City of Cudahy
Annual Financial Report of its

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

As of and for the Years Ended June 30, 2025 and 2024
With Independent Auditor's Report

VASQUEZ
+ COMPANY LLP

FINANCIAL SECTION

655 N. Central Avenue
Suite 1550
Glendale, CA 91203

www.vasquez.cpa

213-873-1700
OFFICE

\ LOS ANGELES
\ SAN DIEGO
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VASQUEZ
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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

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 Cudahy, California (the City) which comprise the Funds' balance sheets as of June 30, 2025 and 2024, 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 Cudahy, 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 Cudahy, California, and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2025 and 2024, 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.

Other Matter

As discussed in Note 10, the fiscal year 2024 financial statements of the Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, and Measure M Local Return Fund have been restated to adjust expenditures reported in fiscal year 2024. 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 auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to each of the Funds' basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

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

Vasquez & Company LLP

Glendale, California
December 31, 2025

	June 30	
	2025	(as restated) 2024
ASSETS		
Cash and investments	**$ 1,584,854**	$ 1,403,959
Interest receivable	**14,444**	-
Prepaid expense	**-**	9,885
Due from General Fund	**39,689**	-
Total assets	**$ 1,638,987**	$ 1,413,844
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	**$ 67,868**	$ 75,278
Accrued payroll	**1,043**	-
Total liabilities	**68,911**	75,278
Fund balance		
Restricted	**1,570,076**	1,338,566
Total fund balance	**1,570,076**	1,338,566
Total liabilities and fund balance	**$ 1,638,987**	$ 1,413,844

See notes to Funds financial statements.

	Years ended June 30	
		(as restated)
	2025	2024
Revenues		
Proposition A	$ **584,336**	$ 591,793
Investment income	**62,179**	39,665
Total revenues	**646,515**	631,458
Expenditures		
Expenditures funded by PALRF	**454,694**	500,572
Adminitrative expenditures funded by General Fund	**39,573**	-
	494,267	500,572
Excess of revenues over expenditures	**152,248**	130,886
Other financing source		
Transfer in from General Fund	**79,262**	-
Total other financing source	**79,262**	-
Change in fund balance	**231,510**	130,886
Fund balance at beginning of year	**1,338,566**	1,207,680
Fund balance at end of year	$ **1,570,076**	$ 1,338,566

See notes to Funds financial statements.

City of Cudahy
Proposition A Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and Metro Approved Project Budget
Year ended June 30, 2025
(With Comparative Actuals for 2024)

Project Code	Project Name	2025 Metro Budget	2025 Actual	2025 Variance Positive (Negative)	(as restated) 2024 Actual
107	Dial-A-Ride	$ 100,000	$ 100,000	$ -	$ 103,779
145	Cudahy ADA Improvements along Fixed Route (per Cudahy ADA Transition Plan)	150,000	-	150,000	-
155	Recreational Excursions	40,000	22,574	17,426	41,685
180	Orange Line Rail Transit	9,000	-	9,000	6,368
180	Fixed Route Cudahy	200,000	233,267	(33,267)	226,949
205	Cudahy Citywide Bus Stop Improvement Project	100,000	-	100,000	-
210	City of Cudahy Trolley Bus Purchase Project	300,000	-	300,000	-
610	Administration Prop A	87,730	98,853 *	(11,123)	121,791 *
	Total expenditures	$ 986,730	$ 454,694	$ 532,036	$ 500,572

*See Compliance Matrix and Schedule of Findings and Questioned Costs

See independent auditor's report.

Date Acquired	Description	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
06/14/2010	1 Aero Elite Motor Bus Vehicle	$ 60,314	$ -	$ -	$ 60,314
	Total	$ 60,314	$ -	$ -	$ 60,314

See independent auditor's report.

	Years ended June 30	
	2025	(as restated) 2024
ASSETS		
Cash and investments	$ **2,014,822**	1,521,949
Interest receivable	**17,568**	-
Due from Metro	**-**	38,557
Due from General Fund	**69,184**	-
Total assets	$ **2,101,574**	$ 1,560,506
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	$ **58,274**	$ 7,396
Wages payable	**1,346**	-
Total liabilities	**59,620**	7,396
Fund balance		
Restricted	**2,041,954**	1,553,110
Total fund balance	**2,041,954**	1,553,110
Total liabilities and fund balance	$ **2,101,574**	$ 1,560,506

See notes to Funds financial statements.

	Years ended June 30	
		(as restated)
	2025	2024
Revenues		
Proposition C	$ **484,692**	$ 490,878
Investment income	**71,928**	39,251
Bus pass sales	**130**	29
Total revenues	**556,750**	530,158
Expenditures		
Expenditures funded by PCLRF	**137,090**	109,164
Adminitrative expenditures funded by General Fund	**162,725**	62,589
Total expenditures	**299,815**	171,753
Excess of revenues over expenditures	**256,935**	358,405
Other financing source		
Transfer in from General Fund	**231,909**	86,900
Total other financing source	**231,909**	86,900
Change in fund balance	**488,844**	445,305
Fund balance at beginning of year	**1,553,110**	1,107,805
Fund balance at end of year	$ **2,041,954**	$ 1,553,110

See notes to Funds financial statements.

Schedule of Expenditures – Actual and Metro Approved Project Budget
Year ended June 30, 2025
(With Comparative Actuals for 2024)

Project Code	Project Name	2025 Metro Budget	2025 Actual	2025 Variance Positive (Negative)	(as restated) 2024 Actual	
135	Bus Fare Subsidy	$ 55,000	$ -	$ 55,000	$ -	
155	Recreation Excursions	30,000	27,598	2,402	30,969	
470	Council of Governments Membership (Gateway COG)	16,575	9,746	6,829	-	
620	Administration Prop C	141,838	23,371	118,467	77,180	*
705	Santa Ana Street and Park Avenue Street Improvement Project	450,000	7,565	442,435	-	
715	Wilcox Avenue Street Improvement Project	600,000	43,810	556,190	-	
765	Pavement Management System 2025 Update Project	25,000	25,000	-	1,015	
780	I-710 Arterial Study	10,000	-	10,000	-	
	Total expenditures	$ 1,328,413	$ 137,090	$ 1,191,323	$ 109,164	

*See Compliance Matrix and Schedule of Findings and Questioned Costs

See independent auditor's report.

Date Acquired	Description	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
N/A	None	$ -	$ -	$ -	$ -
	Total	$ -	$ -	$ -	$ -

See independent auditor's report.

	June 30	
	2025	(as restated) 2024
ASSETS		
Cash and investments	**$ 2,861,878**	$ 2,497,611
Interest receivable	**19,488**	-
Due from Metro	**-**	29,003
Due from General Fund	**13,274**	-
Total assets	**$ 2,894,640**	$ 2,526,614
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	**$ 2,432**	$ 14,089
Wages payable	**1,421**	-
Total liabilities	**3,853**	14,089
Fund balance		
Restricted - Capital reserve	**618,409**	-
Restricted	**2,272,378**	2,512,525
Total fund balance	**2,890,787**	2,512,525
Total liabilities and fund balance	**$ 2,894,640**	$ 2,526,614

See notes to Funds financial statements.

	Years ended June 30	
		(as restated)
	2025	2024
Revenues		
Measure R	**$ 363,452**	$ 368,044
Investment income	**97,291**	66,453
Total revenues	**460,743**	434,497
Expenditures		
Expenditures funded by MRLRF	**95,755**	23,102
Adminitrative expenditures funded by General Fund	**57,230**	37,576
Total expenditures	**152,985**	60,678
Excess of revenues over expenditures	**307,758**	373,819
Other financing source		
Transfer in from General Fund	**70,504**	66,194
Total other financing source	**70,504**	66,194
Change in fund balance	**378,262**	440,013
Fund balance at beginning of year	**2,512,525**	2,072,512
Fund balance at end of year	**$ 2,890,787**	$ 2,512,525

See notes to Funds financial statements.

City of Cudahy
Measure R Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and Metro Approved Project Budget
Year ended June 30, 2025
(With Comparative Actuals for 2024)

Project Code	Project Name	2025 Metro Budget	2025 Actual	2025 Variance Positive (Negative)	(as restated) 2024 Actual
302	Matching Funds for 2015 Call for Projects Approved Grants	$ 326,138	$ -	$ 326,138	$ -
302	Active Transportation Program	-	29,045 *	(29,045)	-
630	Fund Administration	95,947	21,569 *	74,378	13,274 *
705	Matching Funds for HSIP-7 Approved Grant - Safety Enhancement	36,320	-	36,320	-
781	Cudahy Citywide Complete Streets Improvement Project	1,350,000	45,141	1,304,859	9,828
	Total expenditures	$ 1,808,405	$ 95,755	$ 1,712,650	$ 23,102

*See Compliance Matrix and Schedule of Findings and Questioned Costs

Date Acquired	Description	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
N/A	None	$ -	$ -	$ -	$ -
	Total	$ -	$ -	$ -	$ -

	June 30	
	2025	(as restated) 2024
ASSETS		
Cash and investments	**$ 2,403,497**	$ 2,120,356
Interest receivable	**22,021**	-
Due from Metro	**-**	32,882
Due from General Fund	**112,964**	-
Total assets	**$ 2,538,482**	$ 2,153,238
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	**$ 57,395**	$ 9,731
Wages payable	**1,160**	-
Total liabilities	**58,555**	9,731
Fund balance		
Restricted	**2,479,927**	2,143,507
Total fund balance	**2,479,927**	2,143,507
Total liabilities and fund balance	**$ 2,538,482**	$ 2,153,238

See notes to Funds financial statements.

	Years ended June 30	
		(as restated)
	2025	2024
Revenues		
Measure M	**$ 411,779**	$ 415,599
Investment income	**95,145**	59,555
Total revenues	**506,924**	475,154
Expenditures		
Expenditures funded by MMLRF	**283,468**	131,957
Adminitrative expenditures funded by General Fund	**77,108**	12,944
Total expenditures	**360,576**	144,901
Excess of revenues over expenditures	**146,348**	330,253
Other financing source		
Transfer in from General Fund	**190,072**	17,846
Total other financing source	**190,072**	17,846
Change in fund balance	**336,420**	348,099
Fund balance at beginning of year	**2,143,507**	1,795,408
Fund balance at end of year	**$ 2,479,927**	$ 2,143,507

See notes to Funds financial statements.

City of Cudahy
Measure M Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and Metro Approved Project Budget
Year ended June 30, 2025
(With Comparative Actuals for 2024)

Project Code	Project Name	2025 Metro Budget	2025 Actual	2025 Variance Positive (Negative)	2024 Actual (as restated)
304	Traffic Signal - Repairs and Maintenance	$ 250,000	$ 158,833	$ 91,167	$ -
640	Fund Administration (20% cap)	93,472	72,115 *	21,357	101,341 *
705	Cecilia Street Improvement Project	450,000	43,670	406,330	-
705	Cudahy Citywide Traffic Striping and Signage Project	120,000	-	120,000	30,616
715	Otis Ave/ River Road/ Flora Ave Street Improvement Project	450,000	-	450,000	-
730	Cudahy Complete Streets Improvement Project	650,000	-	650,000	-
730	Atlantic Ave Complete Streets Improvement Project	-	8,850 *	(8,850)	-
	Total expenditures	$ 2,013,472	$ 283,468	$ 1,730,004	$ 131,957

*See Compliance Matrix and Schedule of Findings and Questioned Costs

See independent auditor's report.

Date Acquired	Description	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
N/A	None	$ -	$ -	$ -	$ -
	Total	$ -	$ -	$ -	$ -

See independent auditor's report.

	June 30	
	2025	2024
ASSETS		
Cash and investments	**$ -**	$ -
Total assets	**$ -**	$ -
LIABILITIES AND FUND BALANCE		
Liabilities		
Due to other fund	**$ 133**	$ 133
Total liabilities	**133**	133
Fund balance		
Restricted	**(133)**	(133)
Total fund balance	**(133)**	(133)
Total liabilities and fund balance	**$ -**	$ -

See notes to Funds financial statements.

	Years ended June 30	
	2025	2024
Revenues		
Intergovernmental Allocations:		
Article 3	**$ -**	$ -
Total revenues	**-**	-
Expenditures		
Citywide Sidewalk Assessment	**-**	996
Total expenditures	**-**	996
Excess (deficiency) of revenues over expenditures	**-**	(996)
Fund deficit at beginning of year	**(133)**	863
Fund defict at end of year	**$ (133)**	$ (133)

See notes to Funds financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

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

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

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

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

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

Basis of Accounting and Measurement Focus

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

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

Budgets and Budgetary Accounting

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement

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

Refer to the City's Audited Annual Financial Statements (AFS) for detailed disclosures regarding the City's investments policy and fair value measurement disclosures.

Fund Balance Reporting

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

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

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

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

NOTE 2 ANNUAL FINANCIAL STATEMENTS

The financial statements reflect only the financial position and results of operations of the PALRF, PCLRF, MRLRF, MMLRF and TDAA3F, and do not purport to, and do not present fairly the City's financial position as of June 30, 2025 and 2024, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

NOTE 3 PROPOSITION A AND PROPOSITION C LOCAL RETURN COMPLIANCE REQUIREMENTS

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

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

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

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

NOTE 4 MEASURE R LOCAL RETURN COMPLIANCE REQUIREMENTS

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

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

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

NOTE 5 MEASURE M LOCAL RETURN COMPLIANCE REQUIREMENTS

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

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

NOTE 5 MEASURE M LOCAL RETURN COMPLIANCE REQUIREMENTS (CONTINUED)

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

NOTE 6 TRANSPORTATION DEVELOPMENT ACT COMPLIANCE REQUIREMENTS

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

NOTE 7 CASH AND INVESTMENTS

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

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

NOTE 8 CAPITAL RESERVE AGREEMENT – MRLRF

On June 30, 2023, Metro and the City entered into a capital reserve agreement to establish $4,000,000 capital reserve account for the City's Citywide Complete Streets Improvement Project.

The account is funded with the Measure R Local Return funds allocated to the City. All interest is accrued in the Account to be used exclusively for the said project. If the project is not completed by June 30, 2028, any unexpended funds shall lapse and be returned to Metro.

As of and for the years ended June 30, 2025 and 2024, the capital reserve amounts and transactions were as follows:

	2025	2024
Set-up of capital reserve account	**$ 659,791**	$ -
Add: Investment income earned	**3,759**	-
Less: expenditures during the year	**(45,141)**	-
Capital reserve, June 30, 2025	**$ 618,409**	$ -

NOTE 9 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUNDS RESERVED

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

	2025	2024
FY 2019/20 allocation	**$ 17,594**	$ 17,594
FY 2020/21 allocation	**13,539**	13,539
FY 2021/22 allocation	**17,715**	17,715
FY 2022/23 allocation	**22,366**	22,366
FY 2023/24 allocation	**26,117**	26,117
FY 2024/25 allocation	**22,876**	22,876
Total reserve	**$ 120,207**	$ 120,207

For FY 2024/25, any TDA Article 3 funds left on reserve for FY 2020/21 or prior, are subject to lapse if not claimed by the City by June 30, 2025. The FY 2019/20 and FY 2020/21 allocation amounting to $17,594 and $13,539, respectively, have lapsed as of June 30, 2025. See Compliance Matrix and Schedule of Findings and Questioned Costs.

NOTE 10 RESTATEMENT OF FUND FINANCIAL STATEMENTS

The 2024 financial statements were restated to adjust the expenditures reported in the following funds in fiscal year 2024. The adjustments pertain to additional administrative expenses allocated to the local return funds.

PALRF

	Balance, as previously reported	Adjustment	Balance, as restated
Cash and investments	$ 1,475,058	$ (71,099)	$ 1,403,959
Fund balance	1,409,665	(71,099)	1,338,566
Expenditures funded by PALRF	429,473	71,099	500,572

NOTE 10 RESTATEMENT OF FUND FINANCIAL STATEMENTS (CONTINUED)

PCLRF

	Balance, as previously reported	Adjustment	Balance, as restated
Cash and investments	$ 1,591,133	$ (69,184)	$ 1,521,949
Fund balance	1,622,294	(69,184)	1,553,110
Expenditures funded by PCLRF	39,980	69,184	109,164

MRLRF

	Balance, as previously reported	Adjustment	Balance, as restated
Cash and investments	$ 2,508,428	$ (10,817)	$ 2,497,611
Fund balance	2,523,342	(10,817)	2,512,525
Expenditures funded by MRLRF	12,285	10,817	23,102

MMLRF

	Balance, as previously reported	Adjustment	Balance, as restated
Cash and investments	$ 2,214,043	$ (93,687)	$ 2,120,356
Fund balance	2,237,194	(93,687)	2,143,507
Expenditures funded by MMLRF	38,270	93,687	131,957

NOTE 11 SUBSEQUENT EVENTS

The City has evaluated events subsequent to June 30, 2025 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through December 31, 2025, 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.

655 N. Central Avenue
Suite 1550
Glendale, CA 91203

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VASQUEZ
+ COMPANY LLP

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 Cudahy, California and the Los Angeles County Metropolitan Transportation Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Cudahy, 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 31, 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's Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, Measure M Local Return Fund and Transportation Development Act Article 3 Fund financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vasquez & Company LLP

Glendale, California
December 31, 2025

COMPLIANCE SECTION

655 N. Central Avenue
Suite 1550
Glendale, CA 91203

www.vasquez.cpa

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VASQUEZ
+ COMPANY LLP

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 Cudahy, California and the
Los Angeles County Metropolitan Transportation Authority

Report on Compliance

Opinion

We have audited the City of Cudahy, 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 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 Cudahy, 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, statutes, regulations, rules, and provisions of contracts or agreements applicable to the City's Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, Measure M Local Return Fund and Transportation Development Act Article 3 Fund.

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 with the Guidelines, which are described in the accompanying Schedule of Findings and Questioned Costs as Finding #2025-001 to #2025-006. Our opinion 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 compliance audit described in the accompanying Schedule of Findings and Questioned Costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Findings #2025-001, 2025-003, 2025-005 and 2025-006 to be significant deficiencies.

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.

Vasquez & Company LLP

Glendale, California
December 31, 2025

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
A. Proposition A and Proposition C Local Return Funds					
1. Uses the State Controller's Uniform System of Accounts and Records or has established a separate Proposition A and Proposition C Local Transit Assistance Account for Local Return purposes.	X				
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				
3. Funds were expended with Metro's approval and were not substituted for property tax.	X				
4. Timely use of funds.	X				
5. Administrative expenses are within the 20% cap.		X			See Finding #2025-001 (Significant Deficiency)
6. Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.	X				
7. Annual Project Update Report (Form B) or electronic equivalent was submitted on time.	X				
8. Annual Expenditure Report (Form C) or electronic equivalent was submitted on time.	X				
9. Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	X				
10. Local Return Account is credited for reimbursable expenditures.	X				
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		
12. Self-Certification was completed and submitted for Intelligent Transportation Systems projects and elements.			X		

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
A. Proposition A and Proposition C Local Return Funds					
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		
14. Recreational transit form was submitted on time.	X				
15. Fund exchanges (trades, loans, or gifts) were approved by Metro.			X		
16. Proposition C Local Return Funds were used to augment, not supplant existing local revenues being used for road improvement purposes.	X				
17. All on-going and carryover projects were reported on Form B or electronic equivalent.	X				
18. Cash or cash equivalents are maintained.	X				
19. Accounting procedures, record keeping, and documentation are adequate.	X				

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
B. Measure R Local Return Fund					
1. Funds were expended for transportation purposes.	X				
2. Separate Measure R Local Return Account was established.	X				
3. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X				
4. Funds were expended with Metro's approval.		X			See Finding #2025-002
5. Funds were not substituted for property tax and are in compliance with the Maintenance of Effort.	X				
6. Timely use of funds.	X				
7. Administrative expenses are within the 20% cap.		X			See Finding #2025-003 (Significant Deficiency)
8. Expenditure Plan (Form One or electronic equivalent) was submitted timely.	X				
9. Annual Expenditure Report (Form Two or electronic equivalent) was submitted timely.	X				
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				
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		
12. A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.	X				
13. Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.	X				

Compliance Requirements	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		
15. Fund exchanges (trades, loans, or gifts) were approved by Metro.			X		
16. Accounting procedures, record keeping, and documentation are adequate.	X				

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
C. Measure M Local Return Fund					
1. Funds were expended for transportation purposes.	X				
2. Separate Measure M Local Return Account was established.	X				
3. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	X				
4. Funds were expended with Metro's approval.		X			See Finding #2025-004
5. Funds were not substituted for property tax and are in compliance with the Maintenance of Effort.	X				
6. Timely use of funds.	X				
7. Administrative expenses are within the 20% cap.		X			See Finding #2025-005 (Significant Deficiency)
8. Expenditure Plan (Form M-One or electronic equivalent) was submitted timely.	X				
9. Expenditure Report (Form M-Two or electronic equivalent) was submitted timely.	X				
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				
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		
12. A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.			X		
13. Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.	X				

Compliance Requirements	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		
15. Fund exchanges (trades, loans, or gifts) were approved by Metro.			X		
16. Accounting procedures, record keeping, and documentation are adequate.	X				

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
D. Transportation Development Act Article 3 Fund					
1. Timely use of funds.		X			See Finding #2025-006 (Significant Deficiency)
2. Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.			X		
3. Annual Claim Form was submitted timely.	X				

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PALRF and PCLRF: Finding #2025-001 (Significant Deficiency)

Compliance Reference	Section II(A) 15 Direct Administration of the Proposition A and C Local Return Guidelines states that, "The administrative expenditures for any year shall not exceed 20 percent of the total LR annual expenditures, based on year-end expenditures, and will be subject to an audit finding if the figure exceeds 20%. The annual expenditure figure will be reduced by fund trades to other cities and/or funds set aside for reserves; conversely, the annual expenditure figure will be increased by expenditure of reserves or LR funds received in fund exchanges."
Condition	The City claimed PALRF administrative expenses in excess of the 20% cap totaling $9,893. This is a repeat finding from prior year's audit relating to the PALRF's prior period adjustment which increased the FY2023/24 expenditures for Project Code 610, Administrative Prop A to $121,791 resulting in an excess of $27,096. Additionally, the PCLRF's prior period adjustment which increased the FY2023/24 expenditures for Project Code 620, Administration Prop C to $77,180, resulted in an excess of $69,184.
Cause	The City has reassessed and reallocated its expenses for FY2023/24 and has performed similar reallocations for FY2024/25.
Effect	The City is required to return to the Local Return Accounts the amounts exceeding the 20% cap.
Recommendation	We recommend the City establish procedures and internal controls to ensure that administrative expenditures charged to the LR funds do not exceed the allowable limit.
Management's Response	The City will return to the Local Return Accounts the amounts over the 20% cap totaling $36,989 and $69,184, for PALRF and PCLRF, respectively.
Finding Corrected During The Audit	The City has recorded a due from General Fund in FY2024/25. No additional follow up is required.

MRLRF: Finding #2025-002

Compliance Reference	Section B (II)(1) Expenditure Plan (Form One) of Measure R Local Return Program Guidelines state that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (Form One) or its electronic equivalent, annually, by August 1st of each year. "Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over $250,000), Part II is required. Pursuant to AB2321, Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.
Condition	The City claimed expenditures prior to receiving approval from Metro under Project Code 302, Active Transportation Program totaling $29,045. Although the expenditures were determined to be eligible for Local Return funding, this project did not have prior approval from Metro.
Cause	The project was inadvertently omitted from the City's budget request for FY2024/25.
Effect	By claiming $29,045 of Measure R funds prior to Metro's approval, the City did not comply with the Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that Metro's approval is obtained before incurring expenditures on Local Return-funded projects.
Management's Response	The City submitted a budget request to Metro Program Manager and obtained retroactive approval of the budget for the project on December 23, 2025.
Finding Corrected During The Audit	Metro Program Manager granted retroactive approval of the budget for the project on December 23, 2025. No additional follow up is required.

MRLRF: Finding #2025-003 (Significant Deficiency)

Compliance Reference	Section A II 8 Transportation and Administration of the Measure R Local Return Guidelines states that, "Transportation Administration expenditures for those administrative costs associated with and incurred for the aforementioned eligible projects/programs. Direct administration includes those fully burdened costs that are directly associated with administering LR program or projects, and includes salaries and benefits, office supplies and equipment, and other overhead costs. All costs must be associated with developing, maintaining, monitoring, coordinating, reporting and budgeting specific LR project(s). Expenditures must be reasonable and appropriate to the activities undertaken by the locality. The administrative expenditures for any year shall not exceed twenty percent (20%) of the total LR annual expenditures."
Condition	The City claimed MRLRF administrative expenses in excess of the 20% cap, totaling $3,023. This is a repeat finding from prior year's audit relating to the MRLRF's prior period adjustment which increased the FY2023/24 expenditures for Project Code 630, Fund Administration to $13,274, resulting in an excess of $10,817.
Cause	The City has reassessed and reallocated its expenses for FY2023/24 and has performed similar reallocations for FY2024/25.
Effect	The City is required to return to the Local Return Account the amount exceeding the 20% cap.
Recommendation	We recommend the City establish procedures and internal controls to ensure that administrative expenditures charged to the LR funds do not exceed the allowable limit.
Management's Response	The City will return to the Local Return Account the amount over the 20% cap, totaling $13,840.
Finding Corrected During The Audit	The City has recorded a due from General Fund in FY2024/25. No additional follow up is required.

MMLRF: Finding #2025-004

Compliance Reference	Section XXV Administrative, Reporting Requirements, Expenditure Plan (8/1 Table) of the Measure M Local Return Guidelines states that, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (8/1 Table), annually, by August 1st of each year". "Expenditure Plan (Form M-One) provides a listing of projects funded with Measure M LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. Part II is to be filled out for capital projects (projects over $250,000). Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan".
Condition	The City claimed expenditures prior to receiving approval from Metro under Project Code 730, Atlantic Ave Complete Streets Improvement Project, totaling $8,850. Although the expenditures were determined to be eligible for Local Return funding, this project did not have prior approval from Metro.
Cause	The project was inadvertently omitted from the City's submitted budget request for FY2024/25.
Effect	By claiming $8,850 of Measure M funds prior to Metro's approval, the City did not comply with the Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that Metro's approval is obtained before incurring expenditures on Local Return-funded projects.
Management's Response	The City submitted a budget request to the Metro Program Manager and obtained retroactive approval of the budget for the project on December 23, 2025.
Finding Corrected During The Audit	Metro Program Manager granted retroactive approval of the budget for the project on December 23, 2025. No additional follow up is required.

MMLRF: Finding #2025-005 (Significant Deficiency)

Compliance Reference	Section XXV 9 Transportation Administration of the Measure R Local Return Guidelines states that, "Expenditures for those administrative costs associated with and incurred for the aforementioned eligible projects/programs. Direct administration include those fully burdened costs that are directly associated with administering LR program or projects, salaries and benefits, office supplies and equipment, and other overhead costs. All costs must be associated with developing, maintaining, monitoring, coordinating, reporting and budgeting specific LR project(s). Expenditures must be reasonable and appropriate to the activities undertaken by the locality. The administrative expenditures for any year shall not exceed twenty percent (20%) of the total LR annual expenditures."
Condition	The City claimed MMLRF administrative expenses in excess of the 20% cap, totaling $19,277. This is a repeat finding from prior year's audit relating to the MMLRF's prior period adjustment which increased the FY2023/24 expenditures for Project Code 640, Fund Administration (20% cap) to $101,341, resulting in an excess of $93,687.
Cause	The City has reassessed and reallocated its expenses for FY2023/24 and has performed similar reallocations for FY2024/25.
Effect	The City is required to return to the Local Return Account the amount exceeding the 20% cap.
Recommendation	We recommend the City establish procedures and internal controls to ensure that administrative expenditures charged to the LR funds do not exceed the allowable limit.
Management's Response	The City will return to the Local Return Account the amount over the 20% cap, totaling $112,964.
Finding Corrected During the Audit	The City has recorded a due from General Fund in FY2024/25. No additional follow up is required.

TDAA3F: Finding #2025-006 (Significant Deficiency)

Compliance Reference	TDA Article 3 Guidelines state that "TDA Article 3 local funds may be placed on reserve for up to three years. 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." For FY 2024/25, any TDA Article 3 funds left on reserve for FY 2020/21 are subject to lapse if not claimed by the City by June 30, 2025.
Condition	The City had remaining funds on reserve totaling $17,594 and $13,539 from FY2019/20 and FY2020/21 allocations, respectively, that lapsed as of June 30, 2025. This is a repeat finding from fiscal year 2024.
Cause	The City did not have projects to utilize the reserved amounts during FY 2024/25.
Effect	The City was not in compliance with the TDA Article 3 Guidelines, and the lapsed funds will be reallocated to other jurisdictions for the succeeding year (FY 2025/26).
Recommendation	We recommend the City establish procedures and internal controls to ensure that TDA Article 3 allocation left on reserve are drawn and spent on eligible projects in a timely manner.
Management's Response	The City acknowledged the lapsed funds during FY24/25 and will ensure that subsequent TDA Article 3 funds allocation left on reserve will be utilized in a timely manner.
Finding Corrected During the Audit	The Metro Program Manager rejected the extension requested by the City on July 29, 2025. Lapsed funds totaling $31,133 will be reallocated to other jurisdictions for the succeeding fiscal year (FY 2025/26). No additional follow-up is required.

EXIT CONFERENCE

An exit conference was held on December 10, 2025 with the City of Cudahy representatives. Those in attendance were:

Vasquez and Company LLP representatives:
Erica Ong – Senior Audit Manager
Mary Tanglao – Audit Supervisor

City of Cudahy representatives:
Katherin Godbey – Acting Finance Director
Charles Ortiz – Senior Accountant

Matters discussed:

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

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

Katherin Godbey – Acting Finance Director
Charles Ortiz – Senior Accountant

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

RE: CITY OF CUDAHY, CALIFORNIA ANNUAL FINANCIAL REPORT 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 FOR THE YEARS ENDED June 30, 2025 and 2024.

I have received the annual financial report 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 Transportation Development Act Article 3 Fund, for the years ended June 30, 2025 and 2024 for the City of Cudahy and agreed with the contents of the report except as indicated below:

(Attach additional pages if necessary)

Very truly yours,

____
Name

____
Title

____
Date

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655 N Central Avenue, Suite 1550 • Glendale, California 91203-1437 • +1.213.873.1700