Transit Operating Costs | \$ 164,700 | \$ 164,700 | \$ - | \$ 269,356 |
| | Total expenditures | <u>\$ 164,700</u> | <u>\$ 164,700</u> | <u>\$ -</u> | <u>\$ 269,356</u> |

See notes to fund financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The operations of the Measure M 20% Transit Operations Fund (MMTOF or the Fund) is accounted for in the City's Transit Fund, with separate funding source account coding to monitor the receipts of revenues and payments of expenditures.

The MMTOF represents 20% of a half-cent Measure M sales tax which is allocated through a Board-adopted Formula Allocation Procedure (FAP) to the countywide transit service operated by Metro and the included and eligible municipal operators. The purpose of the Measure M 20% Transit Operations program is to improve countywide transit service operations, maintenance, and expansion. The intent of Measure M is to increase revenues available for the public transit system. The program is flexible to allow each operator to determine how best to accomplish making public transportation more convenient, affordable, and improve quality of life.

Funds are distributed to the jurisdictions based on a Memorandum of Understanding (MOU) between the operator and Metro. The operator will have to submit a Measure M 20% Improvement Plan that includes a description of how these funds will be spent. The plan should explain how these services will meet the program objective and benefit transit users. Eligible projects include operating expenses for transit service, maintenance and any other operating expenses that will contribute to meet the program's purpose and objectives.

Basis of Accounting

MMTOF is reported in the accompanying financial statements and is 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.

Budgets and Budgetary Accounting

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

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. The Fund does not have investments measured at fair market value on a recurring basis as of June 30, 2023 and 2022.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement (Continued)

Refer to the City's Annual Comprehensive Financial Report (ACFR) 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.

MMTOF reports the following fund balance classification as of June 30, 2023 and 2022:

- 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 Fund's remaining fund balances is restricted for projects approved by Metro.

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

NOTE 2 ANNUAL FINANCIAL STATEMENTS

The financial statements reflect only the financial position and results of operations of MMTOF and do not purport to, and do not present fairly the City's financial position as of June 30, 2023 and 2022, 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 MEASURE M 20% TRANSIT OPERATIONS COMPLIANCE REQUIREMENTS

In accordance with *Measure M 20% Program Guidelines for Transit Operations*, funds received pursuant to the Guidelines may only be used for eligible operating expenses that include transit operation for countywide transit service operations, maintenance, and expansion and any other operating expenses that will contribute to meet the program purpose and objective. See accompanying Compliance Matrix for compliance requirements.

NOTE 4 SUBSEQUENT EVENTS

The City has evaluated events subsequent to June 30, 2023 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through December 11, 2023, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.



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 Commerce, 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 Measure M 20% Transit Operations Fund (the Fund) of the City of Commerce, California (the City) as of and for the year ended June 30, 2023, and the related notes to the Fund’s financial statements, and have issued our report thereon dated December 11, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the Fund’s financial statements, we considered the City’s internal control over the Fund’s financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Fund’s 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's Measure M 20% Transit Operations 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.

**Glendale, California
December 11, 2023**

COMPLIANCE SECTION



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 Commerce, California and the
Los Angeles County Metropolitan Transit Authority**

Report on Compliance

Opinion

We have audited the City of Commerce, California's (the City) compliance with the Measure M 20% Program Guidelines for Transit Operations and the Measure M Program Guidelines for Los Angeles County Metropolitan Transit Authority (Metro) (collectively, the Guidelines) as well as its Memorandum of Understanding (MOU) with the Metro for the year ended June 30, 2023.

In our opinion, the City of Commerce, California complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2023.

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, statutes, regulations, rules, and provisions of contracts or agreements applicable to the City's Measure M 20% Transit Operations Fund.



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.

Report on 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 with the Guidelines on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance 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.



Our consideration of internal control over compliance was for the limited purpose described in the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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.

Glendale, California
December 11, 2023

City of Commerce
Measure M 20% Transit Operations Fund
Compliance Matrix
Year ended June 30, 2023

| Compliance Requirements | In Compliance | | | Questioned Costs | If no, provide details and management response. |
|---|---------------|----|-----|------------------|---|
| | Yes | No | N/A | | |
| A. Measure M 20% Transit Operations Fund | | | | | |
| 1. A signed memorandum of understanding exists between Metro and the jurisdiction. | X | | | | |
| 2. Timely use of funds. | X | | | | |
| 3. Measure M 20% Improvement Plan (Expenditure Plan) was submitted to Metro. | X | | | | |
| 4. Expenditures were approved before being incurred. | X | | | | |
| 5. Funds were used on approved projects only. | X | | | | |
| 6. Funds were not used to supplant any funds authorized by other provisions of law and allocated by Metro for public transit. | X | | | | |
| 7. A completed Transportation Performance Measurement (TPM) form was submitted to Metro timely. | X | | | | |
| 8. An Annual Report has been provided to Metro. | X | | | | |
| 9. Accounting procedures, record keeping and documentation are adequate. | X | | | | |
| 10. Quarterly reports provided to Metro | X | | | | |
| 11. Lapsed funds returned to Metro. | | | X | | |

See independent auditor's report on compliance.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**City of Commerce
Measure M 20% Transit Operations Fund
Schedule of Findings and Questioned Costs
Year ended June 30, 2023**

There were no findings and questioned costs.

EXIT CONFERENCE

An exit conference was held on November 28, 2023 with the City of Commerce representatives. Those in attendance were:

Vasquez and Company LLP representatives:
 Marialyn Labastilla – Audit Director
 Erica Ong – Audit Manager

City of Commerce representatives:
 Claude McFerguson – Director of Transportation
 Francisco Larios – Contract Accountant

Matters discussed:

Results of the audit disclosed no significant compliance or financial statement issues.

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

Claude McFerguson – Director of Transportation
Francisco Larios – Contract Accountant

Vasquez & Company LLP
655 North Central Avenue, Suite 1550
Glendale, CA 91203

RE: CITY OF COMMERCE, CALIFORNIA ANNUAL FINANCIAL REPORT OF THE MEASURE M
20% TRANSIT OPERATIONS FUND FOR THE YEARS ENDED JUNE 30, 2023 AND 2022.

I have received the annual financial report of the Measure M 20% Transit Operations Fund for the years ended June 30, 2023 and 2022 for the City of Commerce and agreed with the contents of the report except as indicated below:

(Attach additional pages if necessary)

Very truly yours,

Name

Title

Date



www.vasquez.cpa

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