

***CITY OF MANHATTAN BEACH  
ANNUAL FINANCIAL REPORT OF THE  
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  
FOR THE FISCAL YEARS ENDED  
JUNE 30, 2021 AND 2020***



**Metro<sup>®</sup>**



Simpson & Simpson, LLP  
Certified Public Accountants

**CITY OF MANHATTAN BEACH**  
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***FINANCIAL SECTION***

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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), Measure M Local Return Fund (MMLRF), and Transportation Development Act Article 3 Fund (TDAA3F) (collectively, the Funds), of the City of Manhattan Beach, California (the City) as of and for the years ended June 30, 2021 and 2020, 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 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, MMLRF and TDAA3F of the City of Manhattan Beach, California, as of June 30, 2021 and 2020, and the respective changes in their financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 2, the financial statements present only the PALRF, PCLRF, MRLRF, MMLRF and TDAA3F of the City and do not purport to, and do not, present fairly the financial position of the City of Manhattan Beach, California, 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. 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 Funds' financial statements. Such 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 Funds' financial statements or to the Funds' 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' financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have issued our report dated December 6, 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 cursive script that reads "Simpson &amp; Simpson".

Los Angeles, California  
December 6, 2021

**CITY OF MANHATTAN BEACH**  
**PROPOSITION A LOCAL RETURN FUND**  
**BALANCE SHEETS**  
June 30

	2021	2020
<b>ASSETS</b>		
Cash and investments	\$ 169,545	\$ 87,085
Prepaid items	-	3,390
Due from City of Lancaster (Note 10)	268,750	-
Total assets	\$ 438,295	\$ 90,475
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 3,698	\$ 3,086
Total liabilities	3,698	3,086
 <b>Fund Balance</b>		
Restricted	434,597	87,389
Total fund balance	434,597	87,389
Total liabilities and fund balance	\$ 438,295	\$ 90,475

The accompanying notes are an integral part to 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

	2021	2020
<b>REVENUES</b>		
Proposition A	\$ 722,755	\$ 698,362
Interest income	1,462	341
Unrealized gain on investment	923	322
Project generated revenue (Note 8)	1,427	6,216
Proposition A Discretionary Incentive Grant (Note 9)	-	19,680
Proposition A fund exchange with other cities (Note 10)	268,750	273,973
Total revenues	995,317	998,894
<b>EXPENDITURES</b>		
Various projects funded by PALRF	648,109	911,505
Various projects funded by bond proceeds from Pension Obligation Bonds	494,695	-
Total expenditures	1,142,804	911,505
Excess (deficiency) of revenues over expenditures	(147,487)	87,389
<b>OTHER FINANCING SOURCES</b>		
Bond proceeds from Pension Obligation Bonds (Note 11)	494,695	-
Total other financing sources	494,695	-
Excess of revenues over expenditures and other financing sources	347,208	87,389
Fund balance at beginning of year	87,389	-
Fund balance at end of year	\$ 434,597	\$ 87,389

The accompanying notes are an integral part to 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, 2021**  
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2020)

Project Code	Project Name	2021			2020 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
107	Dial-A-Ride	\$ 875,987	\$ 648,109	\$ 227,878	\$ 866,460
250-01	MTA Bus Subsidy	-	-	-	4,450
140-01	Recreation Trips	-	-	-	40,595
	Total expenditures	<u>\$ 875,987</u>	<u>648,109</u>	<u>\$ 227,878</u>	<u>911,505</u>
	PERS Net Pension Liability (Note 11)		<u>494,695</u>		<u>-</u>
	Total expenditures funded by bond proceeds from Pension Obligation Bonds		<u>494,695</u>		<u>-</u>
	Total expenditures funded by PALRF and Pension Obligation Bonds		<u>\$ 1,142,804</u>		<u>\$ 911,505</u>

See accompanying independent auditor's report.

**CITY OF MANHATTAN BEACH**  
**PROPOSITION A LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
 June 30, 2021

Date Acquired	Description	Balance 7/1/2020	Additions	Deletions	Balance 6/30/2021
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

**CITY OF MANHATTAN BEACH**  
**PROPOSITION C LOCAL RETURN FUND**  
**BALANCE SHEETS**  
June 30

	2021	2020
<b>ASSETS</b>		
Cash and investments	\$ -	\$ 4,974,197
Due from Metro (Note 12)	5,776,606	758,944
Total assets	\$ 5,776,606	\$ 5,733,141
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 1,224,764	\$ 27,363
Accrued liabilities	3,228	32,513
Retention payable	106,793	-
Unearned revenue	-	101,939
Due to General fund	352,401	-
Total liabilities	1,687,186	161,815
 <b>Deferred inflows of resources</b>		
Unavailable revenue (Note 13)	3,393,297	758,944
Total deferred inflows of resources	3,393,297	758,944
 <b>Fund Balance</b>		
Restricted - Sepulveda Blvd Bridge Widening Project (Note 16)	-	2,246,509
Restricted - others	696,123	2,565,873
Total fund balance	696,123	4,812,382
Total liabilities, deferred inflows of resources and fund balance	\$ 5,776,606	\$ 5,733,141

The accompanying notes are an integral part to 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

	2021	2020
<b>REVENUES</b>		
Proposition C	\$ 599,499	\$ 579,293
Interest income	43,931	79,459
Unrealized gain (loss) on investment	(61,020)	66,900
Measure R South Bay Highway Grant (Note 14)	169,903	1,506,510
Project Reimbursement from Caltrans (Note 15)	2,391,135	-
Total revenues	3,143,448	2,232,162
<b>EXPENDITURES</b>		
Various projects funded by PCLRF	2,096,138	303,755
Various projects funded by other grants	5,163,569	1,065,248
Total expenditures	7,259,707	1,369,003
Excess (deficiency) of revenues over expenditures	(4,116,259)	863,159
Fund balance at beginning of year	4,812,382	3,949,223
Fund balance at end of year	\$ 696,123	\$ 4,812,382

The accompanying notes are an integral part to 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, 2021**  
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2020)

Project Code	Project Name	2021			2020 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
302	Dual Left-Turns on MBB at Sepulveda	\$ 193,119	\$ 31,821	\$ 161,298	\$ -
302	Sepulveda Intersection Improvements	985,440	-	985,440	-
380	Direct Engineering Charges	19,233	19,233	-	-
705	Street Resurfacing: Arterial and Collector Roadway Project	1,520,361	706,672	813,689	155,994
780	Direct Engineering Charges	173,099	173,099	-	-
781	Sepulveda Blvd Bridge Widening	2,586,881	1,165,313	1,421,568	-
440-01	Marine Street Resurfacing	-	-	-	1,275
450-08	Dual Left-Turns for Eastbound and Westbound	-	-	-	37,687
440-03	Street Resurfacing: Liberty Village	-	-	-	77,600
480-01	Proposition C Administration	-	-	-	31,199
	Total expenditures funded by PCLRF	<u>\$ 5,478,133</u>	<u>2,096,138</u>	<u>\$ 3,381,995</u>	<u>303,755</u>
	Protected Left-Turn Lanes: MBB at Peck Ave. - Measure R South Bay Highway Grant		1,970,863		-
	Capital Reserve for Sepulveda Blvd Bridge Widening Project - MTA Call for Projects Grant		<u>3,192,706</u>		<u>1,065,248</u>
	Total expenditures funded by other grants		<u>5,163,569</u>		<u>1,065,248</u>
	Total expenditures funded by PCLRF and other grants		<u>\$ 7,259,707</u>		<u>\$ 1,369,003</u>

See accompanying independent auditor's report.

**CITY OF MANHATTAN BEACH**  
**PROPOSITION C LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
 June 30, 2021

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 7/1/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2021</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

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

	2021	2020
<b>ASSETS</b>		
Cash and investments	\$ 2,030,621	\$ 1,593,248
Due from CalRecycle	-	38,000
Due from General Fund	1,515	5,859
Total assets	\$ 2,032,136	\$ 1,637,107
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 52,792	\$ -
Total liabilities	52,792	-
 <b>Deferred inflows of resources</b>		
Unavailable revenue	-	38,000
Total deferred inflows of resources	-	38,000
 <b>Fund Balance</b>		
Restricted	1,979,344	1,599,107
Total fund balance	1,979,344	1,599,107
Total liabilities, deferred inflows of resources and fund balance	\$ 2,032,136	\$ 1,637,107

The accompanying notes are an integral part to 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

	<u>2021</u>	<u>2020</u>
<b>REVENUES</b>		
Measure R	\$ 450,247	\$ 433,848
Interest income	24,089	28,382
Unrealized gain (loss) on investment	(13,978)	24,484
CalRecycle Grant	38,000	-
Total revenues	<u>498,358</u>	<u>486,714</u>
 <b>EXPENDITURES</b>		
Various projects	<u>118,121</u>	<u>30,000</u>
Total expenditures	<u>118,121</u>	<u>30,000</u>
 Excess of revenues over expenditures	 380,237	 456,714
 Fund balance at beginning of year	 <u>1,599,107</u>	 <u>1,142,393</u>
 Fund balance at end of year	 <u>\$ 1,979,344</u>	 <u>\$ 1,599,107</u>

The accompanying notes are an integral part to 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, 2021  
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2020)

Project Code	Project Name	2021			2020 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
380	Direct Engineering Charges	\$ 3,191	\$ -	\$ 3,191	-
705	Annual Street Resurfacing	400,000	-	400,000	-
710	Protected Left-Turn Lane: Manhattan Beach	545,000	104,383	440,617	-
780	Direct Engineering Charges	2,394	13,738	(11,344)	-
815	Cycle 10 State	35,000	-	35,000	-
816	Rosecrans Bike Lane Improvements	240,000	-	240,000	-
820	Aviation (West-side) and 33rd Sidewalk	160,000	-	160,000	-
880	Direct Engineering Charges	2,394	-	2,394	-
1.05	Street Resurfacing: Liberty Village	-	-	-	30,000
	Total expenditures	<u>\$ 1,387,979</u>	<u>\$ 118,121</u>	<u>\$ 1,269,858</u>	<u>\$ 30,000</u>

See accompanying independent auditor's report.

**CITY OF MANHATTAN BEACH**  
**MEASURE R LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
June 30, 2021

Date Acquired	Description	Balance 7/1/2020	Additions	Deletions	Balance 6/30/2021
May 2013	Paratransit Bus 22 - Passenger CNG	\$ 140,931	\$ -	\$ -	\$ 140,931
July 2013	Braun Vista Ford 7 - Passenger Van	71,478	-	-	71,478
Oct 2013	Paratransit Bus 22 - Passenger CNG	112,760	-	-	112,760
Oct 2015	Turtletop Bus	68,955	-	-	68,955
	Total	<u>\$ 394,124</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 394,124</u>

See accompanying independent auditor's report.

**CITY OF MANHATTAN BEACH**  
**MEASURE M LOCAL RETURN FUND**  
**BALANCE SHEETS**  
June 30

	2021	2020
<b>ASSETS</b>		
Cash and investments	\$ 1,166,797	\$ 897,255
Due from Metro (Note 12)	90,771	-
Total assets	\$ 1,257,568	\$ 897,255
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 96,661	\$ -
Retention payable	12,228	-
Total liabilities	108,889	-
 <b>Deferred inflows of resources</b>		
Unavailable revenue (Note 13)	90,771	-
Total deferred inflows of resources	90,771	-
 <b>Fund Balance</b>		
Restricted	1,057,908	897,255
Total fund balance	1,057,908	897,255
Total liabilities, deferred inflows of resources and fund balance	\$ 1,257,568	\$ 897,255

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

**CITY OF MANHATTAN BEACH**  
**MEASURE M LOCAL RETURN FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
For the Fiscal Years Ended June 30

	2021	2020
<b>REVENUES</b>		
Measure M	\$ 510,147	\$ 488,664
Interest income	14,346	14,135
Unrealized gain (loss) on investment	(4,774)	12,966
Total revenues	519,719	515,765
<b>EXPENDITURES</b>		
Various projects funded by MMLRF	268,295	38,890
MB Automated Traffic Sync funded by Measure M		
Subregional Programs Grant	90,771	-
Total expenditures	359,066	38,890
Excess of revenues over expenditures	160,653	476,875
Fund balance at beginning of year	897,255	420,380
Fund balance at end of year	\$ 1,057,908	\$ 897,255

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

**CITY OF MANHATTAN BEACH**  
**MEASURE M LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES**  
**ACTUAL AND METRO APPROVED PROJECT BUDGET**  
For the Fiscal Year Ended June 30, 2021  
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2020)

Project Code	Project Name	2021			2020 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
302	Traffic Signal Pole - 15th & Highland	\$ 255,586	\$ -	\$ 255,586	\$ 24,414
302	Replacement of existing traffic signal poles	255,586	238,396	17,190	-
380	Direct Engineering Charges	5,585	10,439	(4,854)	-
730	Rowell Ave. Sidewalk Connection (Curtis & 1st)	840,000	5,722	834,278	-
820	ADA Transition Plan with Public Right-of-Way	21,431	-	21,431	7,994
880	Direct Engineering Charges	2,394	13,738	(11,344)	-
8.10	Fund Administration (20% cap)	-	-	-	6,482
	Total expenditures funded by MMLRF	<u>\$ 1,380,582</u>	<u>268,295</u>	<u>\$ 1,112,287</u>	<u>38,890</u>
	MB Automated Traffic Sync		90,771		-
	Total expenditures funded by Measure M Subregional Programs Grant		<u>90,771</u>		<u>-</u>
	Total expenditures funded by MMLRF and Measure M Subregional Programs Grant		<u>\$ 359,066</u>		<u>\$ 38,890</u>

See accompanying independent auditor's report.

**CITY OF MANHATTAN BEACH**  
**MEASURE M LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
 June 30, 2021

<u>Date</u> <u>Acquired</u>	<u>Description</u>	<u>Balance</u> <u>7/1/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2021</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

	2021	2020
<b>ASSETS</b>		
Cash and investment	\$ -	\$ -
Total assets	\$ -	\$ -
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
 <b>Fund Balance</b>		
Restricted	-	-
Total fund balance	-	-
Total liabilities and fund balance	\$ -	\$ -

The accompanying notes are an integral part to 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**

	2021	2020
<b>REVENUES</b>		
TDA 3	\$ 46,033	\$ -
Total revenues	46,033	-
 <b>EXPENDITURES</b>		
Citywide Concrete Repair Project	46,033	-
Total expenditures	46,033	-
 Excess of revenues over expenditures	-	-
 Fund balance at beginning of year	-	-
 Fund balance at end of year	\$ -	\$ -

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



**CITY OF MANHATTAN BEACH**  
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF TRANSPORTATION DEVELOPMENT ACT  
ALLOCATION FOR SPECIFIC PROJECTS  
For the Fiscal Year Ended June 30, 2021

<u>Project Description</u>	<u>Program Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended Allocations</u>	<u>Project Status</u>
<b>Local allocations</b>					
Citywide Concrete Repair Project	2021	\$ 46,033	\$ 46,033	\$ -	On-going
	Total	<u>\$ 46,033</u>	<u>\$ 46,033</u>		
Fund balance at beginning of year				-	
Fund balance at end of year				<u>\$ -</u>	

See accompanying independent auditor's report.

**CITY OF MANHATTAN BEACH**  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Years Ended June 30, 2021 and 2020

**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), Measure M Local Return Fund (MMLRF) 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.

MMLRF is derived from 17% 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.

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, MMLRF 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 presents increases (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, 2021 and 2020  
(Continued)

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Fair Value Measurement*

In accordance with Government Accounting Standard Board (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 2021 Comprehensive Annual Financial Report for detailed disclosures regarding the City's investment policy and fair value measurement.

*Fund Balance Reporting*

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 resources reported in governmental funds.

The PALRF, PCLRF, MRLRF, MMLRF and TDAA3F report the following fund balance classifications as of June 30, 2020:

- 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 uses of the funds' remaining fund balances are restricted for projects approved by Los Angeles County Metropolitan Transportation Authority (Metro).

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

*Reclassification*

Certain reclassifications have been made to fiscal year 2020 amounts in order to conform to the fiscal year 2021 presentation. Such reclassifications had no effect on the previous reported change in fund balance.

**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 their compliance with the Proposition A and Proposition C Local Return Program Guidelines, Measure R Local Return Program Guidelines, Measure M 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, 2021 and 2020  
(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. See accompanying Compliance Matrix.

**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. See accompanying Compliance Matrix.

**NOTE 5 – MEASURE M LOCAL RETURN COMPLIANCE REQUIREMENTS**

On June 23, 2016, the Metro Board of Directors approved the Los Angeles County Traffic Improvement Plan Ordinance, known as Measure M. 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’s cash and investment balances were pooled with various other City funds for deposit and investment purposes. The share of each fund in the pooled cash and investments 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.

**CITY OF MANHATTAN BEACH**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2021 and 2020  
(Continued)

**NOTE 8 – PROJECT GENERATED REVENUE – PALRF**

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

		2021		2020
Dial-A-Ride fares	\$	1,427	\$	5,303
Bus pass sales		-		913
Total	\$	1,427	\$	6,216

**NOTE 9 – PROPOSITION A DISCRETIONARY INCENTIVE GRANT**

The Proposition A Discretionary Incentive Grant for the fiscal years ended June 30, 2021 and 2020 of \$0 and \$19,680, respectively, represents additional funds received from Metro for participating in the Voluntary National Transit Database (NTD) Program. The Proposition A Discretionary Incentive Grant was recorded under PALRF.

**NOTE 10 – PROPOSITION A FUND EXCHANGE**

On July 28, 2020, the City of Lancaster entered into an agreement with the City to exchange \$268,750 of the City of Lancaster’s Proposition A Local Return funds for \$188,125 of the City’s General Fund monies, or \$0.70 of General Fund monies given for each \$1.00 of Proposition A Local Return monies received. The agreement was only applicable to the fiscal year ended June 30, 2021. This amount was reported as fund exchange with other cities and due from City of Lancaster as of June 30, 2021. Subsequently, the City received the funds on July 20, 2021.

On January 8, 2020, the City of Maywood entered into an agreement with the City to exchange \$273,973 of the City of Maywood’s Proposition A Local Return funds for \$200,000 of the City’s General Fund monies, or \$0.73 of General Fund monies given for each \$1.00 of Proposition A Local Return monies received. The agreement was only applicable to the fiscal year ended June 30, 2020.

**NOTE 11 – BOND PROCEEDS FROM PENSION OBLIGATION BONDS - PALRF**

On December 15, 2020, the City authorized the issuance of its City of Manhattan Beach 2021 Taxable Pension Obligation Bonds in a maximum principal amount not to exceed the lesser of (a) \$92.1 million or (b) the Unfunded Liability as calculated by PERS or other actuary, together with the costs of issuing the Bonds, to pay all or a portion of the unfunded accrued actuarial liability of the City with respect to pension benefits. On May 12, 2021, the City received total Bond proceeds of \$91,275,000 including cost of issuance and underwriter’s discount. The unfunded liability as calculated by California Public Employees’ Retirement System (PERS) pertaining to Dial-A-Ride personnel was \$494,695. This amount was reported as expenditures funded bond proceeds from Pension Obligation Bonds.

**CITY OF MANHATTAN BEACH**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2021 and 2020  
(Continued)

**NOTE 12 – DUE FROM METRO**

The due from Metro balance as of June 30, 2021 and 2020 consisted of the following:

**PCLRF**

	2021	2020
Measure R South Bay Highway Grant	\$ 1,874,478	\$ -
MTA Call For Projects Grant	3,447,151	308,711
Rosecrans Project Grant	350,238	350,238
Sepulveda LT Lane Grant	104,739	99,995
Total due from Metro	<u>\$ 5,776,606</u>	<u>\$ 758,944</u>

**MMLRF**

	2021	2020
Measure M Subregional Programs Grant	\$ 90,771	\$ -
Total due from Metro	<u>\$ 90,771</u>	<u>\$ -</u>

**NOTE 13 – DEFERRED INFLOWS OF RESOURCES**

The deferred inflows of resources as of June 30, 2021 and 2020 consisted of the following:

**PCLRF**

	2021	2020
Measure R South Bay Highway Grant	\$ 1,874,478	\$ -
MTA Call For Projects Grant	1,067,184	308,711
Rosecrans Project Grant	350,238	350,238
Sepulveda LT Lane Grant	101,397	99,995
Total deferred inflows of resources – unavailable revenue	<u>\$ 3,393,297</u>	<u>\$ 758,944</u>

**MMLRF**

	2021	2020
Measure M Subregional Programs Grant	\$ 90,771	\$ -
Total deferred inflows of resources – unavailable revenue	<u>\$ 90,771</u>	<u>\$ -</u>

**CITY OF MANHATTAN BEACH**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2021 and 2020  
(Continued)

**NOTE 14 – MEASURE R SOUTH BAY HIGHWAY GRANT – PCLRF**

On January 30, 2015, Metro and the City entered into a Funding Agreement for Sepulveda Blvd at Manhattan Beach Blvd Intersection Improvements (NB, WB, EB Left Turn Lanes and SB Right Turn Lane), Metro Project ID# MR312.35 and FTIP# LA0G1044. This project is eligible for funding under Line 33, I-405, I-110, I-105, and SR-91 Ramp and Interchange Improvements (South Bay), of the Measure R Expenditure Plan. For the fiscal years ended June 30, 2021 and 2020, the City received \$30,419 and \$19,741, respectively.

On July 31, 2014, Metro and the City entered into a Funding Agreement for Seismic Retrofit of Widened Bridge 53-62 form Sepulveda Blvd from 33<sup>rd</sup> Street to South of Rosecrans Ave, Metro Project ID# MR312.28 and FTIP# LA0C8080. This project is eligible for funding under Line 33, Interstate I-110, I-105, and SR-91 Ramp and Interchange Improvements (South Bay), of the Measure R Expenditure Plan. For the fiscal years ended June 30, 2021 and 2020, the City received \$139,484 and \$1,486,769, respectively.

**NOTE 15 – PROJECT REIMBURSEMENT FROM CALTRANS – PCLRF**

On February 27, 2017, Caltrans and the City entered into a Cooperative Agreement for the Sepulveda Bridge and Roadway widening on Route 01 between 33<sup>rd</sup> Street and Rosecrans Avenue, Agreement 07-5044 and Project No. 0700020076. For the fiscal years ended June 30, 2021 and 2020, the City received \$2,391,135 and \$0, respectively.

**NOTE 16 – CAPITAL RESERVE**

On June 20, 2007, Metro 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. On September 16, 2020, Metro approved the extension of the capital reserve to June 30, 2025 with an approved amount of \$2,561,806.

The Account will be funded with the Proposition C Local Return Funds allocated to the City. For the years ended June 30, 2021 and 2020, the capital reserve amount for the PCLRF is as follows:

Capital reserve at 6/30/2019, as adjusted	\$ 1,824,988
Reimbursement from Measure R Southbay Highway Grant	1,486,769
Capital expenditures during the year	<u>(1,065,248)</u>
Capital reserve at 6/30/2020, as adjusted	2,246,509
Reimbursement from Measure R Southbay Highway Grant	139,484
Reimbursement from MTA Call for Projects Grant	2,391,135
Capital expenditures during the year	<u>(6,328,882)</u>
Capital reserve at 6/30/2021	<u>\$ (1,551,754)</u>

**CITY OF MANHATTAN BEACH**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2021 and 2020  
(Continued)

**NOTE 16 – CAPITAL RESERVE (Continued)**

As of June 30, 2021, the capital reserve account has a deficit balance of \$1,551,754 covered primarily by the Restricted – others fund balance. Therefore, the restricted fund balance for the capital reserve is \$0. Every year, the City needs to add \$315,297 to meet the approved reserve amount of \$2,561,806. The City also has pending reimbursements from Measure R South Bay Highway and MTA Call for Project grants in the amount of \$5,321,629.

As of June 30, 2020, the capital reserve account has a balance of \$2,246,509. Every year City needs to add \$315,297 to meet the approved reserve amount of \$2,561,806. The City also has pending reimbursements from MTA Call for Project Grant in the amount of \$308,711.

**NOTE 17 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION**

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

	<u>2021</u>	<u>2020</u>
FY 2019-20 allocation	\$ 26,000	\$ -
FY 2020-21 allocation	<u>20,033</u>	<u>-</u>
Total payments requested	<u>\$ 46,033</u>	<u>\$ -</u>

**NOTE 18 – 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, 2021, and 2020, the City has funds on reserve as follows:

	<u>2021</u>	<u>2020</u>
FY 2019-20 allocation	\$ -	\$ 26,000
FY 2020-21 allocation	<u>-</u>	<u>-</u>
Available reserve balance	<u>\$ -</u>	<u>\$ 26,000</u>



***CITY OF MANHATTAN BEACH***  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2021 and 2020  
(Continued)

**NOTE 19 – 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 materiality after the June 30, 2021 Funds' financial statements.

**NOTE 20 – SUBSEQUENT EVENTS**

The City has evaluated events or transactions that occurred subsequent to June 30, 2021 through December 6, 2021, 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.



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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, Proposition C Local Return Fund, Measure R Local Return Fund, Measure M Local Return Fund, and Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Manhattan Beach, California (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated December 6, 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 financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Funds’ financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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Los Angeles, California  
December 6, 2021

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*COMPLIANCE SECTION*

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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 (the City) 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 the 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 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 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 on Each Local Return Program and Transportation Development Act Article 3*

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



## Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the Guidelines 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 and to test and report on internal control over compliance in accordance with the Guidelines. 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance under the Guidelines will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 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 requirements of the Guidelines. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Simpson &amp; Simpson".

Los Angeles, California  
December 6, 2021

**CITY OF MANHATTAN BEACH**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2021

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
<b>A. Proposition A and Proposition C Local Return Funds</b>						
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			None	
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			None	
3.	Fund were expended with Metro's approval and were not substituted for property tax.	X			None	
4.	Timely use of funds.	X			None	
5.	Administrative expenses are within the 20% cap.			X	None	There were no administrative expenses in FY20/21.
6.	Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A) or electronic equivalent.			X	None	There were no expenditures that exceeded 25% of approved project budget in FY20/21.
7.	Annual Project Update Report (Form B) or electronic equivalent was submitted on time.	X			None	
8.	Annual Expenditure Report (Form C) or electronic equivalent was submitted on time.	X			None	
9.	Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	X			None	
10.	Local Return Account is credited for reimbursable expenditures.	X			None	
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			None	

**CITY OF MANHATTAN BEACH**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2021  
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
<b>A. Proposition A and Proposition C Local Return Funds</b>						
12.	Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.			X	None	There were no Intelligent Transportation Systems projects or elements in FY20/21.
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			None	
14.	Recreational transit form was submitted on time.			X	None	There was no recreational transit in FY20/21.
15.	Fund exchanges (trades, loans, or gifts) were approved by Metro.	X			None	
16.	Proposition C Local Return Funds were used to augment, not supplant existing local revenues being used for road improvement purposes.	X			None	
17.	All on-going and carryover projects were reported on Form B or electronic equivalent.	X			None	
18.	Cash or cash equivalents are maintained.	X			None	
19.	Accounting procedures, record keeping, and documentation are adequate.	X			None	



**CITY OF MANHATTAN BEACH**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2021  
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
<b>B. Measure R Local Return Fund</b>						
1.	Funds were expended for transportation purposes	X			None	
2.	Separate Measure R Local Return Account was established.	X			None	
3.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X			None	
4.	Funds were expended with Metro's approval.	X			None	
5.	Funds were not substituted for property tax and are in compliance with the Maintenance of Effort.	X			None	
6.	Timely use of funds	X			None	
7.	Administrative expenses are within the 20% cap.			X	None	There were no administrative expenses in FY20/21.
8.	Expenditure Plan (Form One or electronic equivalent) was submitted on time.	X			None	
9.	Annual Expenditure Report (Form Two or electronic equivalent) was submitted on time.	X			None	
10.	Where funds expended were reimbursed by other grants or fund sources, the reimbursement was credited to the Local Return Account upon receipt of the reimbursement.	X			None	
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	None	There were no Measure R funds given, loaned, or exchanged in FY20/21.
12.	A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.			X	None	There were no capital reserve funds in FY20/21.
13.	Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.	X			None	
14.	Recreational transit form was submitted on time.			X	None	There was no recreational transit in FY2020/21.
15.	Fund exchanges were approved by Metro.			X	None	There were no fund exchanges in FY20/21.
16.	Accounting procedures, record keeping, and documentation are adequate.	X			None	

**CITY OF MANHATTAN BEACH**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2021  
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
<b>C. Measure M Local Return Fund</b>						
1.	Funds were expended for transportation purposes	X			None	
2.	Separate Measure M Local Return Account was established.	X			None	
3.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	X			None	
4.	Funds were expended with Metro's approval.	X			None	
5.	Funds were not substituted for property tax and are in compliance with the Maintenance of Effort.	X			None	
6.	Timely use of funds	X			None	
7.	Administrative expenses are within the 20% cap.			X	None	There were no administrative expenses in FY20/21.
8.	Expenditure Plan (Form M-One or electronic equivalent) was submitted on time.	X			None	
9.	Annual Expenditure Report (Form M-Two or electronic equivalent) was submitted on time.	X			None	
10.	Where funds expended were reimbursed by other grants or fund sources, the reimbursement was credited to the Local Return Account upon receipt of the reimbursement.			X	None	There were no funds expended were reimbursed by other grants or fund sources in FY20/21.
11.	Where Measure M funds were given, loaned or exchanged by one jurisdiction to another, the receiving jurisdiction has credited its Local Return Account with the funds received.			X	None	There were no Measure M funds given, loaned, or exchanged in FY20/21.
12.	A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.			X	None	There were no capital reserve funds in FY20/21.
13.	Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.	X			None	
14.	Recreational transit form was submitted on time.			X	None	There was no recreational transit in FY20/21.
15.	Fund exchanges (trades, loans, or gifts) were approved by Metro.			X	None	There were no fund exchanges in FY20/21.
16.	Accounting procedures, record keeping, and documentation are adequate.	X			None	

**CITY OF MANHATTAN BEACH**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2021  
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
<b>D. Transportation Development Act Article 3 Fund</b>						
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, 2021

No findings were noted.

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*EXIT CONFERENCE*

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***CITY OF MANHATTAN BEACH***  
PROPOSITION A, PROPOSITION C, MEASURE R, MEASURE M LOCAL RETURN FUNDS AND  
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND  
EXIT CONFERENCE  
June 30, 2021

An exit conference was held on December 3, 2021 with the City of Manhattan Beach. Those in attendance were:

***Simpson & Simpson Representative:***

Mark Frishwasser, Audit Senior

***City's Representatives:***

Libby Bretthauer, Financial Service Manager  
Julie Bondarchuk, Financial Controller

***Matters Discussed:***

Results of the audit disclosed no significant deficiency and no non-compliance issues with Metro Guidelines.

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

Libby Bretthauer, Financial Services Manager  
Julie Bondarchuk, Financial Controller

Simpson & Simpson, LLP  
633 West 5<sup>th</sup> Street, Suite 3320  
Los Angeles, CA 90071

RE: CITY OF MANHATTAN BEACH ANNUAL FINANCIAL REPORT OF THE 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 FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

I have received the annual financial report of the 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 for the years ended June 30, 2021 and 2020 for the City of Manhattan Beach and agree with the contents of the report except as indicated below:

(Attach additional pages if necessary)

Very truly yours,

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Name

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Title

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Date