City of Santa Fe Springs
Annual Financial Report of its

Proposition A Local Return Fund
Proposition C Local Return Fund
Measure M Local Return Fund

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

FINANCIAL SECTION

655 N. Central Avenue
Suite 1550
Glendale, CA 91203

www.vasquez.cpa

213-873-1700
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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We were engaged to audit the accompanying financial statements of the Proposition A Local Return Fund, the Proposition C Local Return Fund, and the Measure M Local Return Fund (collectively, the Funds) of the City of Santa Fe Springs, California (the City) which comprise the Funds' balance sheets as of June 30, 2025, the related statements of revenues, expenditures and changes in fund balances for the year then ended, and the related notes to the Funds financial statements, as listed in the table of contents.

We do not express an opinion on the Funds financial statements of the City. Because of the significance of the matter described in the Basis for Disclaimer of Opinions section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

Basis for Disclaimer of Opinions

As of the date of our audit report, management was still in the process of preparing the City's bank reconciliations and was unable to provide investment statements for its Local Agency Investment Funds (LAIF). Consequently, we were unable to confirm or verify by alternative means the bank and investment balances included in the balance sheets totaling $672,972, $335,579, and $149,656 which represent 98%, 100% and 100% of the total assets of Proposition A Local Return, Proposition C Local Return, and the Measure M Local Return Funds, respectively at June 30, 2025. As a result of this matter, we were unable to determine whether any adjustments were necessary to recorded or unrecorded investments, reconciling fund balances, and the elements making up the statements of revenues, expenditures and changes in fund balances.

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, and the Measure M Local Return Fund of the City of Santa Fe Springs, California, and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2025, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the City's Funds financial statements in accordance with auditing standards generally accepted in the United States of America and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements. 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 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, 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

ASSETS		
Cash and investments	$	672,972
Due from Metro		14,100
Total assets	$	687,072
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities		
Accounts payable	$	-
Total liabilities		-
Deferred inflows of resources		
Unavailable revenue		14,100
Total deferred inflows of resources		14,100
Fund balance		
Restricted		672,972
Total fund balance		672,972
Total liabilities, deferred inflows of resources and fund balance	$	687,072

See independent auditor's report and notes to Funds financial statements.

Revenues		
Proposition A		$ 487,253
	Total revenues	487,253
Expenditures		
Various projects		496,751
	Total expenditures	496,751
Deficiency of revenues over expenditures		(9,498)
Fund balance at beginning of year		682,470
Fund balance at end of year		$ 672,972

See independent auditor's report and notes to Funds financial statements.

Schedule of Expenditures – Actual and Metro Approved Project Budget
Year ended June 30, 2025

Project Code	Project Name	Metro Budget	Actual	Variance Positive (Negative)
107	Social Service Vans	$ 709,900	$ 387,832	$ 322,068
155	Special Event Transportation	79,000	76,373	2,627
210	Recreational Transit Vehicle Purchase	242,832	-	242,832
470	Allocation of Funds for TMA	1,000	-	1,000
610	Transportation Administrative Cost	32,500	32,546	(46)
715	Residential Street Improvements	242,832	-	242,832
	Total expenditures	$ 1,308,064	$ 496,751	$ 811,313

See independent auditor's report.

Date Acquired	Description	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
04/02/96	2001 Blue Bird Bus	$ 137,060	$ -	$ 137,060	$ -
01/16/98	15-Passenger Ford Wagon	27,085	-	27,085	-
11/14/03	20-Passenger Bus Type III	57,212	-	57,212	-
04/17/08	El Dorado Aero Elite 290 Bus	47,445	-	47,445	-
10/16/08	Computer	2,382	-	2,382	-
	Total	$ 271,184	$ -	$ 271,184	$ -

ASSETS		
Cash and investments	$	335,579
Total assets	**$**	**335,579**
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	$	-
Total liabilities		**-**
Fund balance		
Restricted		335,579
Total fund balance		**335,579**
Total liabilities and fund balance	**$**	**335,579**

See independent auditor's report and notes to Funds financial statements.

Revenues		
Proposition C		$ 404,164
	Total revenues	404,164
Expenditures		
Various projects		1,461,103
	Total expenditures	1,461,103
Deficiency of revenues over expenditures		(1,056,939)
Fund balance at beginning of year		1,392,518
Fund balance at end of year		$ 335,579

See independent auditor's report and notes to Funds financial statements.

Schedule of Expenditures – Actual and Metro Approved Project Budget
Year ended June 30, 2025

Project Code	Project Name	Metro Budget	Actual	Variance Positive (Negative)
106	Rear Lift Install and Retrofit ADA Vehicle Conversion	$ 11,138	$ 11,103	$ 35
155	Citywide Charter Transportation	30,000	30,000	-
210	Recreational Transit Vehicle Purchase	242,832	-	242,832
715	FY 24-25 Residential Street improvements	1,199,322	1,420,000	(220,678)
	Total expenditures	$ 1,483,291	$ 1,461,103	$ 22,188

See independent auditor's report.

Date Acquired	Description	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
5/11/17	2017 Ford Transit ADA Van	$ 49,944	$ -	$ -	$ 49,944
5/11/17	2018 Ford Transit ADA Van	49,945	-	-	49,945
10/28/20	2020 Starcraft 16 Passenger Bus	93,179	-	-	93,179
4/13/23	2024 Toyota Sienna Hybrid Disabled	83,953	-	-	83,953
	Total	$ 277,021	$ -	$ -	$ 277,021

See independent auditor's report.

ASSETS		
Cash and investments	$	149,656
Total assets	$	149,656
LIABILITIES AND FUND BALANCE		
Liabilities		
Due to other funds	$	-
Total liabilities		-
Fund balance		
Restricted		149,656
Total fund balance		149,656
Total liabilities and fund balance	$	149,656

See independent auditor's report and notes to Funds financial statements.

Revenues		
Measure M		$ 343,365
	Total revenues	343,365
Expenditures		
Various projects		1,763,000
	Total expenditures	1,763,000
Deficiency of revenues over expenditures		(1,419,635)
Fund balance at beginning of year		1,569,291
Fund balance at end of year		$ 149,656

See independent auditor's report and notes to Funds financial statements.

Project Code	Project Name	Metro Budget	Actual	Variance Positive (Negative)
715	FY 24-25 Residential Street improvements	$ 1,654,009	$ 1,763,000	$ (108,991)
	Total expenditures	$ 1,654,009	$ 1,763,000	$ (108,991)

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

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), and the Measure M Local Return Fund (MMLRF) (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.

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.

Basis of Accounting and Measurement Focus

The PALRF, PCLRF, and MMLRF 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 Annual Comprehensive Financial Report (ACFR) for detailed disclosures regarding the City's investments policy and fair value measurement disclosures.

Fund Balance Reporting

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

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

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

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

NOTE 2 ANNUAL FINANCIAL STATEMENTS

The financial statements reflect only the financial position and results of operations of the PALRF, PCLRF, and MMLRF, and do not purport to, and do not present fairly the City's financial position as of June 30, 2025, 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 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.

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 5 CASH AND INVESTMENTS

The PALRF, PCLRF, and MMLRF 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 ACFR for a full description of risks relating to cash and investments.

NOTE 6 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

www.vasquez.cpa

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

**To the Honorable Members of the City Council of the
City of Santa Fe Springs, 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, and the Measure M Local Return Fund (collectively, the Funds) of the City of Santa Fe Springs, 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 and therefore material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the Schedule of Findings on Internal Control Over Financial Reporting as Finding No. FS 2025-001, that we consider to be a material weakness.

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, and Measure M Local Return 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*.

The City's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the finding identified in our audit and described in the accompanying Schedule of Findings on Internal Control over Financial Reporting. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

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

Finding No. FS 2025-01: Year-end Closing Process

Criteria
Proposition A and Proposition C Local Return Guidelines Section V and Measure M Local Return Guidelines Section XXV states that, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines".

Condition and Context
As of the date of audit fieldwork on December 30, 2025, the City's year-end closing process was still ongoing for the fiscal year 2025. Reconciliation of major balance sheet accounts, including bank accounts, had not yet been completed. In addition, interest allocation procedures had not been performed, further indicating that certain key closing activities were still outstanding.

Cause and Effect
During the fiscal year 2025, the City lost several key employees, particularly in the Finance and Accounting Department. As such, there were delays in the closing of the City's books for the fiscal year 2025. Currently, the accounting personnel and support staff are working toward closing the books and preparing the closing entries, trial balances, schedules, reconciliations, account analysis, and other financial reports needed by management and the auditors.

Recommendation
The City should implement a monthly and year-end closing process in a timely manner. We also recommend that the City establish and document proper closing and reconciliation procedures and assign responsibility for completing these procedures to specific City personnel. The closing procedures should be documented in a checklist that indicates who is responsible for each task and the expected and actual completion dates. The timing of specific procedures could be coordinated with management's or the auditor's need for the related information. These reconciliations will help ensure that the financial statements are updated and provided to users on a timely basis.

Views of Responsible Officials
The City is in the process of catching up on accounting processes that were not completed due to staff turnover and other factors. The new management team in the Finance and Accounting Department is implementing procedures to ensure monthly and annual year-end closing processes are well documented and completed on time.

COMPLIANCE SECTION

655 N. Central Avenue
Suite 1550
Glendale, CA 91203

www.vasquez.cpa

213-873-1700
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Independent Auditor's Report on Compliance
and on Internal Control Over Compliance Required by the Guidelines

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

Report on Compliance

Opinion

We have audited the City of Santa Fe Springs, California's (the City) compliance with the Proposition A and Proposition C Local Return Guidelines, and Measure M Local Return Guidelines (collectively, the Guidelines) for the year ended June 30, 2025.

In our opinion, the City of Santa Fe Springs, 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, and Measure M Local Return 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 which are required to be reported in accordance with the Guidelines and which are described in the accompanying Schedule of Findings and Questioned Costs as Findings #2025-001 to #2025-002. 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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 through #2023-002 to be material weaknesses.

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

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

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

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		There were no administrative expenditures charged to PALRF and PCLRF during FY2024/25.
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		

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					
12. Self-Certification was completed and submitted for Intelligent Transportation Systems projects and elements.			X		
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			See Finding #2025-001

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
B. 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				
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		There were no administrative expenditures charged to MMLRF during FY2024/25.
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		
B. 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			See Finding #2025-002

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PALRF and PCLRF: Finding #2025-001

Compliance Reference	Proposition A and Proposition C Local Return Guidelines Section V, states that, “It is the jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines”.
Condition	As of the date of audit fieldwork on December 30, 2025, the City’s year-end closing process was still ongoing. Reconciliation of major balance sheet accounts, including bank accounts, had not yet been completed. In addition, interest allocation procedures had not been performed, further indicating that certain key closing activities were still outstanding.
Cause	During the fiscal year 2025, the City lost several key employees, particularly in the Finance and Accounting Department. As such, there were delays in the closing of the City’s books for the fiscal year 2025. Currently, the accounting personnel and support staff are working toward closing the books and preparing the closing entries, trial balances, schedules, reconciliations, account analysis, and other financial reports needed by management and the auditors.
Effect	The City was not in compliance with the audit requirements of the Local Return Guidelines.
Recommendation	The City should implement a monthly and year-end closing process in a timely manner. We also recommend that the City establish and document proper closing and reconciliation procedures and assign responsibility for completing these procedures to specific City personnel. The closing procedures should be documented in a checklist that indicates who is responsible for each task and the expected and actual completion dates. The timing of specific procedures could be coordinated with management’s or the auditor’s need for the related information. These reconciliations will help ensure that financial statements are updated and provided to users on a timely basis.
Management’s Response	The City is in the process of catching up on accounting processes that were not completed due to staff turnover and other factors. The new management team in the Finance and Accounting Department is implementing procedures to ensure monthly and annual year-end closing processes are well documented and completed on time.

MMLRF: Finding #2025-002

Compliance Reference	Measure M Local Return Guidelines Section XXV states that, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines".
Condition	As of the date of audit fieldwork on December 30, 2025, the City's year-end closing process was still ongoing. Reconciliation of major balance sheet accounts, including bank accounts, had not yet been completed. In addition, interest allocation procedures had not been performed, further indicating that certain key closing activities were still outstanding.
Cause	During the fiscal year 2025, the City lost several key employees, particularly in the Finance and Accounting Department. As such, there were delays in the closing of the City's books for the fiscal year 2025. Currently, the accounting personnel and support staff are working toward closing the books and preparing the closing entries, trial balances, schedules, reconciliations, account analysis, and other financial reports needed by management and the auditors.
Effect	The City was not in compliance with the audit requirements of the Local Return Guidelines.
Recommendation	The City should implement a monthly and year-end closing process in a timely manner. We also recommend that the City establish and document proper closing and reconciliation procedures and assign responsibility for completing these procedures to specific City personnel. The closing procedures should be documented in a checklist that indicates who is responsible for each task and the expected and actual completion dates. The timing of specific procedures could be coordinated with management's or the auditor's need for the related information. These reconciliations will help ensure that financial statements are updated and provided to users on a timely basis.
Management's Response	The City is in the process of catching up on accounting processes that were not completed due to staff turnover and other factors. The new management team in the Finance and Accounting Department is implementing procedures to ensure monthly and annual year-end closing processes are well documented and completed on time.

EXIT CONFERENCE

An exit conference was held on December 16, 2025 with the City of Santa Fe Springs representatives. Those in attendance were:

Vasquez and Company LLP representative:
Brandon de Castro – BCA Watsons Rice LLP Supervisor/Senior Auditor

City of Santa Fe Springs representative:
Jaime De Guzman, Jr – Principal Accountant

Matters discussed:

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

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

Jaime De Guzman, Jr – Principal Accountant

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

RE: CITY OF SANTA FE SPRINGS, CALIFORNIA ANNUAL FINANCIAL REPORT OF THE PROPOSITION A LOCAL RETURN FUND, THE PROPOSITION C LOCAL RETURN FUND, AND THE MEASURE M LOCAL RETURN FUND FOR THE YEAR ENDED JUNE 30, 2025.

I have received the annual financial report of the Proposition A Local Return Fund, the Proposition C Local Return Fund, and the Measure M Local Return Fund for the year ended June 30, 2025 for the City of Santa Fe Springs and agreed with the contents of the report except as indicated below:

(Attach additional pages if necessary)

Very truly yours,

____
Name

____
Title

____
Date

www.vasquez.cpa

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