



MetroTM

**City of Compton
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**

**As of and for the Year Ended June 30, 2021
with Independent Auditor's Report**

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FINANCIAL SECTION

Independent Auditor's Report

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

Report on the Financial Statements

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 and the Measure M Local Return Fund (collectively, the Funds) of the City of Compton, California (the City) which comprise the Funds' balance sheet as of June 30, 2021, the related statement of revenues, expenditures and changes in fund balances for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unqualified audit opinions.

Basis for Qualified Opinions

During our audit of the Funds' 2021 financial statements, the City has made adjustments to the PALRF, PCLRF, MRLRF and MMLRF's beginning fund balances for revenues and expenditures reported and not reported in those funds in prior years. The adjustments resulted from the audits of the City's financial statements as a whole. As of the date of this report, the audits of the City's financial statements as of and for the fiscal years ended June 30, 2021 and 2020 are still ongoing. Consequently, we were unable to determine whether additional adjustments will still be necessary as a result of the audits being conducted on the City's financial statements.

Qualified Opinions

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinions paragraph, 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 and the Measure M Local Return Fund of the City of Compton, California, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements are intended to present only the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund and the Measure M Local Return Fund of the City of Compton, California and do not purport to, and do not present the financial position of the City as of June 30, 2021, and the changes in its financial position for the year 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.



Supplementary Information

Our audit was 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.

The supplementary information identified in the table of contents 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. Such 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, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, 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 21, 2021 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.

A handwritten signature in black ink that reads "Vasquez & Company LLP". The signature is written in a cursive, flowing style.

**Glendale, California
December 21, 2021**

City of Compton
Proposition A Local Return Fund
Balance Sheet
June 30, 2021

ASSETS

Cash and investments	\$	5,016,331
Accounts receivable		293
Interest receivable		2,616
		2,616
Total assets	\$	5,019,240

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$	116,774
Total liabilities		116,774

Fund balance

Restricted		4,902,466
Total fund balance		4,902,466
Total liabilities and fund balance	\$	5,019,240

See notes to Funds financial statements.

City of Compton
Proposition A Local Return Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Year ended June 30, 2021

Revenues

Proposition A	\$	1,986,076
Proposition A Discretionary Incentive Program Grant (Note 8)		132,030
Interest income		17,938
Unrealized loss on investment		(15,345)
Passenger fares		17,198
Total revenues		<u>2,137,897</u>

Expenditures

Various projects		<u>2,002,932</u>
Total expenditures		<u>2,002,932</u>

Excess of revenues over expenditures		134,965
Fund balance at beginning of year, as restated (Note 10)		<u>4,767,501</u>
Fund balance at end of year	\$	<u><u>4,902,466</u></u>

See notes to Funds financial statements.

City of Compton
Proposition A Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and Metro Approved Project Budget
Year ended June 30, 2021

Project Code	Project Name	Metro Budget	Actual	Variance Positive (Negative)
105	Fixed Route Transit System	\$ 1,449,685	\$ 1,376,884	\$ 72,801
107	Dial-A-Ride Transit System	250,000	127,941	122,059
210	Bus Purchase	400,000	380,759	19,241
280	Transit Oriented Development Specific Plan	40,000	-	40,000
610	Direct Administration	417,000	41,348	375,652
610	CALACT Membership	1,000	-	1,000
610	NTD	2,000	-	2,000
610	Self Insured Compton Employer	76,000	76,000	-
Total expenditures		\$ 2,635,685	\$ 2,002,932	\$ 632,753

See independent auditor's report.

City of Compton
Proposition A Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2021

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>
1987-91	MLK Transit Center	\$ 2,069,970	\$ -	\$ -	\$ 2,069,970
2005	Quadrant Gate at 4 Blue Line Arterial Street	40,389	-	-	40,389
2005	MLK Transit Center Renovation	723,878	-	-	723,878
2010	Bus Stop Shelter Construction	10,435	-	-	10,435
2010	Bus Stop Improvement Project	198,409	-	-	198,409
2018	3 Buses	-	380,759	-	380,759
Total		\$ 3,043,081	\$ 380,759	\$ -	\$ 3,423,840

See independent auditor's report.

City of Compton
Proposition C Local Return Fund
Balance Sheet
June 30, 2021

ASSETS

Cash and investments	\$	4,067,681
Interest receivable		1,332
Accounts receivable (Note 7)		738,662
Due from other funds		1,976
		1,976
Total assets	\$	<u><u>4,809,651</u></u>

LIABILITIES AND FUND BALANCE

Liabilities

YMCA contribution payable	\$	26
Accounts payable		22,722
Accrued liabilities		6,524
		6,524
Total liabilities		<u><u>29,272</u></u>

Deferred inflow of resources

Unavailable revenue (Note 7)	738,662
	738,662
Total deferred inflow of resources	<u><u>738,662</u></u>

Fund balance

Restricted	4,041,717
	4,041,717
Total fund balance	<u><u>4,041,717</u></u>
Total liabilities and fund balance	\$ <u><u>4,809,651</u></u>

See notes to Funds financial statements.

City of Compton
Proposition C Local Return Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Year ended June 30, 2021

Revenues

Proposition C	\$	1,647,379
Interest income		9,130
Unrealized loss on investment		<u>(7,809)</u>
Total revenues		<u>1,648,700</u>

Expenditures

Various projects		<u>1,288,841</u>
Total expenditures		<u>1,288,841</u>

Excess of revenues over expenditures		359,859
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Fund balance at beginning of year, as restated (Note 10)		<u>3,681,858</u>
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Fund balance at end of year	\$	<u><u>4,041,717</u></u>
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See notes to Funds financial statements.

City of Compton
Proposition C Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and Metro Approved Project Budget
Year ended June 30, 2021

Project Code	Project Name	Metro Budget	Actual	Variance Positive (Negative)
470	Memberships, Gateway Cities, I-710 Corridor (Formerly 19-270)	\$ 207,000	\$ 45,000	\$ 162,000
620	Direct Administration	345,161	35,021	310,140
715	Compton Blvd Street Improvement Design Project	260,000	19,845	240,155
715	Alameda Street East Street Improvement	1,660,131	-	1,660,131
715	Alameda Street West Street Improvement	2,541,259	-	2,541,259
715	Alondra Boulevard Street Improvement	3,911,479	-	3,911,479
715	Compton Boulevard Street Improvement	6,537,172	-	6,537,172
715	Rosecrans Avenue Street Improvement	1,053,657	-	1,053,657
715	Santa Fe Avenue Street Improvement	2,265,230	-	2,265,230
715	Wilmington Avenue Street Improvement	1,081,268	-	1,081,268
715	Willowbrook Avenue - East Street Improvement	10,000,000	-	10,000,000
715	Willowbrook Avenue - West Street Improvement	2,000,000	-	2,000,000
765	Update Pavement Management Study	2,000,000	67,049	1,932,951
780	Wilmington Avenue Safe Street Pedestrian/ Bicycle Improvement Project, Phase II	10,000	-	10,000
805	Wilmington Avenue Safe Street Pedestrian/ Bicycle Improvement Project, Phase II	1,200,000	1,121,926	78,074
806	Wilmington Avenue Safe Street Pedestrian/ Bicycle Improvement Project, Phase II	874,250	-	874,250
Total expenditures		\$ 35,946,607	\$ 1,288,841	\$ 34,657,766

See independent auditor's report .

City of Compton
Proposition C Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2021

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>
1998	Reconstruction of the Bus Turnouts and Driveways at MLK Transit Center	\$ 50,600	\$ -	\$ -	\$ 50,600
1998	Rosecrans Avenue Rehabilitation Project	576,218	-	-	576,218
1998	Rosecrans Avenue Rehabilitation Project	1,010,607	-	-	1,010,607
2001	Bus Shelter Benches	65,941	-	-	65,941
2001	Rehabilitation Project	177,117	-	-	177,117
2001	Rosecrans Avenue Rehabilitation Project	8,716	-	-	8,716
2001	MLK Park and Ride	42,528	-	-	42,528
2005	Computer Hardware/Software Upgrade	2,749	-	-	2,749
2006	Design Quadrant Gates	14,310	-	-	14,310
2006	Kingston Computer Hardware	23,064	-	-	23,064
2006	Trails, Greenleaf Boulevard	253,535	-	-	253,535
2006	Compton Creek Multi-Purpose Trail	93,129	-	-	93,129
2006	Painting of the Dollaride Community Center	19,175	-	-	19,175
2006	MLK Transit Center	483,937	-	-	483,937
2010	Safe Route to School Project	78,373	-	-	78,373
Total		\$ 2,899,999	\$ -	\$ -	\$ 2,899,999

See independent auditor's report.

City of Compton
Measure R Local Return Fund
Balance Sheet
June 30, 2021

ASSETS

Cash and investments	\$	2,728,076
Interest receivable		1,567
Due from other funds		1,973
		1,973
Total assets	\$	<u><u>2,731,616</u></u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$	40,538
		40,538
Total liabilities		<u>40,538</u>

Fund balance

Restricted		2,691,078
		2,691,078
Total fund balance		<u>2,691,078</u>
Total liabilities and fund balance	\$	<u><u>2,731,616</u></u>

See notes to Funds financial statements.

City of Compton
Measure R Local Return Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2021

Revenues

Measure R		\$	1,237,247
Interest income			10,743
Unrealized loss on investment			(9,190)
	Total revenues		<u>1,238,800</u>

Expenditures

Various projects			560,627
	Total expenditures		<u>560,627</u>

Excess of revenues over expenditures			678,173
Fund balance at beginning of year, as restated (Note 10)			<u>2,012,905</u>
Fund balance at end of year		\$	<u><u>2,691,078</u></u>

See notes to Funds financial statements.

City of Compton
Measure R Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and Metro Approved Project Budget
Year ended June 30, 2021

Project Code	Project Name	Metro Budget	Actual	Variance Positive (Negative)
630	Fund Administration	\$ 1,035,590	\$ -	\$ 1,035,590
705	Street and Road Repair and Maintenance	1,035,590	560,627	474,963
715	135th Street/Stockwell Street Improvement	188,805	-	188,805
715	Bradfield Avenue Street Improvement	539,932	-	539,932
715	Bullis Road Street Improvement	1,903,312	-	1,903,312
715	Compton Avenue Street Improvement	897,154	-	897,154
715	Greenleaf Boulevard Street Improvement	1,186,838	-	1,186,838
715	Oris Street Improvement	247,789	-	247,789
715	Tajauta Avenue Street Improvement	818,125	-	818,125
715	Myrrh Street Improvement	1,251,404	-	1,251,404
715	Bradfield Avenue Street Improvement	208,384	-	208,384
715	Elva Avenue Street Improvement	600,919	-	600,919
Total expenditures		\$ 9,913,842	\$ 560,627	\$ 9,353,215

See independent auditor's report.

City of Compton
Measure R Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2021

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>
2011	Mona Boulevard Project	\$ 26,800	\$ -	\$ -	\$ 26,800
	Total	\$ 26,800	\$ -	\$ -	\$ 26,800

See independent auditor's report.

City of Compton
Measure M Local Return Fund
Balance Sheet
June 30, 2021

ASSETS

Cash and investments	\$	2,222,841
Interest receivable		821
Due from other funds		1,973
		1,973
Total assets	\$	<u>2,225,635</u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$	11,150
		11,150
Total liabilities		<u>11,150</u>

Fund balance

Restricted		2,214,485
		2,214,485
Total fund balance		<u>2,214,485</u>
Total liabilities and fund balance	\$	<u>2,225,635</u>

See notes to Funds financial statements.

City of Compton
Measure M Local Return Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Year ended June 30, 2021

Revenues

Measure M	\$	1,401,846
Interest income		6,109
Unrealized loss on investment		(6,024)
Total revenues		<u>1,401,931</u>

Expenditures

Various projects		380,105
Total expenditures		<u>380,105</u>

Excess of revenues over expenditures		1,021,826
Fund balance at beginning of the year, as restated (Note 10)		<u>1,192,659</u>
Fund balance at end of year	\$	<u><u>2,214,485</u></u>

See notes to Funds financial statements.

City of Compton
Measure M Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and Metro Approved Project Budget
Year ended June 30, 2021

Project Code	Project Name	Metro Budget	Actual	Variance Positive (Negative)
640	Fund Administration	\$ 293,387	\$ -	\$ 293,387
705	Street Repair and Maintenance	1,173,548	380,105	793,443
705	Palmer Street Improvement	627,066	-	627,066
705	Parmelee Avenue Improvement	1,145,888	-	1,145,888
705	Slater Street Improvement	937,189	-	937,189
705	Tucker Street Improvement	321,403	-	321,403
705	Walnut Street Improvement	2,975,880	-	2,975,880
705	Grandee Avenue Improvement	1,005,345	-	1,005,345
705	Caldwell Street Improvement	1,905,211	-	1,905,211
705	Alondra Boulevard Improvement	105,644	-	105,644
Total expenditures		\$ 10,490,561	\$ 380,105	\$ 10,110,456

See independent auditor's report.

City of Compton
Measure M Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2021

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>
N/A	None	\$ -	\$ -	\$ -	\$ -
	Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report.

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) and the Measure M Local Return Fund (MMLRF) (collectively, the Funds) of the City of Compton (the City) 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.

Basis of Accounting and Measurement Focus

The PALRF, PCLRF, MRLRF 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, MRLRF and MMLRF report the following fund balance classification as of June 30, 2021:

- 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 are intended to present only the financial position and results of operations of the PALRF, PCLRF, MRLRF and MMLRF, and do not purport to, and do not present the City's financial position as of June 30, 2021, and the changes in its financial position for the year 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.

NOTE 5 MEASURE M LOCAL RETURN COMPLIANCE REQUIREMENTS (CONTINUED)

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 6 CASH AND INVESTMENTS

The PALRF, PCLRF, MRLRF 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 7 ACCOUNTS RECEIVABLE - PCLRF

Accounts receivable from State of California Department of Transportation amounting to \$738,662 as of June 30, 2021 represents reimbursement for the Wilmington Avenue Safe Streets Pedestrian and Bicycle Path project.

NOTE 8 PROPOSITION A DISCRETIONARY INCENTIVE GRANT

The Proposition A Discretionary Incentive Grant represents additional funds received from Metro for participating in the Voluntary NTD Program. The amounts received for the year ended June 30, 2021 consisted of the following:

Agreement Date	Program Year	MOU Amount	Amount Received
07/01/2019	FY 2016/17	\$ 66,123	\$ 66,123
05/01/2020	FY 2017/18	65,907	65,907
			\$ 132,030

The Proposition A Discretionary Incentive Grants were recorded under PALRF.

NOTE 9 INDEPENDENT CITIES FINANCE AUTHORITY SALES TAX REVENUE BONDS, SERIES 2021

In 2021, the City issued the following Proposition C, Measure R and Measure M Sales Tax Revenue Bonds for the purpose of financing the design, acquisition, and construction of certain roadway and street improvement projects in the City of Compton, pay cost of issuance of the bonds, purchase a municipal bond insurance policy and purchase a reserve surety for the debt service reserve fund. The bonds are secured and payable solely from the City's annual Proposition C, Measure R and Measure M Sales Tax receipts.

Proposition C Series 2021. Issued \$12,060,000 on March 1, 2021 with interest rate of 4% with annual principal and interest payments ranging from \$88,440 to \$696,800. Interest on the bonds is payable semi-annually each June 1 and December 1, beginning June 1, 2021. Principal matures each June 1 beginning 2022 and maturing in 2051. Proceeds from the issuance was recorded under MTA Taxes Bonds Fund. The principal balance outstanding at June 30, 2021 was \$12,060,000.

Measure R Series 2021. Issued \$7,560,000 on March 1, 2021 with interest rate of 4% with annual principal and interest payments ranging from \$55,440 to \$598,000. Interest on the bonds is payable semi-annually each June 1 and December 1, beginning June 1, 2021. Principal matures each June 1 beginning 2022 and maturing in 2039. Proceeds from the issuance was recorded under MTA Taxes Bonds Fund. The principal balance outstanding at June 30, 2021 was \$7,560,000.

Measure M Series 2021. Issued \$17,500,000 on March 1, 2021 with interest rate of 4% with annual principal and interest payments ranging from \$128,333 to \$1,596,400. Interest on the bonds is payable semi-annually each June 1 and December 1, beginning June 1, 2021. Principal matures each June 1 beginning 2022 and maturing in 2051. Proceeds from the issuance was recorded under MTA Taxes Bonds Fund. The principal balance outstanding at June 30, 2021 was \$17,500,000.

The following is the movement in the bonds outstanding balance and interest payable for the year ended June 30, 2021:

Proposition C

	Principal	Interest	Total
Total bond and interest payable	\$ 12,060,000	\$ 8,951,240	\$ 21,011,240
Less: Payment of principal and interest	-	(88,440)	(88,440)
Oustanding balance as of June 30, 2021	\$ 12,060,000	\$ 8,862,800	\$ 20,922,800

Measure R

	Principal	Interest	Total
Total bond and interest payable	\$ 7,560,000	\$ 3,243,640	\$ 10,803,640
Less: Payment of principal and interest	-	(55,440)	(55,440)
Oustanding balance as of June 30, 2021	\$ 7,560,000	\$ 3,188,200	\$ 10,748,200

NOTE 9 INDEPENDENT CITIES FINANCE AUTHORITY SALES TAX REVENUE BONDS, SERIES 2021 (CONTINUED)

Measure M

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Total bond and interest payable	\$ 17,500,000	\$ 16,159,133	\$ 33,659,133
Less: Payment of principal and interest	-	(128,333)	(128,333)
Ousting balance as of June 30, 2021	<u>\$ 17,500,000</u>	<u>\$ 16,030,800</u>	<u>\$ 33,530,800</u>

The following is the movement in the bonds' cash balance for the year ended June 30, 2021 under the MTA Taxes Bonds Fund:

	<u>Proposition C Bonds</u>	<u>Measure R Bonds</u>	<u>Measure M Bonds</u>
Proceeds from issuance of bonds	\$ 13,590,944	\$ 8,588,282	\$ 19,630,559
Add: Transfer from LRF	148,996	148,996	148,996
Less: Cost of issuance and underwriter fees	(557,597)	(314,025)	(856,670)
Debt service payment during the year	(88,440)	(55,440)	(128,333)
Cash balance as of June 30, 2021	<u>\$ 13,093,903</u>	<u>\$ 8,367,813</u>	<u>\$ 18,794,552</u>

Refer to the City's ACFR for a full description of the bonds.

NOTE 10 PRIOR PERIOD ADJUSTMENTS

The beginning fund balances of PALRF, PCLRF, MRLRF and MMLRF were restated as follows:

	<u>PALRF</u>	<u>PCLRF</u>	<u>MRLRF</u>	<u>MMLRF</u>
Beginning fund balances, as previously reported	\$ 4,696,221	\$ 3,673,913	\$ 2,033,614	\$ 1,175,865
Adjustments to correct FY19/20 LAIF investment income allocation	15,611 ^(a)	7,945 ^(a)	9,349 ^(a)	6,108 ^(a)
Adjustments to record FY19/20 Proposition A Discretionary Incentive Program Grant	55,669 ^(b)	-	-	-
Adjustments to correct FY19/20 expenditures	-	-	(30,058) ^(c)	10,686 ^(d)
Beginning fund balances, as restated	<u>\$ 4,767,501</u>	<u>\$ 3,681,858</u>	<u>\$ 2,012,905</u>	<u>\$ 1,192,659</u>

(a) The adjustment to PALRF, PCLRF, MRLRF and MMLRF financial statements is to correct the fair market value gain in LAIF investments in FY2019/20.

(b) The adjustment to the PALRF financial statements is to recognize the Proposition A Discretionary Incentive Program grant received in FY 2019/20 for participating in the Voluntary NTD Program for reporting year 2014/15.

(c) The adjustment to MRLRF financial statements is to correct additional expenditures related to Project 705, Street and Road Repair and Maintenance and Project 630, Fund Administration in FY2019/20.

(d) The adjustment to MMLRF financial statements is to reverse accrual of expenditures related to Project 705, Street Repair and Maintenance in FY2019/20.

NOTE 11 IMPACT OF CORONAVIRUS

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the United States.

It is unknown how long these conditions will last and what the complete financial effect will be to businesses and other affected organizations, including local governmental entities. However, the City's management believes that the financial impact, if any, will not materially affect the June 30, 2021 funds financial statements.

NOTE 12 SUBSEQUENT EVENTS

The City has evaluated events subsequent to June 30, 2021 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through December 21, 2021, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

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

**To the Honorable Members of the City Council of the
City of Compton, 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 and the Measure M Local Return Fund (collectively, the Funds) of the City of Compton, California (the City) as of and for the year ended June 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated December 21, 2021.

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 Funds' 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 have not been identified. We identified a deficiency in internal control, described in the Schedule of Findings on Internal Control over Financial Reporting as Finding No. FS 2021-001, that we consider to be a material weakness.



The City's Response to the Finding

The City's response to the finding identified in our audit is 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.

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 and Measure M Local Return 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.

A handwritten signature in black ink that reads "Vasquez & Company LLP".

**Glendale, California
December 21, 2021**

Finding No. FS 2021-001: Year-end Closing Process

Criteria

Proposition A and Proposition C Local Return Guidelines Section V, Measure R Local Return Guidelines Section VII 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, the City's year-end closing process is still on-going. The following important procedures were not yet completed:

- Cut off procedures. Cut off procedures relating to year-end accruals were inadequate to ensure the recording of transactions in the proper period. This resulted in the City's adjustments which affected prior period's account balances.
- Beginning fund balances were not reconciled with the prior year audited reports.

In addition, the audit of the City's FY 2020 to FY 2021 financial statements audit has not yet been completed because of the clean-up and closing process currently being done.

Cause and Effect

During the fiscal years 2017 through 2020, the City lost several key employees in the finance and accounting department. As such, there were delays in the closing of the City's books for the fiscal year 2021 and prior years. Currently, the accounting personnel and support staff are working towards closing the books and provide the closing entries, trial balances, schedules, reconciliations, account analysis, and other financial reports needed by management and the auditors.

Recommendation

We recommend the City 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 the procedures to specific City personnel. The closing procedures should be documented in a checklist that indicates who will perform each procedure and when completion of each procedure is due and is accomplished. The timing of specific procedures could be coordinated with the timing of management's or the auditor's need for the information. These reconciliations will provide assurance that financial statements are meaningful and accurate.

Views of Responsible Officials

The City is in the process of catching up on all accounting processes that have not been completed due to staff turnover and various other reasons. The new management team in the Controller's office are putting procedures in place to ensure monthly and annual year-end closing processes are well documented and occur on time.

COMPLIANCE SECTION

Independent Auditor's Report on Compliance

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

Report on Compliance

We have audited the City of Compton, California's (the City) compliance with the Proposition A and Proposition C Local Return Guidelines, Measure R Local Return Guidelines, and Measure M Local Return Guidelines (collectively, the Guidelines) for the year ended June 30, 2021.

Management's Responsibility

Management is responsible for the City's compliance with the Guidelines.

Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance with the Guidelines based on our audit. We conducted our audit of compliance in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the Guidelines. Those standards and the Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the Proposition A Local Return Program, Proposition C Local Return Program, Measure R Local Return Program and Measure M Local Return Program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the Guidelines. However, our audit does not provide a legal determination of the City's compliance with the Guidelines.

Opinion

In our opinion, the City of Compton, California complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2021.



Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's 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 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 with the requirements, such that there is a reasonable possibility that material noncompliance 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 requirements that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

A handwritten signature in black ink that reads "Vasquez & Company LLP". The signature is written in a cursive, flowing style.

**Glendale, California
December 21, 2021**

**City of Compton
Compliance Matrix
Year ended June 30, 2021**

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				
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		

**City of Compton
Compliance Matrix
Year ended June 30, 2021**

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				

**City of Compton
Compliance Matrix
Year ended June 30, 2021**

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				
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				
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				

**City of Compton
Compliance Matrix
Year ended June 30, 2021**

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				

**City of Compton
Compliance Matrix
Year ended June 30, 2021**

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				
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				
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				

**City of Compton
Compliance Matrix
Year ended June 30, 2021**

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				

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**City of Compton
Schedule of Findings and Questioned Costs
Year ended June 30, 2021**

There were no findings noted.

EXIT CONFERENCE

An exit conference was held on December 21, 2021 with the City of Compton representatives. Those in attendance were:

Vasquez and Company LLP representatives:
Cristy Canieda – Partner
Marialyn Salvador – Audit Senior Manager
Ihab Fakhreddine – Senior Auditor (BCA Watson Rice LLP)

City of Compton representatives:
Sharon Rahban – City Controller
Michelle Blue – Accountant I

Matters discussed:

Results of the audit disclosed a finding on internal control over financial reporting with the Guidelines.

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

Sharon Rahban – City Controller
Michelle Blue – Accountant I
John Strickland – Project Manager



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