



**Metro**<sup>™</sup>

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

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



	<u>PAGE</u>
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	1
Audited Financial Statements	
Statements of Net Position	4
Statements of Revenues, Expenses and Changes in Net Position	5
Statements of Cash Flows	6
Notes to Fund Financial Statements	7
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 <i>Government Auditing Standards</i>	15
 <b>COMPLIANCE SECTION</b>	
Independent Auditor's Report on Compliance on Internal Control Over Compliance Required by the Guidelines	17
Transportation Development Act (TDA) Article 4, State Transit Assistance (STA), Proposition A (Prop A), Proposition C (Prop C) and Measure R Compliance Matrix	20
 <b>SUPPLEMENTARY INFORMATION</b>	
Exhibit A – Eligibility Test for TDA and STA Funds (CAC 6634)	22
Exhibit B – Eligibility Test for Proposition A Discretionary Grant	23
Exhibit C – Expenditure Limitation Test	24
 <b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>	25
 <b>EXIT CONFERENCE</b>	26

## **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 Transit Fund (the Fund) of the City of Commerce, California (the City) which comprise the Fund's statements of net position as of June 30, 2023 and 2022, the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the 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 Transit Fund of the City of Commerce, California, as of June 30, 2023 and 2022, and the changes in its financial position and its cash flows 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 described in Note 1, the financial statements present only the Transit Fund of the City and do not purport to, and do not, present fairly the financial position of the City of Commerce, California, as of June 30, 2023 and 2022, and the changes in its net position and its cash flows 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.



### ***Other Matter***

As discussed in Note 8, the fiscal year 2022 financial statements have been restated to transfer lease expenses to General Fund as a result of the implementation of GASB 87, *Leases*. 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 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 Funds' basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the Funds' basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the Funds' basic financial statements or to the Funds' basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to each of the Funds' basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2023 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.

**Glendale, California  
December 31, 2023**

**City of Commerce  
Transit Fund  
Statements of Net Position**

	June 30	
	2023	(as restated) 2022
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>Current assets</b>		
Cash and investments	\$ -	\$ 85,982
Due from Metro	39,563	52,767
Due from Federal Transit Administration	900,000	2,516,951
<b>Total current assets</b>	<b>939,563</b>	<b>2,655,700</b>
<b>Capital assets</b>		
Property and equipment (Note 2)	29,504,307	27,901,942
Less: accumulated depreciation (Note 2)	(14,962,394)	(13,640,657)
<b>Total capital assets</b>	<b>14,541,913</b>	<b>14,261,285</b>
<b>Total assets</b>	<b>15,481,476</b>	<b>16,916,985</b>
<b>Deferred outflows of resources</b>		
Deferred outflows of resources related to pensions (Note 6)	2,718,770	675,903
Deferred outflows of resources related to OPEB (Note 7)	1,143,442	968,342
<b>Total deferred outflows of resources</b>	<b>3,862,212</b>	<b>1,644,245</b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>		
<b>Current liabilities</b>		
Accounts payable	465,534	2,812,552
Accrued salaries and benefits payable	161,790	92,506
Compensated absences payable	142,166	142,166
Due to General Fund	5,276,887	2,956,619
<b>Total current liabilities</b>	<b>6,046,377</b>	<b>6,003,843</b>
<b>Noncurrent liabilities</b>		
Compensated absences payable	491,916	437,930
Net pension liability (Note 6)	3,309,811	3,701,683
OPEB liability (Note 7)	14,450,391	10,895,996
<b>Total noncurrent liabilities</b>	<b>18,252,118</b>	<b>15,035,609</b>
<b>Total liabilities</b>	<b>24,298,495</b>	<b>21,039,452</b>
<b>Deferred inflows of resources</b>		
Deferred inflows of resources related to pensions (Note 6)	353,281	1,798,713
Deferred inflows of resources related to OPEB (Note 7)	2,218,529	1,117,957
<b>Total deferred inflows of resources</b>	<b>2,571,810</b>	<b>2,916,670</b>
<b>NET DEFICIT</b>		
<b>Net deficit</b>		
Investment in capital assets (Note 2)	14,541,913	14,261,285
Unrestricted	(22,068,530)	(19,656,177)
<b>Net deficit</b>	<b>\$ (7,526,617)</b>	<b>\$ (5,394,892)</b>

See notes to financial statements.

City of Commerce  
Transit Fund

**Statements of Revenues, Expenses and Changes in Net Position**

---

	Years ended June 30	
	2023	(as restated) 2022
<b>Operating revenues</b>		
Charges for services - bus fares	\$ -	\$ -
Others - advertising	25,206	16,097
<b>Total operating revenues</b>	<b>25,206</b>	16,097
<b>Operating expenses</b>		
Administration	5,018,589	1,524,982
Depreciation	1,321,737	1,092,828
Operations	2,853,255	6,168,596
Maintenance	1,156,128	944,998
<b>Total operating expenses</b>	<b>10,349,709</b>	9,731,404
<b>Net operating loss</b>	<b>(10,324,503)</b>	(9,715,307)
<b>Nonoperating revenues</b>		
Intergovernmental (Note 3)	5,254,179	4,041,937
<b>Total nonoperating revenues</b>	<b>5,254,179</b>	4,041,937
Loss before capital grants and operating transfers	(5,070,324)	(5,673,370)
Capital grants	-	5,445,000
Capital contributions (Note 4)	1,602,365	532,271
Transfers in (Note 5)	1,336,234	324,956
<b>Change in net position</b>	<b>(2,131,725)</b>	628,857
<b>Net deficit at beginning of year</b>	<b>(5,394,892)</b>	(6,023,749)
<b>Net deficit at end of year</b>	<b>\$ (7,526,617)</b>	\$ (5,394,892)

See notes to financial statements.

**City of Commerce  
Transit Fund  
Statements of Cash Flows**

	<b>Years ended June 30</b>	
	<b>2023</b>	(as restated) <b>2022</b>
<b>Cash flows from operating activities</b>		
Payments to suppliers	\$ (5,285,531)	\$ 437,959
Payments to employees	(5,366,493)	(4,410,891)
Other receipts	25,206	16,097
<b>Net cash used in operating activities</b>	<b>(10,626,818)</b>	<b>(3,956,835)</b>
<b>Cash flows from capital and related financing activities</b>		
Capital grants and contributions	1,602,365	5,977,271
Purchases and construction of capital assets, net	(1,602,365)	(5,969,273)
<b>Net cash provided by capital and related financing</b>	-	7,998
<b>Cash flows from non-capital financing activities</b>		
Intergovernmental noncapital grants	6,884,334	1,516,633
Contributions received from other funds	1,336,234	324,956
Cash received from General Funds	2,320,268	2,193,230
<b>Net cash provided by non-capital financing activities</b>	<b>10,540,836</b>	<b>4,034,819</b>
<b>Net changes in cash and investments</b>	<b>(85,982)</b>	<b>85,982</b>
<b>Cash and investments, beginning of year</b>	<b>85,982</b>	-
<b>Cash and investments, end of year</b>	<b>\$ -</b>	<b>\$ 85,982</b>
<b>Reconciliation of net operating loss to net cash used in operating activities:</b>		
Net operating loss	\$ (10,324,503)	\$ (9,715,307)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation	1,321,737	1,092,828
Changes in operating assets and liabilities:		
Increase in deferred outflows of resources related to pensions	(2,042,867)	(344,277)
Increase in deferred outflows of resources related to OPEB	(175,100)	(60,348)
Increase (decrease) in accounts payable	(2,347,018)	2,591,725
Increase (decrease) in accrued salaries and benefits payable	69,284	(106,924)
Increase in compensated absences payable	53,986	78,250
Increase (decrease) in net pension liability	(391,872)	489,425
Increase in OPEB liability	3,554,395	1,482,370
Increase (decrease) in deferred inflows of resources related to pensions	(1,445,432)	880,723
Increase (decrease) in deferred inflows of resources related to OPEB	1,100,572	(345,300)
<b>Net cash used in operating activities</b>	<b>\$ (10,626,818)</b>	<b>\$ (3,956,835)</b>

See notes to financial statements.

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Transit Fund (the Fund) of the City of Commerce (the City) is an enterprise fund of the City created by resolution of the City Council. The Fund accounts for the activities necessary to provide transportation service to the citizen and the industrial community. The accounting policies of the Fund conform to accounting principles generally accepted in the United States of America. The following is a summary of the significant policies applied in the preparation of the Fund's financial statements.

**Reporting Entity and Fund Accounting**

All transactions of the Transit Fund are included in the reporting entity of the City of Commerce and are recorded in a separate fund of the City. As such, the accompanying financial statements present only the Transit Fund and do not purport to, and do not present fairly the financial position and the changes in financial position of the City of Commerce, California, as of and for the years ended June 30, 2023 and 2022. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording resources, related liabilities, deferred inflows and outflows, reserves, revenues and expenses and fund equities segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The Fund follows the Uniform System of Accounts and Records prescribed by the Federal Transportation Administration (FTA) and the California State Controller. Transit system operations provide transportation services to the general public.

**Fair Value Measurement**

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

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

**Cash, Cash Equivalents and Investments**

Cash and investments of the Transit Fund are maintained in the City's cash and investment pool for the purpose of increasing income through investment activities.

Available cash balances consist primarily of certificates of deposit, deposits in the State Treasurer's Local Agency Investment Fund, bankers' acceptances and Federal agency investments and repurchase agreements. All of the City's investments are authorized by State statute. Cash and investments are stated at cost, which approximates fair value. The Transit Fund reported zero balance of cash and investments as of June 30, 2023 and 2022.

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash, Cash Equivalents and Investments (Continued)**

For purposes of reporting cash flows for the Fund, cash and cash equivalents include cash on hand and investments purchased with original maturities of 90 days or less. Cash includes deposits in the cash management pool that has the general characteristics of a demand deposit account. Further information concerning the City's investment pool and a full description of risks relating to cash and investments can be found in the City's ACFR.

**Capital Assets**

Capital assets, comprised of property and equipment, are recorded at cost. Depreciation of capital assets in the Transit Fund is charged to operations. Depreciation is provided over the estimated useful lives of the assets using the straight-line method with no allowance for salvage values. The estimated useful lives used in computing depreciation of capital assets are as follows:

Description	Estimated Useful Life
Buildings	10-40 years
Improvements other than buildings	20-30 years
Distribution system	20-30 years
Infrastructure	20-40 years
Machinery and equipment	5-13 years

**Unearned Revenues**

Grants received by the City for the acquisition of capital assets and certain operating expenses are recorded as unearned revenue until such time as the capital assets are acquired or as the expenses are incurred.

**Deferred Outflows and Inflows of Resources**

Pursuant to GASB Statement Nos. 63 and 65, the City recognizes deferred outflows and inflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period. Deferred outflows and inflows of resources as of June 30, 2023 and 2022 represent pension and OPEB related deferrals reported in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

Further information concerning the City's pension and OPEB can be found in the City's ACFR.

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Statement of Cash Flows**

The City maintains the Statement of Net Position for the entire Transit Fund. The individual Statement of Net Position components cannot be broken down by projects. Thus, the Statement of Cash Flows cannot be presented separately for the Fixed Route, Dial-A-Ride and Recreational Transit projects.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Specifically, the Transit Fund has made certain estimates and assumptions relating to the collectability of its receivables and the useful lives of the capital assets. Actual results could differ from those estimates and assumptions.

**Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's OPEB Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

**NOTE 2      CAPITAL ASSETS**

Capital assets at June 30, 2023 and 2022 is composed of:

	<b>2023</b>	<b>2022</b>
Building improvements	\$ <b>8,210,447</b>	\$ 8,210,447
Machinery and equipment	<b>18,872,461</b>	17,270,096
Land	<b>2,421,399</b>	2,421,399
Total capital assets	<b>29,504,307</b>	27,901,942
Less: Accumulated depreciation	<b>(14,962,394)</b>	(13,640,657)
Capital assets, net	<b>\$ 14,541,913</b>	<b>\$ 14,261,285</b>

**NOTE 3      INTERGOVERNMENTAL REVENUES**

Intergovernmental revenues for the years ended June 30, 2023 and 2022 consisted of the following:

	<b>2023</b>	<b>2022</b>
Proposition A 40% Discretionary Fund	\$ <b>391,840</b>	\$ 355,549
Transportation Development Act (TDA) Article 3	<b>12,051</b>	9,437
TDA Article 4	<b>462,628</b>	453,743
State Transit Assistance Fund	<b>43,948</b>	43,226
Proposition C Local Return Fund	<b>278,896</b>	269,544
Proposition C Discretionary – Zero-Fare Compensation	<b>900,736</b>	846,283
Proposition C Discretionary – Base Restructuring	<b>270,194</b>	261,563
Proposition C Discretionary – Foothill Mitigation	<b>13,963</b>	14,138
Proposition C Discretionary – Security	<b>24,796</b>	39,240
Proposition C Discretionary – MOSIP	<b>59,758</b>	79,368
Measure R Local Return	<b>209,112</b>	202,126
Measure R Clean Fuel Bus Capital Facility and Rolling Stock Fund	-	33,515
Measure R 20% Bus Operations	<b>164,959</b>	269,356
Measure R 20% Highway Capital	<b>3,890</b>	-
Measure M Local Return	<b>236,550</b>	228,728
Measure M 20% Transit Operations	<b>164,700</b>	173,900
Senate Bill 1 - State Transit Assistance	<b>33,899</b>	32,365
Senate Bill 1 - State of Good Repair	<b>12,123</b>	15,772

*(continued)*

**NOTE 3 INTERGOVERNMENTAL REVENUES (CONTINUED)**

	<b>2023</b>	<b>2022</b>
FTA	\$ <b>900,000</b>	\$ 63,306
FTA CRRSAA Funds	<b>22,357</b>	98,446
FTA CARES Act	-	72,735
FTA Comprehensive Operational Analyst	<b>4,109</b>	14,376
FTA Transit Facility at CREA Site	<b>649,951</b>	450,782
On-demand Transit Software Technology	<b>118,443</b>	-
South Coast Air Quality Management District Grant Funding	<b>275,000</b>	-
Others	<b>276</b>	14,439
Total	\$ <b>5,254,179</b>	\$ 4,041,937

**NOTE 4 CAPITAL CONTRIBUTIONS**

In May 2021, the City entered into a grant agreement for the Sustainable Transportation Equity Program (STEP) with the California Air Resources Board (CARB) for the Commerce Moving Forward Project. CARB approved the grant amounting to \$3,240,078.

The City recognized reimbursements for the purchase of Electric Shuttles amounting to \$1,602,365 and \$532,271 during the years ended June 30, 2023 and 2022, respectively.

**NOTE 5 OPERATING TRANSFERS**

Proposition A Local Return revenues are recorded in the Proposition A Local Return Fund and then transferred to the Transit Fund as Operating Transfers. The funds transferred are used to finance the operations of the Transit Fund.

For the fiscal years ended June 30, 2023 and 2022, the Operating Transfers consisted of the following:

	<b>2023</b>	<b>2022</b>
Proposition A Local Return Fund	\$ <b>336,234</b>	\$ 324,956
Proposition A Exchange	<b>1,000,000</b>	-
Total	\$ <b>1,336,234</b>	\$ 324,956

**NOTE 6 PENSION PLAN**

**California Public Employers' Retirement System (CalPERS)**

All qualified permanent and probationary employees are eligible to participate in the City's Miscellaneous Plan, agent multiple-employer defined benefit pension plans administered by CalPERS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS' website under Forms and Publications.

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment.

The City's net pension liability was measured as of June 30, 2022 and 2021 and the total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2021 and 2020, respectively.

In accordance with GASB Statement No. 68, the City allocated the following pension related accounts to the Fund as of June 30, 2023 and 2022:

	2023	2022
Net pension liability	\$ 3,309,811	\$ 3,701,683
Deferred outflows of resources	2,718,770	675,903
Deferred inflows of resources	353,281	1,798,713

Refer to the City's ACFR for the fiscal years ended June 30, 2023 and 2022 for more information about the City's pension plan and required note disclosures.

**NOTE 7 POSTEMPLOYMENT BENEFITS PLAN**

**Plan Description**

The City administers a single-employer defined benefit plan with medical insurance benefits to eligible retirees and their spouses in accordance with various labor agreements. The City has not established a trust for the purpose of holding assets accumulated for plan benefits. After the age of 65, Medicare automatically becomes the primary provider of health coverage. The City's defined benefit plan becomes the secondary provider. Eligible retirees will have no noticeable change in health benefits or plan administration; however, there is a reduction in the City's cost of health coverage as the secondary provider. The City's defined benefit plan administrator establishes the cost of secondary provider rates annually. The City will pay 100% for eligible retirees' health coverage.

**NOTE 7      POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)**

**Eligibility**

Employees are eligible for retiree health benefits if they retire from the City on or after the age of 50 with at least 5 years of service and are eligible for a CalPERS pension.

**Net OPEB Liability**

The City's net OPEB liability was measured as of June 30, 2022 and 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022 and 2021, respectively.

In accordance with GASB Statement No. 75, the City allocated 25.00% and 16.00% of the City's total OPEB liability, expense and deferred inflows and outflows of resources to the Fund as of June 30, 2023 and 2022, respectively. Amounts allocated are as follows:

	<b>2023</b>	<b>2022</b>
Net OPEB liability	\$ <b>14,450,391</b>	\$ 10,895,996
Deferred outflows of resources	<b>1,143,442</b>	968,342
Deferred inflows of resources	<b>2,218,529</b>	1,117,957

Refer to the City's ACFR for the fiscal years ended June 30, 2023 and 2022 for more information about the City's postemployment benefits plan and required note disclosures.

**NOTE 8      RESTATEMENT OF FUND FINANCIAL STATEMENTS**

The 2022 financial statements were restated to reflect the adjustments on the following accounts:

	Balance, as previously reported	Adjustment	Balance, as restated
Cash	\$ -	\$ 85,982	\$ 85,982
Fund deficit	5,480,874	(85,982)	5,394,892
Operating expenses - Administration	1,610,964	(85,982)	1,524,982

The restatement of the financial statements is to transfer lease expenses to General Fund as a result of the implementation of GASB 87, *Leases*.

**NOTE 9      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 31, 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 Transit 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 financial statements, and have issued our report thereon dated December 31, 2023.

**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's Transit 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 31, 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 Transportation Development Act, State Transit Assistance, Proposition A 40% Discretionary and Proposition C 40% Discretionary Program Memorandum of Understanding (MOU) and Guidelines, and Proposition 1B Guidelines (collectively, the Guidelines) 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 compliance requirements of laws, statutes, regulations, rules, and provisions of contracts or agreements applicable to the City's Transit 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 31, 2023**

City of Commerce  
Transit Fund

**Transportation Development Act (TDA), State Transit Assistance (STA),  
Proposition A (Prop A), and Proposition C (Prop C) Compliance Matrix  
Year ended June 30, 2023**

Compliance Requirements	Applies To	In Compliance			If no, provide details and management response.
		Yes	No	N/A	
1. Operator's expenditures are in conformity with the Regional Transportation Plan and Metro's Transit Performance Measurement Program adopted March 27, 2001.	TDA STA Prop A	X			
2. Operator has met the fare revenue requirements of PUC Sections 99268.2, 99268.3, 99268.4, 99268.5, and 99268.9 as applicable.	TDA STA			X	
3. Operator has made full use of federal funds available under the Urban Mass Transportation Act of 1964, as amended.	TDA STA Prop A	X			
4. Operator did not exceed the amount of STA and LTF funds it is eligible to receive during the year under Section 6634 (Exhibit A).	TDA STA	X			
5. Operator did not exceed the amount of Proposition A Discretionary Fund it is eligible to receive during the year (Exhibit B).	Prop A	X			
6. Operator did not exceed the 50% Expenditure Limitation under PUC 99268 (Exhibit C).	TDA	X			
7. Operator has given priority consideration to claims to offset reduction in federal operating assistance and the unanticipated rise in the cost of fuel, to enhance existing public transportation services, and to meet high priority regional, countywide, or area wide public transportation needs.	TDA STA	X			
8. Operator has made a reasonable effort to implement the productivity improvement recommended pursuant to PUC Section 99244 and has met the Standards prescribed under Section 1.1 of Proposition A 40% Discretionary Fund Guidelines.	TDA STA Prop A	X			
9. Operator is not precluded by any contract entered into from employing part-time drivers or from contracting with common carriers of persons operating under a franchise or license.	TDA STA	X			

*See independent auditor's report on compliance.*

**City of Commerce  
Transit Fund**

**Transportation Development Act (TDA), State Transit Assistance (STA),  
Proposition A (Prop A), and Proposition C (Prop C) Compliance Matrix  
Year ended June 30, 2023**

Compliance Requirements	Applies To	In Compliance			If no, provide details and management response.
		Yes	No	N/A	
10. Operator has been certified within the last 13 months by the California Highway Patrol to be in compliance with Section 1808.1 of the Vehicle Code.	TDA STA	X			
11. Operator is in compliance with the eligibility requirements of PUC Section 99314.6.	TDA STA	X			
12. Operator received local support equivalent to 5% of the current fiscal year operating budget or 25% of the current fiscal year Local Return Funds received by the operator's sponsoring municipality, whichever is less.	Prop A	X			
13. Operator's sponsoring municipality has expended at least 50% of the fiscal year Proposition A Local Return allocation.	Prop A	X			
14. Operator utilized the funds in accordance with Metro's guidelines and did not use the funds to substitute for any other funds, service, or projects except as otherwise specifically provided for in the MOUs. <ul style="list-style-type: none"> <li>• Proposition A Discretionary</li> <li>• Transit Service Expansion</li> <li>• Foothill Mitigation</li> <li>• Bus System Improvement Plan</li> <li>• Base Restructuring</li> <li>• Security</li> <li>• Fuel Mitigation Program</li> <li>• Measure R</li> </ul>	Prop A Prop C Measure R	X			
15. Operator has complied with all requirements of Proposition 1B Ordinance	Prop 1B	X			

*See independent auditor's report on compliance.*

## **SUPPLEMENTARY INFORMATION**

**City of Commerce**  
**Transit Fund**  
**Exhibit A**  
**Eligibility Test for TDA and STA Funds (CAC 6634)**  
**Year ended June 30, 2023**

---

1. Total Operating Costs (Excluding Depreciation)	\$	<u>9,027,972</u> *
2. Deductions:		
a) Fare Box Revenues		-
b) Local Support Required Specified Under CAC 6633.2		4,030,832 **
c) Federal Operating Assistance Received		-
d) Amount Received from a City or County which are beyond boundaries		-
e) Local sales tax revenues pursuant to PUC section 130354		<u>-</u>
3. Total Deductions (Sum a-e)		<u>4,030,832</u>
4. Amount of TDA and STA Funds Eligible (Line 1 minus Line 3)	\$	<u>4,997,140</u>
5. TDA and STA Funds Received	\$	<u>506,576</u>
6. Excess TDA and STA Funds Received (Amount of Line 5 in excess of Line 4)	\$	<u>-</u>

\* Total Operating Costs

Total Operating Expenses	\$	10,349,709
Less: Depreciation		<u>(1,321,737)</u>
	\$	<u>9,027,972</u>

\*\* Local Support

Proposition A Local Return	\$	336,234
Proposition A Exchange Revenue		1,000,000
Proposition C Local Return		278,896
Measure R Local Return		209,112
Measure M Local Return		236,550
Proposition A 40% Discretionary Fund		391,840
Proposition C Discretionary Fund - Zero-Fare Compensation		900,736
Proposition C Discretionary - Base Restructuring		270,194
Proposition C Discretionary - Foothill Mitigation		13,963
Proposition C Discretionary - MOSIP		59,758
Measure R 20% Bus Operations		164,959
Measure R 20% Highway Capital		3,890
Measure M 20% Transit Operations		<u>164,700</u>
	\$	<u>4,030,832</u>

*See independent auditor's report.*

City of Commerce  
Transit Fund  
Exhibit B  
Eligibility Test for Proposition A Discretionary Grant  
Year ended June 30, 2023

---

1. Total Operating Costs (Excluding Depreciation)	\$ <u>9,027,972</u> *
2. Deductions:	
a) UMTA Section 9 Operating Funds	-
b) State Transportation Assistance Funds	43,948
c) TDA Operating Funds	462,628
d) Farebox Revenues	-
e) Local Subsidies (including Local Return, General Revenue, etc.)	2,060,792 **
f) Other	<u>-</u>
3. Total Deductions (Sum a-f)	<u>2,567,368</u>
4. Amount of Proposition A Discretionary Grant Eligible (Line 1 minus Line 3)	\$ <u>6,460,604</u>
5. Proposition A Discretionary Grant Received	\$ <u>391,840</u>
6. Excess Proposition A Discretionary Received (Amount of Line 5 in excess of Line 4)	\$ <u><u>-</u></u>

\* Total Operating Costs

Total Operating Expenses	\$ 10,349,709
Less: Depreciation	(1,321,737)
	<u>\$ 9,027,972</u>

\*\* Local subsidies:

Proposition A Local Return	\$ 336,234
Proposition A Exchange Revenue	1,000,000
Proposition C Local Return	278,896
Measure R Local Return	209,112
Measure M Local Return	<u>236,550</u>
	<u>\$ 2,060,792</u>

*See independent auditor's report.*

**City of Commerce**  
**Transit Fund**  
**Exhibit C**  
**Expenditure Limitation Test**  
**Year ended June 30, 2023**

---

1	Total Operating Costs Before Depreciation <sup>(1)</sup>	\$ 1,387,289
2	Total Depreciation	1,321,737
3	Total Capital Requirements	-
4	Total Debt Service Requirements	-
5	Total (Lines 1 - 4)	<u>2,709,026</u>
6	Less: Federal Grants Received	-
7	Less: State Transit Assistance Fund (STAF) Received	<u>43,948</u>
8	Total (Lines 6 & 7)	<u>43,948</u>
9	Net (Line 5 less Line 8)	<u>\$ 2,665,078</u>
10	Total Permissible Local Transportation Fund (LTF) under Article 4 (50% of Line 9)	<u>\$ 1,332,539</u>
11	LTF Expended	<u>\$ 462,628</u>
12	Excess LTF Expended (Amount of Line 11 in excess of Line 10)	<u>\$ -</u>

<sup>(1)</sup> *Amount includes only expenses from the Fixed Route operations.*

The Article 4 allocation did not exceed the 50% expenditure limitation.

*See independent auditor's report.*

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**City of Commerce  
Transit 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 representative for their comments prior to the issuance of the final report:

Vilko Domic – Assistant City Manager  
Claude McFerguson – Director of Transportation  
Francisco Larios – Contract Accountant



[www.vasquez.cpa](http://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](http://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.

655 N Central Avenue, Suite 1550 • Glendale, California 91203-1437 • Ph. (213) 873-1700 • Fax (213) 873-1777