

***CITY OF MANHATTAN BEACH
ANNUAL FINANCIAL REPORT OF THE
PROPOSITION A LOCAL RETURN FUND
PROPOSITION C LOCAL RETURN FUND
MEASURE R LOCAL RETURN FUND
TRANSPORTATION DEVELOPMENT ACT
ARTICLE 3 FUND***

***FOR THE FISCAL YEARS ENDED
JUNE 30, 2016 AND 2015***



Metro[®]



Simpson & Simpson, LLP
Certified Public Accountants

CITY OF MANHATTAN BEACH
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FINANCIAL SECTION



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
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Independent Auditor's Report

To the Honorable Members of the City Council of the
City of Manhattan Beach, 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 (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), and Transportation Development Act Article 3 Fund (TDAA3F) of the City of Manhattan, California (City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, as listed in the table of contents.

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 of 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 entity'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 entity'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 PALRF, PCLRF, MRLRF, and TDAA3F of the City of Manhattan Beach, California, as of June 30, 2016, and the respective changes in their financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of the PALRF, PCLRF, MRLRF, and TDAA3F as of and for the year ended June 30, 2015, were audited by other auditors, whose report, dated December 23, 2015, expressed an unmodified opinion on those statements.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the PALRF, PCLRF, MRLRF, and TDAA3F and do not purport to, and do not, present fairly the financial position of the City of Manhattan Beach, California, as of June 30, 2016 and 2015, and the changes in financial position thereof for the years then ended in conformity 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 the financial statements that collectively comprise the City of Manhattan Beach, California's PALRF, PCLRF, MRLRF, and TDAA3F Fund financial statements as a whole. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 the financial statements as a whole.



Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated December 12, 2016, on our consideration of the City of Manhattan Beach's internal control over 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, not to provide an opinion on internal control over 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 financial reporting and compliance.

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

Los Angeles, California
December 12, 2016

CITY OF MANHATTAN BEACH

PROPOSITION A LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and investments	\$ 8,045	\$ 8,798
Other receivables	<u>3,265</u>	<u>-</u>
Total assets	<u>\$ 11,310</u>	<u>\$ 8,798</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	10,846	7,728
Accrued liabilities	<u>464</u>	<u>1,070</u>
Total liabilities	<u>\$ 11,310</u>	<u>\$ 8,798</u>
 Fund Balance		
Restricted	<u>-</u>	<u>-</u>
Total fund balance	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 11,310</u>	<u>\$ 8,798</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MANHATTAN BEACH

PROPOSITION A LOCAL RETURN FUND

**STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**

For the Fiscal Years Ended June 30

	2016	2015
REVENUES		
Proposition A	\$ 642,932	\$ 626,466
Unrealised gain (loss) on investments	-	(162)
Project generated revenue	6,545	6,928
Proposition A Discretionary Incentive	15,636	17,527
Revenue from sale of vehicles	12,186	-
Total revenues	677,299	650,759
EXPENDITURES		
Various projects	978,207	703,891
Total expenditures	978,207	703,891
Excess of revenues over expenditures	(300,908)	(53,132)
Other financing sources:		
Operating transfer in from MRLRF	300,908	53,132
Excess (deficiency) of revenues over expenditures and other financing sources	-	-
Fund balance at beginning of year	-	-
Fund balance at end of year	\$ -	\$ -

The accompanying notes are an integral part of the financial statements.

CITY OF MANHATTAN BEACH

PROPOSITION A LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES

ACTUAL AND METRO APPROVED PROJECT BUDGET

For the Fiscal Year Ended June 30, 2016

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2015)

Project Code	Project Name	2016		Variance Favorable (Unfavorable)	2015 Actual
		Metro Budget	Actual		
	Gateway to Los Angeles Ocean Express				
110-01	Shuttle Service	\$ 20,000	\$ 19,500	\$ 500	\$ 19,500
110-02	Beach Cities Transit Fixed Route #109	12,500	11,486	1,014	9,726
130-01	Dial-A-Ride	811,840	815,681	(3,841)	621,081
140-01	Recreation Trips	39,000	38,350	650	46,513
180-01	Dial-A-Ride Lift Station	20,310	15,790	4,520	-
200-01	Dial-A-Ride Vehicle	71,664	71,674	(10)	-
250-01	MTA Bus Subsidy	6,600	5,726	874	7,071
	Total expenditures	\$ 981,914	\$ 978,207	\$ 3,707	\$ 703,891

See accompanying independent auditor's report.

CITY OF MANHATTAN BEACH

PROPOSITION A LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION

SCHEDULE OF CAPITAL ASSETS

June 30, 2016

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 7/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2016</u>
	Braun Transporter Ford- E-350-				
Jul-04	2003#1006	\$ 44,495	\$ -	\$ -	\$ 44,495
Apr-06	Paratransit Bus# 1004	66,754	-	-	66,754
	Paratransit Bus- ADA, Glaval CNG #				
Sep-08	1007	98,648	-	-	98,648
	Total	\$ 209,897	\$ -	\$ -	\$ 209,897

See accompanying independent auditor's report.

CITY OF MANHATTAN BEACH
PROPOSITION C LOCAL RETURN FUND

BALANCE SHEETS
JUNE 30

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and investments	\$ 4,114,085	\$ 4,499,275
Due from other government agencies	<u>599,954</u>	<u>551,633</u>
Total assets	<u>\$ 4,714,039</u>	<u>\$ 5,050,908</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	66,920	464,684
Accrued liabilities	<u>2,085</u>	<u>52,079</u>
Total liabilities	<u>\$ 69,005</u>	<u>\$ 516,763</u>
Deferred inflows of resources		
Unavailable revenue- SAFETEA-LU grant	<u>599,954</u>	<u>551,633</u>
Total Deferred Inflows of Resources	<u>599,954</u>	<u>551,633</u>
Fund Balance		
Restricted- sepulveda bridge widening project	2,420,630	3,053,720
Restricted- others	<u>1,624,450</u>	<u>928,792</u>
Total fund balance	<u>4,045,080</u>	<u>3,982,512</u>
Total liabilities and fund balance	<u>\$ 4,714,039</u>	<u>\$ 5,050,908</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MANHATTAN BEACH

PROPOSITION C LOCAL RETURN FUND

**STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**

For the Fiscal Years Ended June 30

	2016	2015
REVENUES		
Proposition C	\$ 534,054	\$ 520,589
Interest income	42,276	37,776
Unrelised gain on investments	19,934	1,923
SAFETEA-LU federal grant	509,970	197,161
Total revenues	1,106,234	757,449
EXPENDITURES		
Various projects funded by PCLRF	835,613	174,538
Various projects funded by SAFETEA-LU federal	208,053	648,350
Total expenditures	1,043,666	822,888
Excess (deficiency) of revenues over expenditures	62,568	(65,439)
Fund balance at beginning of year	3,982,512	4,047,951
Fund balance at end of year	\$ 4,045,080	\$ 3,982,512

The accompanying notes are an integral part of the financial statements.

CITY OF MANHATTAN BEACH
PROPOSITION C LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET

For the Fiscal Year Ended June 30, 2016
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2015)

Project Code	Project Name	2016		Variance	2015 Actual
		Metro Budget	Actual	Favorable (Unfavorable)	
450-07	Rosecrans Ave Utility relocations and Street Widening	\$ 463,530	\$ 463,530	\$ -	\$ -
450-08	Dual left-turns for eastbound and westbound	1,300	1,300	-	-
	Capital Reserve for Sepulveda Blvd Bridge Widening				
380-01	Project	<u>3,500,000</u>	370,783	<u>3,129,217</u>	<u>174,538</u>
	Total Expenditures funded by PCLRF	<u>\$ 3,964,830</u>	\$ 835,613	<u>\$ -</u>	<u>\$ 174,538</u>
	Capital Reserve for Sepulveda Blvd Bridge Widening				
380-01	Project		<u>208,053</u>		<u>648,350</u>
	Total expenditures funded by SAFETEA-LU Federal Grant		<u>\$ 1,043,666</u>		<u>\$ 822,888</u>

See accompanying independent auditor's report.

CITY OF MANHATTAN BEACH
PROPOSITION C LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

June 30, 2016

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 7/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2016</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

CITY OF MANHATTAN BEACH
MEASURE R LOCAL RETURN FUND
BALANCE SHEETS
JUNE 30

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and investments	\$ <u>1,614,456</u>	\$ <u>1,529,145</u>
Total assets	\$ <u><u>1,614,456</u></u>	\$ <u><u>1,529,145</u></u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	<u>20,071</u>	<u>-</u>
Total liabilities	\$ <u>20,071</u>	\$ <u>-</u>
 Fund Balance		
Restricted	<u>1,594,385</u>	<u>1,529,145</u>
Total fund balance	<u>1,594,385</u>	<u>1,529,145</u>
 Total liabilities and fund balance	\$ <u><u>1,614,456</u></u>	\$ <u><u>1,529,145</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF MANHATTAN BEACH

MEASURE R LOCAL RETURN FUND

**STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**

For the Fiscal Years Ended June 30

	2016	2015
REVENUES		
Measure R	\$ 400,213	\$ 389,816
Interest income	15,352	12,344
Unrealised gain on investments	7,493	821
Total revenues	423,058	402,981
EXPENDITURES		
Various projects	56,911	-
Total expenditures	56,911	-
Excess of revenues over expenditures	366,147	402,981
Other financing use		
Operating transfer out to PALRF	300,907	53,132
Excess of revenues over expenditures and other financing sources	65,240	349,849
Fund balance at beginning of year	1,529,145	1,179,296
Fund balance at end of year	\$ 1,594,385	\$ 1,529,145

The accompanying notes are an integral part of the financial statements

CITY OF MANHATTAN BEACH

MEASURE R LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES

ACTUAL AND METRO APPROVED PROJECT BUDGET

For the Fiscal Year Ended June 30, 2016

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2015)

Project Code	Project Name	2016			2015 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.20	Raised Median Construction	\$ 100,000	\$ 14,470	\$ 85,530	\$ -
2.29	Signalized Crosswalk	135,000	11,100	123,900	-
3.20	38th & Highland Improvements	100,000	31,341	68,659	-
	Total expenditures	335,000	56,911	278,089	-
Operating transfer out to PALRF					
4.30	Fund DAR Services	189,145	300,907	(111,762)	53,132
		<u>\$ 524,145</u>	<u>\$ 357,818</u>	<u>\$ 166,327</u>	<u>\$ 53,132</u>

See accompanying independent auditor's report.

CITY OF MANHATTAN BEACH

MEASURE R LOCAL RETURN FUND

**SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS**

June 30, 2016

Date Acquired	Description	Balance 7/1/2015	Additions	Deletions	Balance 6/30/2016
May-13	Paratransit Bus- 22- Passenger CNG	\$ 140,931	\$ -	\$ -	\$ 140,931
Jul-13	Braun Vista Ford 7 Passenger Van	71,478	-	-	71,478
Oct-13	Paratransit Bus -22 Passenger	112,760	-	-	112,760
Oct-15	Turtletop Bus	-	68,955	-	68,955
Total		\$ 325,169	\$ 68,955	\$ -	\$ 394,124

See accompanying independent auditor's report.

CITY OF MANHATTAN BEACH

**TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
(PURSUANT TO PUBLIC UTILITIES CODE SECTION 99234)**

BALANCE SHEETS

JUNE 30

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and investment	\$ <u>-</u>	\$ <u>-</u>
Total assets	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts Payable	<u>-</u>	<u>-</u>
Total liabilities	\$ <u>-</u>	\$ <u>-</u>
 Fund Balance		
Reserved	<u>-</u>	<u>-</u>
Total fund balance	<u>-</u>	<u>-</u>
Total liabilities and fund balance	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF MANHATTAN BEACH

TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND

**STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**

For the Fiscal Years Ended June 30

	<u>2016</u>	<u>2015</u>
REVENUES		
Payment from prior year reserve	\$ 23,387	\$ -
Drawdown (payment) FY 2015/2016	<u>22,706</u>	<u> </u>
Total revenues	<u>46,093</u>	<u>-</u>
EXPENDITURES		
Construction/Maintenance	<u>46,093</u>	<u> </u>
Total expenditures	<u>46,093</u>	<u>-</u>
Excess of revenues over expenditures	-	-
Fund balance at beginning of year	-	-
MTA - TDA Article 3 Reserve Account	<u>-</u>	<u> </u>
Fund balance at end of year	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF MANHATTAN BEACH

TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
SUPPLEMENTAL INFORMATION

SCHEDULE OF TRANSPORTATION DEVELOPMENT ACT
ALLOCATION FOR SPECIFIC PROJECTS

For the Fiscal Year Ended June 30, 2016

<u>Project Description</u>	<u>Program Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended Allocations</u>	<u>Project Status</u>
Local allocations					
Concrete Repair Project	2015-16	\$ <u>46,093</u>	\$ <u>46,093</u>	\$ -	On-going
Total		\$ <u><u>46,093</u></u>	\$ <u><u>46,093</u></u>	-	
Fund balance at beginning of year				-	
Fund balance at end of year				\$ <u><u>-</u></u>	

See accompanying independent auditor's report.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS **For the Fiscal Years Ended June 30, 2016 and 2015** **(Continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The operations of the Proposition A Local Return Fund (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF) and 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 a county-wide ½ cent 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.

Transportation Development Act Article 3 Fund (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

PALRF, PCLRF, MRLRF, and TDAA3F are accounted for using the modified accrual basis of accounting whereby revenues are recognized when they become both measurable and available to finance expenditures of the current period and expenditures are generally recognized when the related fund liabilities are incurred.

Special Revenue funds are reported on 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. Statement of revenue, expenditures and changes in fund balance for Special Revenue Funds generally present increase (revenue 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 presented in accordance with accounting principles generally accepted in the United States of America.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS **For the Fiscal Years Ended June 30, 2016 and 2015** **(Continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurement

In accordance with GASB Statement No. 72, Fair Value measurement and Application, which became effective for the fiscal year ended June 30, 2016, 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 investment at fair value and recognizes unrealized gain (loss) on investments.

Refer to city's 2016 Comprehensive Annual Financial Report for detailed disclosures regarding the city's investments policy and fair value measurement.

Fund Balance Reporting

Governmental Accounting Standard 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 extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds.

The PALRF, PCLRF, MRLRF, and TDAA3F report the following fund balance classification as of June 30, 2016:

- Restricted– Amounts that are constrained for specific purpose, 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 balance are restricted for projects approved by LACMTA

Information regarding the fund balance reporting policy adopted by the city is described in note 1 to the city's Comprehensive Annual Financial Report.

NOTE 2 – ANNUAL FINANCIAL STATEMENTS

The financial statements reflect only the financial position and results of operations of the PALRF, PCLRF, MRLRF, and TDAA3F and their compliance with the Proposition A and Proposition C Local Return Program Guidelines, Measure R Local Return Program Guidelines, and Transportation Development Act Article 3 and the Los Angeles County Metropolitan Transportation Authority Funding and Allocation Guidelines for Transportation Development Act Article 3 Bicycle and Pedestrian Funds.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2016 and 2015
(Continued)

NOTE 3 – PROPOSITION A AND PROPOSITION C LOCAL RETURN COMPLIANCE REQUIREMENTS

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.

NOTE 4 – MEASURE R LOCAL RETURN COMPLIANCE REQUIREMENTS

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.

NOTE 5 – 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.

NOTE 6 – CASH AND INVESTMENTS

The PALRF, PCLRF, MRLRF, 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.

NOTE 7- PROJECT GENERATED REVENUE

Project generated revenue under PALRF for the years ended June 30, 2015 and 2014 consisted of the following:

	2016	2015
Dial-A-Ride fares	\$ 5,109	\$ 5,003
Bus pass sales	1,436	1,925
Total Project Generated Revenue	<u>\$ 6,545</u>	<u>\$ 6,928</u>

NOTE 8 – PROPOSITION A DISCRETIONARY INCENTIVE GRANT

The Proposition A Discretionary Incentive Grant for the years ended June 30, 2016 and 2015 of \$15,636 and \$17,527, respectively, represent additional funds received from Metro for participating in the Voluntary NTD Program. The Proposition A Discretionary Incentive Grant was recorded under PALRF.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2016 and 2015
(Continued)

NOTE 9- CAPITAL RESERVE

In June 20, 2007, LACMTA and the City entered into capital reserve agreements to establish a capital reserve account (Account) for the Sepulveda Boulevard Bridge Widening projects. The original period of performance for the agreement is from June 20, 2007 to June 30, 2013. This was extended to June 30, 2019 with an approved capital reserve amount of \$3,416,320.

The Account will be funded with the Proposition C Local Return funds allocated to the City. During the year ended June 30, 2015, all interest was accrued and placed in the Account for use exclusively for the said projects. During the year ended June 30, 2016 no accrued interest was placed in the Account for use exclusively for the said projects, as there were sufficient funds to complete the projects. For the years ended June 30, 2016 and 2015, the capital reserve amount for the PCLRF is as follows:

Capital reserve at 6/30/14	\$	3,639,748
Reimbursement from SAFETEA-LU grant		197,161
Interest income allocation		39,699
Capital expenditures during the year		(822,888)
Capital reserve at 6/30/15		<u>3,053,720</u>
Reimbursement from SAFETEA-LU grant		509,970
Capital expenditures during the year		(578,836)
Capital reserve at 6/30/16		<u>2,984,854</u>
Total city and pending grant reimbursements		995,690
Total city commitment		<u>3,980,544</u>
Less: agreed commitment		3,416,320
Adjustment to reserve		<u>(564,224)</u>
Add: capital reserve at 6/30/16		2,984,854
Net capital reserve at 6/30/16	\$	<u><u>2,420,630</u></u>

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2016 and 2015
(Continued)

NOTE 10 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION

The revenue allocation for the years ended June 30, 2015 and 2014 consisted of the following:

	2016	2015
FY 2012-13 reserve	\$ -	\$ -
FY 2013-14 reserve	-	-
FY 2014-15 reserve	23,387	-
FY 2015-16 allocation	22,706	-
Total payment requested	\$ 46,093	\$ -

NOTE 11 – TRANSPORTATION DEVELOPMENT ACT FUNDS RESERVED

In accordance with TDA Article 3 (SB821) Guidelines, funds not 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, 2016 and 2015, the City has funds on reserve as follows:

	2016	2015
FY 2014-15 allocation	\$ -	\$ 23,387
FY 2015-16 allocation	-	-
Available reserve balance	\$ -	\$ 23,387

NOTE 12 – SUBSEQUENT EVENTS

The City has evaluated events or transactions that occurred subsequent to June 30, 2016 through December 12, 2016, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined no subsequent matters require disclosure or adjustment to the accompanying financial statements.



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Honorable Members of the City Council of the
City of Manhattan Beach, California and the
Los Angeles County Metropolitan Transit Authority

We have audited, 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, the financial statements of the Proposition A Local Return Fund (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), and Transportation Development Act Article 3 (TDAA3F) Fund of the City of Manhattan Beach, California (City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated December 12, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the 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 local return funds and TDAA3F 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 any 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 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 determination of financial statement amounts. 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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Simpson & Simpson".

Los Angeles, California
December 12, 2016

COMPLIANCE SECTION



SIMPSON & SIMPSON
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Independent Auditor's Report On Compliance

To the Honorable Members of the City Council of the
City of Manhattan Beach, California and the
Los Angeles County Metropolitan Transit Authority

Report on Compliance

We have audited the compliance of the City of Manhattan Beach, California (City) with the Proposition A and Proposition C Local Return Guidelines, Measure R Local Return Guidelines, Transportation Development Act Article 3, and the Los Angeles County Metropolitan Transportation Authority's Funding and Allocation Guidelines for the Transportation Development Act Article 3 Bicycle and Pedestrian Funds (Guidelines) for the year ended June 30, 2016.

Management's Responsibility

Management is responsible for the City's compliance with those guidelines.

Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit. We conducted our audit of compliance in accordance with 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 referred to in the preceding paragraph. Those standards and the Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a 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. Our audit does not provide a legal determination of the City's compliance with those requirements.

Opinion on Each Local Return Program and Transportation Development Act Article 3

In our opinion, the City of Manhattan Beach complied, in all material respects, with the compliance requirements referred to above that apply to Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, and Transportation Development Act Article 3 (TDAA3F) Fund for the year ended June 30, 2016.





Report on Internal Control Over Compliance

Management of the City of Manhattan Beach is responsible for establishing and maintaining effective internal control over compliance with the Requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the Requirements that could have a direct and material effect on the Local Return programs and the TDAA3F to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Requirements, 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 under the Requirements on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance under the Requirements 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 we consider to be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness. 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 requirement of the Guidelines. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script, reading 'Simpson & Simpson'.

Los Angeles, California
December 12, 2016

CITY OF MANHATTAN BEACH
COMPLIANCE MATRIX
Year Ended June 30, 2016

Compliance Requirement		In Compliance		Questioned Costs	If no, provide details and management response.
		Yes	No		
A. Proposition A and Proposition C Local Return Funds					
1.	Timely use of funds.	X		None	
2.	Expenditures were approved before being incurred.	X		None	
3.	Funds were used on approved projects only and expenditures were supported and allowable per Guidelines.	X		None	
4.	Expenditures did not exceed 25% of Metro's approved budget.	X		None	
5.	Administrative expenses were within the 20% cap.	X		None	
6.	All on-going and carryover projects were reported in Form B.	X		None	
7.	Annual Project Summary Report (Form B) was submitted on time.	X		None	
8.	Annual Expenditure Report (Form C) was submitted on time.	X		None	
9.	Cash or cash equivalents were maintained.	X		None	
10.	Accounting procedures, record keeping and documentation were adequate.	X		None	
11.	Revenues received including allocations, project generated revenues, and interest income were properly credited to the PALRF and PCLRF accounts.	X		None	

CITY OF MANHATTAN BEACH
COMPLIANCE MATRIX
Year Ended June 30, 2016
(Continued)

Compliance Requirement		In Compliance		Questioned Costs	If no, provide details and management response.
		Yes	No		
B. Measure R Local Return Fund					
1.	Timely use of funds.	X		None	
2.	Expenditures were approved before being incurred.	X			
3.	Funds were used on approved projects only and expenditures were supported and allowable per Guidelines.	X		None	
4.	Fund were not substituted for property tax.	X		None	
5.	Administrative expenses were within the 20% cap.	X		None	
6.	Expenditure Plan (Form One) was submitted on time.	X		None	
7.	Expenditure Report (Form Two) was submitted on time.	X		None	
8.	Cash or cash equivalents were maintained.	X		None	
9.	Accounting procedures, record keeping and documentation were adequate.	X		None	
10.	Revenues received including allocations, project generated revenues, and interest income were properly credited to the Measure R account.	X		None	
11.	Funds were not used to supplant existing local revenues being used for transportation purpose.	X		None	

CITY OF MANHATTAN BEACH
COMPLIANCE MATRIX
Year Ended June 30, 2016
(Continued)

Compliance Requirement		In Compliance		Questioned Costs	If no, provide details and management response.
		Yes	No		
C. Transportation Development Act Article 3 Fund					
1.	Timely use of funds.	X		None	
2.	Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.	X		None	

CITY OF Manhattan Beach

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
June 30, 2016

No findings were noted.

EXIT CONFERENCE

CITY OF MANHATTAN BEACH

**PROPOSITION A, PROPOSITION C, MEASURE R LOCAL RETURN FUNDS, AND
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND**

EXIT CONFERENCE

June 30, 2016

A telephone exit conference was held on December 12, 2016 with the City of Manhattan Beach.
Those in attendance were:

Simpson & Simpson Representative:

Joseph Simpson- Audit Manager

City's Representatives:

Henry Mitzner- Controller

Julie Bondarchuk- Senior Accountant

Libby Bretthauer-Financial Analyst

Matters Discussed:

Results of the audit disclosed no significant financial and compliance issues.

A copy of this report was forwarded to the following City representative(s) for their
comments prior to the issuance of the final report:

Henry Mitzner- Controller

Julie Bondarchuk- Senior Accountant

Libby Bretthauer-Financial Analyst