



MetroTM

**City of Carson
Annual Financial Report of its**

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

**As of and for the Years Ended June 30, 2021 and 2020
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 Carson, 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, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Carson, California (the City) which comprise the Funds' balance sheets as of June 30, 2021 and 2020, the related statements of revenues, expenditures and changes in fund balances for the years 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 audits. We conducted our audits 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 audits 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 audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund of the City of Carson, California, as of June 30, 2021 and 2020, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

As discussed in Note 13, 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 fiscal year 2020 financial statements have been restated to accrue payroll expenditures incurred in fiscal year 2020. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund of the City of Carson, California, and do not purport to, and do not present fairly the financial position of the City as of June 30, 2021 and 2020, 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.



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.

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, 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 November 3, 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
November 3, 2021**

**City of Carson
 Proposition A Local Return Fund
 Balance Sheets**

| | | June 30 | |
|---|-----------|-------------------------|--------------------------|
| | | 2021 | (as restated) 2020 |
| ASSETS | | | |
| Cash and investments | \$ | 2,460,500 | \$ 850,935 |
| Other receivables | | 455 | 455 |
| Total assets | \$ | <u>2,460,955</u> | <u>\$ 851,390</u> |
| LIABILITIES AND FUND BALANCE | | | |
| Liabilities | | | |
| Accounts payable and accrued liabilities | \$ | 51,672 | \$ 52,886 |
| Accrued payroll | | 10,423 | 10,723 |
| Total liabilities | | <u>62,095</u> | <u>63,609</u> |
| Fund balance | | | |
| Restricted | | 2,398,860 | 787,781 |
| Total fund balance | | <u>2,398,860</u> | <u>787,781</u> |
| Total liabilities and fund balance | \$ | <u>2,460,955</u> | <u>\$ 851,390</u> |

See notes to Funds financial statements.

City of Carson
Proposition A Local Return Fund
Statements of Revenues, Expenditures and Changes in Fund Balance

| | Years ended June 30 | |
|--|----------------------------|----------------------|
| | | <i>(as restated)</i> |
| | 2021 | 2020 |
| Revenues | | |
| Proposition A | \$ 1,883,323 | \$ 1,814,856 |
| Investment income | 11,983 | 19,166 |
| Proposition A Discretionary Incentive Program grant (Note 8) | 384,938 | 191,892 |
| Project generated revenues (Note 9) | 34,226 | 73,873 |
| Total revenues | 2,314,470 | 2,099,787 |
| Expenditures | | |
| Various projects | 703,391 | 1,517,124 |
| Total expenditures | 703,391 | 1,517,124 |
| Excess of revenues over expenditures | 1,611,079 | 582,663 |
| Fund balance at beginning of year | 787,781 | 205,118 |
| Fund balance at end of year | \$ 2,398,860 | \$ 787,781 |

See notes to Funds financial statements.

City of Carson
Proposition A Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and Metro Approved Project Budget
Year ended June 30, 2021
(With Comparative Actuals for 2020)

| Project Code | Project Name | 2021 | | | (as restated) |
|--------------|---------------------------------|-------------------|-------------------|-------------------|---------------------|
| | | Metro Budget | Actual | Variance Positive | 2020 Actual |
| 105 | Carson Circuit | \$ 102,000 | \$ 82,977 | \$ 19,023 | \$ 626,694 |
| 105 | CNG Fuel for the Carson Circuit | 75 | 59 | 16 | 108,103 |
| 105 | Bus Operation | 255,000 | 222,777 | 32,223 | 224,535 |
| 108 | Dial-A-Ride | 280,000 | 260,301 | 19,699 | 420,915 |
| 120 | Long Beach Transit | 22,500 | 20,938 | 1,562 | 20,951 |
| 170 | Bus Stop Maintenance | 99,500 | 98,380 | 1,120 | 95,512 |
| 610 | General Administration | 22,000 | 17,959 | 4,041 | 20,414 |
| | Total expenditures | \$ 781,075 | \$ 703,391 | \$ 77,684 | \$ 1,517,124 |

See independent auditor's report.

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

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

See independent auditor's report.

**City of Carson
Proposition C Local Return Fund
Balance Sheets**

| | | June 30 | |
|---|-----------|------------------|-----------------------|
| | | 2021 | (as restated) 2020 |
| ASSETS | | | |
| Cash and investments | \$ | 2,982,406 | 1,545,515 |
| Total assets | \$ | 2,982,406 | 1,545,515 |
| LIABILITIES AND FUND BALANCE | | | |
| Liabilities | | | |
| Accounts payable and accrued liabilities | \$ | 159,252 | 25,598 |
| Accrued payroll | | 3,315 | 3,008 |
| Total liabilities | | 162,567 | 28,606 |
| Fund balance | | | |
| Restricted | | 2,819,839 | 1,516,909 |
| Total fund balance | | 2,819,839 | 1,516,909 |
| Total liabilities and fund balance | \$ | 2,982,406 | 1,545,515 |

See notes to Funds financial statements.

City of Carson
Proposition C Local Return Fund
Statements of Revenues, Expenditures and Changes in Fund Balance

| | Years ended June 30 | |
|--|----------------------------|------------------------------|
| | 2021 | (as restated) 2020 |
| Revenues | | |
| Proposition C | \$ 1,562,149 | \$ 1,505,427 |
| Investment income | 14,279 | 30,808 |
| Project generated revenues (Note 9) | 2,646 | 20,847 |
| Total revenues | 1,579,074 | 1,557,082 |
| Expenditures | | |
| Various projects | 276,144 | 873,673 |
| Total expenditures | 276,144 | 873,673 |
| Excess of revenues over expenditures | 1,302,930 | 683,409 |
| Fund balance at beginning of year | 1,516,909 | 833,500 |
| Fund balance at end of year | \$ 2,819,839 | \$ 1,516,909 |

See notes to Funds financial statements.

City of Carson
Proposition C Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and Metro Approved Project Budget
Year ended June 30, 2021
(With Comparative Actuals for 2020)

| Project Code | Project Name | 2021 | | | (as restated) |
|--------------|---------------------------------|-------------------|-------------------|-------------------|-------------------|
| | | Metro Budget | Actual | Variance Positive | 2020 Actual |
| 105 | Carson Circuit | \$ 135,000 | \$ 129,528 | \$ 5,472 | \$ 731,026 |
| 105 | North-South Shuttle | 2,500 | - | 2,500 | 2,349 |
| 105 | CNG Fuel for the Carson Circuit | - | - | - | 108,075 |
| 108 | Emergency Lyft Service | 25,000 | 866 | 24,134 | 1,949 |
| 150 | Carson Circuit Transit Security | - | - | - | 30,274 |
| 170 | Bus Shelters and Benches | 160,000 | 145,750 | 14,250 | - |
| | Total expenditures | \$ 322,500 | \$ 276,144 | \$ 46,356 | \$ 873,673 |

See independent auditor's report.

City of Carson
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> |
|--------------------------|--|-------------------------------------|-------------------|------------------|--------------------------------------|
| FY 15/16 | Glaval Legacy Bus 2016 | \$ 158,201 | \$ - | \$ - | \$ 158,201 |
| FY 15/16 | 2017 Blue Bird Bus | 346,911 | - | - | 346,911 |
| FY 16/17 | Coin Sorter | 5,854 | - | - | 5,854 |
| FY 17/18 | Project #1547 - Turmont St Rehabilitation | 546,570 | - | - | 546,570 |
| FY 20/21 | Bus Shelters and Benches | - | 145,750 | - | 145,750 |
| | Total | \$ 1,057,536 | \$ 145,750 | \$ - | \$ 1,203,286 |

See independent auditor's report.

**City of Carson
Measure R Local Return Fund
Balance Sheets**

| | | June 30 | |
|-------------------------------------|---|---------------------|-----------------------|
| | | 2021 | (as restated) 2020 |
| ASSETS | | | |
| Cash and investments | | \$ 2,634,202 | \$ 2,921,539 |
| | Total assets | \$ 2,634,202 | \$ 2,921,539 |
| LIABILITIES AND FUND BALANCE | | | |
| Liabilities | | | |
| Accounts payable | | \$ 278,215 | \$ - |
| Accrued payroll | | 1,076 | 6,114 |
| Due to other funds | | - | 553 |
| | Total liabilities | 279,291 | 6,667 |
| Fund balance | | | |
| Restricted | | 2,354,911 | 2,914,872 |
| | Total fund balance | 2,354,911 | 2,914,872 |
| | Total liabilities and fund balance | \$ 2,634,202 | \$ 2,921,539 |

See notes to Funds financial statements.

City of Carson
Measure R Local Return Fund

Statements of Revenues, Expenditures and Changes in Fund Balance

| | Years ended June 30 | |
|---|---------------------|-----------------------|
| | 2021 | (as restated) 2020 |
| Revenues | | |
| Measure R | \$ 1,173,235 | \$ 1,127,455 |
| Investment income | 12,537 | 69,913 |
| Total revenues | 1,185,772 | 1,197,368 |
| Expenditures | | |
| Various projects | 1,745,733 | 1,146,809 |
| Total expenditures | 1,745,733 | 1,146,809 |
| Excess (deficiency) of revenues over expenditures | (559,961) | 50,559 |
| Fund balance at beginning of year | 2,914,872 | 2,864,313 |
| Fund balance at end of year | \$ 2,354,911 | \$ 2,914,872 |

See notes to Funds financial statements.

City of Carson
Measure R Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and Metro Approved Project Budget
Year ended June 30, 2021
(With Comparative Actuals for 2020)

| Project Code | Project Name | 2021 | | | (as restated) |
|---------------------------|---|---------------------|---------------------|---------------------|---------------------|
| | | Metro Budget | Actual | Variance Positive | 2020 Actual |
| 301 | Broadway Traffic Signal Upgrade | \$ 424,717 | \$ 403,480 | \$ 21,237 | \$ 1,140 |
| 302 | PW1657 - Traffic Signal Upgrades (M312.41 and M312.46) | 750,000 | - | 750,000 | - |
| 705 | Dominguez Channel Bike Path PI | - | - | - | 14,900 |
| 705 | Dominguez Channel Bike Path PII | - | - | - | 12,845 |
| 705 | PW1393-3 Citywide Annual Pavement | 600,000 | - | 600,000 | - |
| 705 | PW1411-2 Citywide Annual Concrete | 363,750 | 541,253 | (177,503) | - |
| 705 | PW1411-3 Citywide Annual Concrete | 150,000 | - | 150,000 | - |
| 705 | PW1606 - Citywide Street Pavement | 350,000 | - | 350,000 | - |
| 705 | Measure M and R Bond Debt Service (Note 10) | 801,000 | 801,000 | - | 569,449 |
| 705 | Wilmington/I-405 Improvement | 100,000 | - | 100,000 | 548,475 |
| 755 | PW1546 - Green Streets and Sustainability | 284,991 | - | 284,991 | - |
| Total expenditures | | \$ 3,824,458 | \$ 1,745,733 | \$ 2,078,725 | \$ 1,146,809 |

See independent auditor's report.

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

| Date Acquired | Description | Balance July 1, 2020 | Additions | Deletions | Balance June 30, 2021 |
|--------------------------|---|-------------------------------------|-------------------|------------------|--------------------------------------|
| FY 12/13 | Project 954 - Del Amo Median | \$ 1,165,089 | \$ - | \$ - | \$ 1,165,089 |
| FY 14/15 | Project 1252 - Pedestrian Bridge 213th at Dominguez | 278,537 | - | - | 278,537 |
| FY 14/15 | Project 1359 - Citywide Annual Concrete | 767,492 | - | - | 767,492 |
| FY 14/15 | Project 1360 - Citywide Annual Overlay | 1,276,274 | - | - | 1,276,274 |
| FY 17/18 | Wilmington/I-405 Improvement | 1,142,719 | - | - | 1,142,719 |
| FY 18/19 | PW919 - Wilmington/I-405 Improvement | 320,434 * | - | - | 320,434 |
| FY 18/19 | Broadway Traffic Signal Upgrade | 3,337 * | - | - | 3,337 |
| FY 18/19 | Sepulveda Blvd Widening | 3,969 * | - | - | 3,969 |
| FY 19/20 | Wilmington/I-405 Improvement | 548,474 | - | - | 548,474 |
| FY 19/20 | PW1451 - Dominguez Channel Bike Path Phase I | 10,286 * | - | - | 10,286 |
| FY 19/20 | PW1452 - Dominguez Channel Bike Path Phase II | 11,345 * | - | - | 11,345 |
| FY 19/20 | PW1422 - Broadway Traffic Signal | 1,140 * | - | - | 1,140 |
| FY 20/21 | PW1393-3 Citywide Annual Pavement | - | 484,244 | - | 484,244 |
| FY 20/21 | PW1411-2 Citywide Annual Concrete | - | 50,283 | - | 50,283 |
| FY 20/21 | PW1422 - Broadway Traffic Signal | - | 406,970 | - | 406,970 |
| Total | | \$ 5,529,096 | \$ 941,497 | \$ - | \$ 6,470,593 |

* The City conducted a physical inventory count of the City's capital assets during FY 2021. Acquisition of these assets were funded by the Measure R Local Return (LR) Fund; however, these were not included in the Measure R LR Fund's Schedule of Capital Assets reported in prior years.

See independent auditor's report.

**City of Carson
Measure M Local Return Fund
Balance Sheets**

| | | June 30 | |
|-------------------------------------|---|----------------------------|------------------------------|
| | | 2021 | (as restated) 2020 |
| ASSETS | | | |
| Cash and investments | | \$ 2,205,074 | \$ 2,243,919 |
| | Total assets | \$ <u>2,205,074</u> | \$ <u>2,243,919</u> |
| LIABILITIES AND FUND BALANCE | | | |
| Liabilities | | | |
| Accounts payable | | \$ 217,738 | \$ - |
| Accrued payroll | | 591 | 3,195 |
| | Total liabilities | <u>218,329</u> | <u>3,195</u> |
| Fund balance | | | |
| Restricted | | 1,986,745 | 2,240,724 |
| | Total fund balance | <u>1,986,745</u> | <u>2,240,724</u> |
| | Total liabilities and fund balance | \$ <u>2,205,074</u> | \$ <u>2,243,919</u> |

See notes to Funds financial statements.

City of Carson
Measure M Local Return Fund

Statements of Revenues, Expenditures and Changes in Fund Balance

| | Years ended June 30 | |
|---|---------------------|-----------------------|
| | 2021 | (as restated) 2020 |
| Revenues | | |
| Measure M | \$ 1,329,319 | \$ 1,268,804 |
| Investment income | 9,123 | 57,406 |
| Total revenues | 1,338,442 | 1,326,210 |
| Expenditures | | |
| Various projects | 1,592,421 | 639,686 |
| Total expenditures | 1,592,421 | 639,686 |
| Excess (deficiency) of revenues over expenditures | (253,979) | 686,524 |
| Fund balance at beginning of year | 2,240,724 | 1,554,200 |
| Fund balance at end of year | \$ 1,986,745 | \$ 2,240,724 |

See notes to Funds financial statements.

City of Carson
Measure M Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and Metro Approved Project Budget
Year ended June 30, 2021
(With Comparative Actuals for 2020)

| Project Code | Project Name | 2021 | | | (as restated) |
|---------------------------|--|---------------------|---------------------|---------------------|-------------------|
| | | Metro Budget | Actual | Variance Positive | 2020 Actual |
| 301 | PW1611 - Traffic Signal Installation | \$ 453,084 | \$ 3,872 | \$ 449,212 | \$ 1,597 |
| 301 | PW1612 - Traffic Signal Installation - East Entrance | - | - | - | 1,598 |
| 301 | PW1628 - Traffic Signal/Del Amo - Tajauta | 306,352 | - | 306,352 | - |
| 302 | PW-1422 Broadway Traffic Signal | 424,717 | 58,412 | 366,305 | - |
| 302 | PW-1657 Traffic Signal Upgrades | 750,000 | - | 750,000 | - |
| 705 | PW-1413-3 Citywide Annual Rubberized | 900,000 | 729,137 | 170,863 | - |
| 705 | PW-1393-3 Citywide Annual Overlay | 600,000 | - | 600,000 | 55,770 |
| 705 | PW-1411-3 Citywide Annual Overlay | 150,000 | - | 150,000 | - |
| 705 | Measure R and M Bond Debt Service (Note 10) | 801,000 | 801,000 | - | 569,449 |
| 705 | Albertoni Street Rehabilitation | - | - | - | 11,272 |
| 705 | PW1606 - Citywide Annual Street Pavement | 350,000 | - | 350,000 | - |
| 755 | PW1546 - Green Streets Sustainability | 285,000 | - | 285,000 | - |
| Total expenditures | | \$ 5,020,153 | \$ 1,592,421 | \$ 3,427,732 | \$ 639,686 |

See independent auditor's report.

**City of Carson
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> |
|--------------------------|---|-------------------------------------|-------------------|------------------|--------------------------------------|
| FY 17/18 | Project #1547 - Turmont St Rehabilitation | \$ 84,336 | \$ - | \$ - | \$ 84,336 |
| FY 18/19 | PW1413 - Citywide Annual Slurry Seal | 675,414 * | - | - | 675,414 |
| FY 18/19 | PW1547 - Turmont Street Rehab | 1,136 * | - | - | 1,136 |
| FY 18/19 | PW1393 - Citywide Pavement Overlay | 17,601 * | - | - | 17,601 |
| FY 19/20 | PW1393 - Citywide Pavement Overlay | 55,770 * | - | - | 55,770 |
| FY 19/20 | PW1603 - Albertoni Street Rehab | 11,272 * | - | - | 11,272 |
| FY 20/21 | PW1611 - Traffic Signal Installation | - | 2,220 | - | 2,220 |
| FY 20/21 | PW-1422 Broadway Traffic Signal | - | 3,439 | - | 3,439 |
| FY 20/21 | PW-1413-3 Citywide Annual Slurry Seal | - | 729,391 | - | 729,391 |
| | Total | \$ 845,529 | \$ 735,050 | \$ - | \$ 1,580,579 |

* The City conducted a physical inventory count of the City's capital assets during FY 2021. Acquisition of these assets were funded by the Measure M Local Return (LR) Fund; however, these were not included in the Measure M LR Fund's Schedule of Capital Assets reported in prior years.

See independent auditor's report.

City of Carson
Transportation Development Act Article 3 Fund
Pursuant to Public Utilities Code Section 99234
Balance Sheets

| | | June 30 | |
|---|-----------|----------------|------------------|
| | | 2021 | 2020 |
| ASSETS | | | |
| Cash and investments | \$ | 116,610 | \$ - |
| Due from Metro | | - | 27,614 |
| Total assets | \$ | 116,610 | \$ 27,614 |
| LIABILITIES AND FUND BALANCE | | | |
| Liabilities | | | |
| Accounts payable and accrued liabilities | \$ | 61,717 | \$ 20,947 |
| Total liabilities | | 61,717 | 20,947 |
| Fund balance | | | |
| Restricted | | 54,893 | 6,667 |
| Total fund balance | | 54,893 | 6,667 |
| Total liabilities and fund balance | \$ | 116,610 | \$ 27,614 |

See notes to Funds financial statements.

City of Carson
 Transportation Development Act Article 3 Fund
 Pursuant to Public Utilities Code Section 99234
Statements of Revenues, Expenditures and Changes in Fund Balance

| | Years ended June 30 | |
|--------------------------------------|---------------------|---------------|
| | 2021 | 2020 |
| Revenues | | |
| Intergovernmental Allocation: | | |
| Article 3 | \$ 111,717 | \$ 27,614 |
| Total revenues | 111,717 | 27,614 |
| Expenditures | | |
| Construction/Maintenance | 63,491 | 23,959 |
| Total expenditures | 63,491 | 23,959 |
| Excess of revenues over expenditures | 48,226 | 3,655 |
| Fund balance at beginning of year | 6,667 | 3,012 |
| Fund balance at end of year | \$ 54,893 | \$ 6,667 |

See notes to Funds financial statements.

City of Carson
 Transportation Development Act Article 3 Fund
 Pursuant to Public Utilities Code Section 99234
 Supplementary Information
 Schedule of Transportation Development Act Allocation for Specific Projects
 Year ended June 30, 2021

| Project Description | Program Year | Totals to Date | | Unexpended Allocations | Project Status |
|---|-----------------|-------------------|------------------|---------------------------|-------------------|
| | | Allocations | Expenditures | | |
| Local Allocations: | | | | | |
| Purchase and Installation of Bus Shelters and Benches Along Sidewalk | 2021 | \$ 111,717 | \$ 63,491 | \$ 48,226 | On-going |
| Totals | | <u>\$ 111,717</u> | <u>\$ 63,491</u> | 48,226 | |
| Fund balance at beginning of year | | | | <u>6,667</u> | |
| Fund balance at end of year | | | | <u>\$ 54,893</u> | * |

* See Compliance Matrix and Schedule of Findings and Questioned Costs.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

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

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

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

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

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

Basis of Accounting and Measurement Focus

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

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

Budgets and Budgetary Accounting

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement

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

Refer to the City's 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, MMLRF and TDAA3F report the following fund balance classification as of June 30, 2021 and 2020:

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

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

Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the City recognizes deferred outflows and deferred inflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period.

Deferred inflows of resources reported by the City represent resources that are not available for spending as of June 30, 2021 and 2020.

NOTE 2 ANNUAL FINANCIAL STATEMENTS

The financial statements reflect only the financial position and results of operations of the PALRF, PCLRF, MRLRF, MMLRF and TDAA3F, and do not purport to, and do not present fairly the City's financial position as of June 30, 2021 and 2020, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

NOTE 3 PROPOSITION A AND PROPOSITION C LOCAL RETURN COMPLIANCE REQUIREMENTS

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

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

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

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

NOTE 4 MEASURE R LOCAL RETURN COMPLIANCE REQUIREMENTS

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

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

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

NOTE 5 MEASURE M LOCAL RETURN COMPLIANCE REQUIREMENTS

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

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

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

NOTE 6 TRANSPORTATION DEVELOPMENT ACT COMPLIANCE REQUIREMENTS

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

NOTE 7 CASH AND INVESTMENTS

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

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

NOTE 8 PROPOSITION A DISCRETIONARY INCENTIVE PROGRAM GRANT

The City entered into various Memorandum of Understanding (MOU) agreements with Metro to receive Proposition A Discretionary Incentive Program grant for participating in the National Transit Database (NTD) Voluntary Reporting program. The amount received for the years ended June 30, 2021 and 2020, consisted of the following:

| Agreement Date | Program Year | MOU Amount | Amount Received | |
|----------------|--------------|------------|-------------------|-------------------|
| | | | 2021 | 2020 |
| 7/31/2018 | FY 2015/16 | \$ 191,892 | \$ - | \$ 191,892 |
| 7/01/2019 | FY 2016/17 | 192,099 | 192,099 | - |
| 5/01/2020 | FY 2017/18 | 191,839 | 192,839 | - |
| | | | <u>\$ 384,938</u> | <u>\$ 191,892</u> |

NOTE 9 PROJECT GENERATED REVENUES

Project generated revenues for the years ended June 30, 2021 and 2020 consisted of the following:

PALRF

| | <u>2021</u> | <u>2020</u> |
|----------------------|------------------|------------------|
| Dial-A-Ride fares | \$ 32,254 | \$ 53,786 |
| Carson Circuit fares | 1,972 | 15,998 |
| EZ Transit pass | - | 4,089 |
| | <u>\$ 34,226</u> | <u>\$ 73,873</u> |

PCLRF

| | <u>2021</u> | <u>2020</u> |
|----------------------|-----------------|------------------|
| Carson Circuit fares | \$ 2,646 | \$ 20,847 |
| | <u>\$ 2,646</u> | <u>\$ 20,847</u> |

NOTE 10 LIMITED PUBLIC FINANCING AUTHORITY SALES TAX REVENUE CERTIFICATES AND BONDS (LIMITED TAX BONDS)

On October 10, 2019, the City issued \$18,830,000 Measure M and R Limited Tax Bonds (Bonds) for the purpose of financing the design, acquisition, and construction of certain roadway and street improvement projects in the City, 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 Measure M and Measure R Sales Tax receipts.

Interest on the bonds is payable semi-annually each June 1 and December 1, beginning June 1, 2020. Principal matures each June 1 beginning 2020 and maturing in 2039. Interest rates on the bonds vary between 3.00% and 4.00%. Proceeds from the issuance was recorded under Measure M and R Bond Fund. The principal balance outstanding at June 30, 2021 and 2020 was \$17,420,000 and \$18,190,000, respectively.

In FY2020/21, the City paid principal and interest amounting to \$770,000 and \$832,000, respectively, which was equally paid out of the MRLRF and MMLRF.

In FY2019/20, the City paid principal and interest amounting to \$640,000 and \$498,898, respectively, which was equally paid out of the MRLRF and MMLRF.

The following is the movement in the outstanding bonds and interest payable during the years ended June 30, 2021 and 2020:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|----------------------|---------------------|----------------------|
| Total bond and interest payable | \$ 18,830,000 | \$ 8,544,898 | \$ 27,374,898 |
| Less: Payment of principal and interest | (640,000) | (498,898) | (1,138,898) |
| Ousting balance as of June 30, 2020 | \$ 18,190,000 | \$ 8,046,000 | \$ 26,236,000 |
| Less: Payment of principal and interest | (770,000) | (832,000) | (1,602,000) |
| Ousting balance as of June 30, 2021 | <u>\$ 17,420,000</u> | <u>\$ 7,214,000</u> | <u>\$ 24,634,000</u> |

NOTE 10 LIMITED PUBLIC FINANCING AUTHORITY SALES TAX REVENUE CERTIFICATES AND BONDS (LIMITED TAX BONDS) (CONTINUED)

The following is the movement in the bonds' cash balance for the years ended June 30, 2021 and 2020 under Bonds Fund:

| | |
|---|----------------------|
| Proceeds from issuance of bonds | \$ 22,804,720 |
| Add: Transfer from MRLRF and MMLRF | 1,138,898 |
| Interest income earned | 112,324 |
| Less: Cost of issuance and underwriter fees | (312,211) |
| Debt service payment during the year | <u>(1,138,898)</u> |
| Cash balance as of June 30, 2020 | 22,604,833 |
| Add: Transfer from MRLRF and MMLRF | 1,602,000 |
| Interest income earned | 1,194 |
| Less: Debt service payment during the year | <u>(1,602,000)</u> |
| Cash balance as of June 30, 2021 | <u>\$ 22,606,027</u> |

NOTE 11 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND REVENUE ALLOCATION

The revenue allocations for the years ended June 30, 2021 and 2020 consisted of the following:

| | 2021 | | 2020 |
|-----------------------|-------------------|--|------------------|
| FY 2015/16 allocation | \$ - | | \$ 27,614 |
| FY 2016/17 allocation | 61,717 | | - |
| FY 2017/18 allocation | 50,000 | | - |
| | <u>\$ 111,717</u> | | <u>\$ 27,614</u> |

NOTE 12 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUNDS RESERVED

In accordance with TDA Article 3 (SB821) Guidelines, funds which will not be spent during the fiscal year have been placed on reserve in the Local Transportation Fund (LTF) account with the County Auditor-Controller to be drawn down whenever the funds become eligible for a specific project and an approved drawdown request is received by Metro. As of June 30, 2021 and 2020, the City has funds on reserve as follows:

| | 2021 | | 2020 |
|-----------------------|-------------------|--|-------------------|
| FY 2016/17 allocation | \$ - | | \$ 61,717 |
| FY 2017/18 allocation | 11,210 | | 61,210 |
| FY 2018/19 allocation | 63,499 | | 63,499 |
| FY 2019/20 allocation | 67,544 | | 67,544 |
| FY 2020/21 allocation | 52,168 | | - |
| Total reserve | <u>\$ 194,421</u> | | <u>\$ 253,970</u> |

**NOTE 12 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUNDS RESERVED
(CONTINUED)**

For FY 2020/21, any TDA Article 3 funds left on reserve for FY 2016/17 or prior, are subject to lapse if not claimed by the City by June 30, 2021. There were no funds that lapsed in FY 2020/21.

NOTE 13 RESTATEMENT OF 2020 FUND FINANCIAL STATEMENTS

The restatement of the PALRF, PCLRF, MRLRF, and MMLRF financial statements is to record unreported payroll expenditures incurred in fiscal year 2020.

PALRF

| | <u>Balance, as previously reported</u> | <u>Adjustment</u> | <u>Balance, as adjusted</u> |
|-----------------|--|-------------------|---------------------------------|
| Accrued payroll | \$ - | \$ 10,723 | \$ 10,723 |
| Fund balance | 798,504 | (10,723) | 787,781 |
| Expenditures | 1,506,401 | 10,723 | 1,517,124 |

PCLRF

| | <u>Balance, as previously reported</u> | <u>Adjustment</u> | <u>Balance, as adjusted</u> |
|-----------------|--|-------------------|---------------------------------|
| Accrued payroll | \$ - | \$ 3,008 | \$ 3,008 |
| Fund balance | 1,519,917 | (3,008) | 1,516,909 |
| Expenditures | 870,665 | 3,008 | 873,673 |

MRLRF

| | <u>Balance, as previously reported</u> | <u>Adjustment</u> | <u>Balance, as adjusted</u> |
|-----------------|--|-------------------|---------------------------------|
| Accrued payroll | \$ - | \$ 6,114 | \$ 6,114 |
| Fund balance | 2,920,986 | (6,114) | 2,914,872 |
| Expenditures | 1,140,695 | 6,114 | 1,146,809 |

MMLRF

| | <u>Balance, as previously reported</u> | <u>Adjustment</u> | <u>Balance, as adjusted</u> |
|-----------------|--|-------------------|---------------------------------|
| Accrued payroll | \$ - | \$ 3,195 | \$ 3,195 |
| Fund balance | 2,243,919 | (3,195) | 2,240,724 |
| Expenditures | 636,491 | 3,195 | 639,686 |

NOTE 14 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 15 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 November 3, 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 Carson, California and the
Los Angeles County Metropolitan Transportation Authority**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Carson, 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 November 3, 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 City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, Measure M Local Return Fund and Transportation Development Act Article 3 Fund financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

**Glendale, California
November 3, 2021**

COMPLIANCE SECTION

Independent Auditor's Report on Compliance

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

Report on Compliance

We have audited the City of Carson, California's (the City) compliance with the Proposition A and Proposition C Local Return Guidelines, Measure R Local Return Guidelines, Measure M Local Return Guidelines, Transportation Development Act Article 3, and the Los Angeles County Metropolitan Transportation Authority's Funding and Allocation Guidelines for Transportation Development Act Article 3 Bicycle and Pedestrian Funds (collectively, the Guidelines) for the year ended June 30, 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, Measure M Local Return Program and Transportation Development Act Article 3 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 Carson, California complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2021.



Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with the requirements, which is described in the accompanying Schedule of Findings and Questioned Costs as Finding #2021-001. Our opinion is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response is not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

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 "Vaqueria & Company LLP".

Glendale, California
November 3, 2021

**City of Carson
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 | | |

See independent auditor's report on compliance.

**City of Carson
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 | | There were no recreational expenditures in FY 2020/21. |
| 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 independent auditor's report on compliance.

**City of Carson
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 | | There were no administrative expenditures in FY 2020/21. |
| 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 | | | | |

See independent auditor's report on compliance.

**City of Carson
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 | | There were no recreational expenditures in FY 2020/21. |
| 15. Fund exchanges (trades, loans, or gifts) were approved by Metro. | | | X | | |
| 16. Accounting procedures, record keeping, and documentation are adequate. | X | | | | |

See independent auditor's report on compliance.

**City of Carson
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. | | | | | There were no administrative expenditures in FY 2020/21. |
| 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. | | | | | |
| 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. | | | | | |
| 12. A separate account was established for Capital reserve funds and Capital reserve was approved by Metro. | | | | | |
| 13. Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall. | X | | | | |

See independent auditor's report on compliance.

**City of Carson
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 | | There were no recreational expenditures in FY 2020/21. |
| 15. Fund exchanges (trades, loans, or gifts) were approved by Metro. | | | X | | |
| 16. Accounting procedures, record keeping, and documentation are adequate. | X | | | | |

See independent auditor's report on compliance.

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

| Compliance Requirements | In Compliance | | | Questioned Costs | If no, provide details and management response. |
|---|---------------|----|-----|------------------|---|
| | Yes | No | N/A | | |
| D. Transportation Development Act Article 3 Fund | | | | | |
| 1. Timely use of funds. | | X | | | See Finding #2021-001 |
| 2. Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities. | X | | | | |

See independent auditor's report on compliance.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Carson
Schedule of Findings and Questioned Costs
Year ended June 30, 2020

TDAA3F: Finding #2021-001

| | |
|---|--|
| Compliance Reference | TDA Article 3 Guidelines states that “Agencies may only draw down the funds that they can spend during the fiscal year in which they were allocated. Agencies are not allowed to have a fund balance at the end of the fiscal year. Any funds drawn down and that remain unspent after the end of the fiscal year must be returned to Metro to be placed on reserve for the City under the fiscal year in which they were originally allocated. Agencies must also fully spend any interest accumulated by these funds by the end of the fiscal year in which the funds were allocated”. |
| Condition | The City has remaining unexpended and unencumbered funds of \$54,893 as of June 30, 2021. |
| Cause | Drawdown was made for the scheduled CIP PW1534-Carson Active Transportation project. However, the project was halted due to COVID-19 pandemic and staff shortage. |
| Effect | The City was not in compliance with the TDA Article 3 Guidelines and is required to return the amount of \$54,893 that was unexpended and unencumbered as of June 30, 2021. |
| Recommendation | We recommend the City establish procedures and internal controls to ensure that amount drawn during the fiscal year is spent and remaining unexpended and unencumbered funds be returned to Metro at the end of the fiscal year consistent with the TDA Article 3 Guidelines. |
| Management’s Response | The City has requested Metro to extend the use of unexpended amount through June 30, 2022, since the City’s Active Transportation Program will resume in fiscal year 2022. |
| Findings Resolved During the Audit | On August 9, 2021, Metro Program Manager granted an extension for the use of the remaining funds through June 30, 2022. No follow up is required. |

EXIT CONFERENCE

An exit conference was held on September 23, 2021 with the City of Carson representatives. Those in attendance were:

Vasquez and Company LLP representatives:
 Marialyn Labastilla – Audit Senior Manager
 Francis Roque – Audit Supervisor
 Erica Ong – Audit Senior

City of Carson representatives:
 Claudia Buenrostro – Accounting Manager
 Phat Nguyen – Accountant

Matters discussed:

Results of the audit disclosed an instance of noncompliance with the Guidelines.

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

 Tarik Rahmani – Director of Finance
 Claudia Buenrostro – Accounting Manager
 Phat Nguyen – Accountant



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