

***CITY OF DOWNEY  
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, 2019 AND 2018***



**Metro<sup>®</sup>**



Simpson & Simpson, LLP  
Certified Public Accountants

***CITY OF DOWNEY***  
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*FINANCIAL SECTION*

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SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS  
BRAINARD C. SIMPSON, CPA  
MELBA W. SIMPSON, CPA

## Independent Auditor's Report

To the Honorable Members of the City Council of the  
City of Downey, 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 Downey, California (the City) as of and for the years ended June 30, 2019 and 2018, 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 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, MMLRF and TDAA3F of the City of Downey, California, as of June 30, 2019 and 2018, 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 Downey, California, as of June 30, 2019 and 2018, and the changes in its financial position 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 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 November 26, 2019, 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 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 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". The signature is written in black ink and is located below the text of the report.

Los Angeles, California  
November 26, 2019

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

	2019	2018
<b>ASSETS</b>		
Cash and investments	\$ 947,401	\$ 1,007,187
Due from other agency	695	-
Total assets	\$ 948,096	\$ 1,007,187
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 355,923	\$ 297,252
Accrued payroll and employee benefits	48,885	53,383
Interest payable	41,543	-
Total liabilities	446,351	350,635
 <b>Fund Balance</b>		
Restricted	501,745	656,552
Total fund balance	501,745	656,552
Total liabilities and fund balance	\$ 948,096	\$ 1,007,187

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

**CITY OF DOWNEY**  
**PROPOSITION A LOCAL RETURN FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
For the Fiscal Years Ended June 30

	<u>2019</u>	<u>2018</u>
<b>REVENUES</b>		
Proposition A	\$ 2,285,302	\$ 2,129,849
Interest income	14,609	11,368
Unrealized gain (loss) on investments	9,729	(5,860)
Project generated revenue (Note 8)	68,403	62,927
Sale of vehicles (Note 9)	-	41,599
Total revenues	<u>2,378,043</u>	<u>2,239,883</u>
<b>EXPENDITURES</b>		
Various projects	<u>3,532,850</u>	<u>2,983,571</u>
Total expenditures	<u>3,532,850</u>	<u>2,983,571</u>
<b>OTHER FINANCING SOURCE</b>		
Transfer-in from PCLRF (Note 10)	<u>1,000,000</u>	<u>1,000,000</u>
Total other financing source	<u>1,000,000</u>	<u>1,000,000</u>
(Deficiency) excess of revenues (under) over expenditures and other financing source	(154,807)	256,312
Fund balance at beginning of year	<u>656,552</u>	<u>400,240</u>
Fund balance at end of year	<u><u>\$ 501,745</u></u>	<u><u>\$ 656,552</u></u>

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



**CITY OF DOWNEY**  
**PROPOSITION A LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES**  
**ACTUAL AND METRO APPROVED PROJECT BUDGET**  
For the Fiscal Year Ended June 30, 2019  
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2018)

Project Code	Project Name	2019			2018 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
110-13	Fixed Route Program	\$ 1,503,399	\$ 1,640,925	\$ (137,526)	\$ 1,353,622
130-02	Revised Senior/Handicapped Transit Program	1,212,682	1,476,236	(263,554)	1,185,637
140-08	Recreational/Special Event Transit	128,120	122,195	5,925	150,088
150-02	Bus Stop Maintenance	260,681	257,054	3,627	240,159
160-01	Downey Depot Maintenance	52,040	36,440	15,600	54,065
Total expenditures		\$ 3,156,922	\$ 3,532,850	\$ (375,928)	\$ 2,983,571

See accompanying independent auditor's report.

**CITY OF DOWNEY**  
**PROPOSITION A LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
June 30, 2019

Date Acquired	Description	Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019
Jun-2005	Ford Bus (6233)	\$ 63,475	\$ -	\$ -	\$ 63,475
Jan-2007	Projector - Dell 1220	8,000	-	-	8,000
Feb-2008	2007 Ford Bus	69,795	-	-	69,795
Feb-2008	2007 Ford Bus	72,263	-	-	72,263
Jun-2008	Storage Server	13,341	-	-	13,341
Jun-2008	2008 Starcraft Allstar Type III	69,795	-	-	69,795
Jun-2008	2008 Starcraft Allstar Type III	69,795	-	-	69,795
Jun-2008	2008 Starcraft Allstar Type III	69,796	-	-	69,796
Oct-2008	Surveillance	45,828	-	-	45,828
Dec-2008	2008 Chevrolet Uplander -White	46,620	-	-	46,620
Apr-2009	2009 Starcraft Allstar Bus	74,257	-	-	74,257
Apr-2009	2009 Starcraft Allstar Bus	74,257	-	-	74,257
Apr-2009	2009 Starcraft Allstar Bus	74,258	-	-	74,258
Jun-2010	9 Navigational Router - Novus DCC- PRO II	105,562	-	-	105,562
Aug-2010	Property at 9300 Stewart and Gray Road for the Consolidated City Corporate Yard Project (Partly Funded by Proposition A Local Return)	877,999	-	-	877,999
Total \$		<u>1,735,041</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,735,041</u>

See accompanying independent auditor's report

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

	2019	2018
<b>ASSETS</b>		
Cash and investments	\$ 1,560,951	\$ 905,297
Total assets	\$ 1,560,951	\$ 905,297
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 15,566	\$ 13,253
Retention payable	4,904	4,904
Accrued payroll and employee benefits	4,966	3,527
Total liabilities	25,436	21,684
 <b>Fund Balance</b>		
Restricted	1,535,515	883,613
Total fund balance	1,535,515	883,613
Total liabilities and fund balance	\$ 1,560,951	\$ 905,297

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

**CITY OF DOWNEY**  
**PROPOSITION C LOCAL RETURN FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
For the Fiscal Years Ended June 30

	<u>2019</u>	<u>2018</u>
<b>REVENUES</b>		
Proposition C	\$ 1,895,594	\$ 1,767,185
Interest income	24,059	9,291
Unrealized gain (loss) on investments	15,442	(5,309)
Retention release (Note 11)	<u>-</u>	<u>118,054</u>
Total revenues	<u>1,935,095</u>	<u>1,889,221</u>
 <b>EXPENDITURES</b>		
Various projects	<u>283,193</u>	<u>844,499</u>
Total expenditures	<u>283,193</u>	<u>844,499</u>
 <b>OTHER FINANCING USE</b>		
Transfer-out to PALRF (Note 10)	<u>(1,000,000)</u>	<u>(1,000,000)</u>
Total other financing use	<u>(1,000,000)</u>	<u>(1,000,000)</u>
 Excess of revenues over expenditures and other financing use	651,902	44,722
 Fund balance at beginning of year	<u>883,613</u>	<u>838,891</u>
 Fund balance at end of year	<u>\$ 1,535,515</u>	<u>\$ 883,613</u>

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

**CITY OF DOWNEY**  
**PROPOSITION C LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES**  
**ACTUAL AND METRO APPROVED PROJECT BUDGET**  
For the Fiscal Year Ended June 30, 2019  
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2018)

Project Code	Project Name	2019			2018 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
270-47	Membership Dues and Subscriptions	\$ 125,000	\$ 105,450	\$ 19,550	\$ 123,170
400-06	Imperial Highway Fiberoptic Communication System	-	-	-	113,475
440-32	Bellflower Boulevard Pavement Rehabilitation (Foster Road - Stewart and Gray Road)	5,000	667	4,333	37
440-39	Pavement Rehabilitations at Various Locations	-	-	-	982
440-40	Brookshire Avenue Pavement Rehabilitation (Firestone Boulevard to Florence Avenue)	-	-	-	350,000
440-42	FY 18-19 Pavement Rehabilitation at Various Locations	13,000	13,000	-	-
450-42	Telegraph Traffic Throughout and Safety Enhancements - Phase II	1,592,337	86,673	1,505,664	172,047
480-02	Ride Sharing Program Administration	53,000	46,400	6,600	51,420
480-28	Local Return Fund Administration (Public Works)	28,135	31,003	(2,868)	33,368
	Total expenditures	<u>1,816,472</u>	<u>283,193</u>	<u>1,533,279</u>	<u>844,499</u>
<b>Transfer-out to PALRF (Note 10)</b>					
110-13	Fixed Route Program	500,000	500,000	-	500,000
130-02	Revised Senior/Handicapped Transit Program	500,000	500,000	-	500,000
	Total transfer-out to PALRF	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
	Total expenditures and transfer-out to PALRF	<u>\$ 2,816,472</u>	<u>\$ 1,283,193</u>	<u>\$ 1,533,279</u>	<u>\$ 1,844,499</u>

See accompanying independent auditor's report.

**CITY OF DOWNEY**  
**PROPOSITION C LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
June 30, 2019

Date Acquired	Description	Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019
Jun-2004	Old River School Road- Stewart and Gray to Dinwiddie	\$ 194	\$ -	\$ -	\$ 194
Jun-2010	Imperial Highway	3,671	-	-	3,671
Jun-2010	Lakewood Boulevard	8,398	-	-	8,398
Jun-2010	Old River School Road - Stewart and Gray to Dinwiddie	3,410	-	-	3,410
Jun-2011	Citywide Traffic Signal Communication System	1,074	-	-	1,074
Jun-2011	Imperial Highway Traffic Signal Communication System	160	-	-	160
Jun-2011	Signal System Integration	36,392	-	-	36,392
Jun-2012	Paramount Rehabilitation - Brookmill to Alameda	791,896	-	-	791,896
Jun-2013	Florence Avenue Traffic Signal Communication Systems	125,559	-	-	125,559
Jun-2013	Imperial Median, Safety Rehabilitation Improvements	3,604,367	-	-	3,604,367
Jun-2014	Florence Avenue Traffic Signal Communication Systems	1,610,879	-	-	1,610,879
Jun-2014	Paramount Rehabilitation - Florence to Lubec	742,742	-	-	742,742
Jun-2015	Brookshire Avenue - Imperial Highway to Davis	1,304,009	-	-	1,304,009
Jun-2016	Bellflower Pavement Rehabilitation (Imperial Highway - Stewart & Gray)	86,693	-	-	86,693
Jun-2016	Firestone Street Improvements - Old River School Road to	1,884,856	-	-	1,884,856
Jun-2016	Lakewood Boulevard Improvements Phase 3 Florence to	893,454	-	-	893,454
Jun-2017	Citywide Striping Major Roadways	41,062	-	-	41,062
Jun-2017	Firestone Rehabilitation- Lakewood to East City Limits	498,156	-	-	498,156
	Sub-total	<u>11,636,972</u>	<u>-</u>	<u>-</u>	<u>11,636,972</u>

See accompanying independent auditor's report.

**CITY OF DOWNEY**  
**PROPOSITION C LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
(Continued)  
June 30, 2019

Date Acquired	Description	Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019
Jun-2017	Telegraph Road Traffic Improvements	\$ 827,158	\$ -	\$ -	\$ 827,158
Jun-2018	Bellflower/Imperial Intersection Improvements	862	-	-	862
Jun-2018	Firestone Median-Patton-Marbel Avenue (6703)	315,971	-	-	315,971
Jun-2018	Imperial Highway Traffic Signal Fiberoptics Communication Systems (6700)	166,489	-	-	166,489
Total		\$ 12,947,452	\$ -	\$ -	\$ 12,947,452

See accompanying independent auditor's report.

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

	2019	2018
<b>ASSETS</b>		
Cash and investments	\$ 2,200,399	\$ 1,339,401
Total assets	\$ 2,200,399	\$ 1,339,401
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 113,444	\$ 93,690
Retention payable	8,842	23,343
Accrued payroll and employee benefits	5,342	6,471
Total liabilities	127,628	123,504
 <b>Fund Balance</b>		
Restricted	2,072,771	1,215,897
Total fund balance	2,072,771	1,215,897
Total liabilities and fund balance	\$ 2,200,399	\$ 1,339,401

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



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

	<u>2019</u>	<u>2018</u>
<b>REVENUES</b>		
Measure R	\$ 1,422,104	\$ 1,323,204
Interest income	33,668	14,208
Unrealized gain (loss) on investments	22,228	(7,643)
Other income (Note 12)	90,227	144,623
Total revenues	<u>1,568,227</u>	<u>1,474,392</u>
<b>EXPENDITURES</b>		
Various projects	<u>711,353</u>	<u>1,197,150</u>
Total expenditures	<u>711,353</u>	<u>1,197,150</u>
<b>OTHER FINANCING SOURCE</b>		
Transfer-in from General Fund (Note 13)	<u>-</u>	<u>22,609</u>
Total other financing source	<u>-</u>	<u>22,609</u>
Excess of revenues over expenditures and other financing source	856,874	299,851
Fund balance at beginning of year	<u>1,215,897</u>	<u>916,046</u>
Fund balance at end of year	<u>\$ 2,072,771</u>	<u>\$ 1,215,897</u>

The accompanying notes are an integral part of the financial statements

**CITY OF DOWNEY**  
**MEASURE R LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES**  
**ACTUAL AND METRO APPROVED PROJECT BUDGET**  
**For the Fiscal Year Ended June 30, 2019**  
**(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2018)**

Project Code	Project Name	2019		Variance Favorable (Unfavorable)	2018 Actual
		Metro Budget	Actual		
1.05	Bellflower Boulevard at Imperial Highway Improvements	\$ -	\$ -	\$ -	\$ 33,477
1.05	Woodruff Avenue Pavement Rehabilitation (Imperial Highway - Stewart and Gray Road)	5,000	745	4,255	37
1.05	Old River School Road Pavement Rehabilitation (Imperial Highway - Arnett Street)	1,080,000	19,453	1,060,547	31,382
1.05	Brookshire Avenue Pavement Rehabilitation (Firestone Avenue - Florence Boulevard)	-	-	-	578,718
1.05	FY 17-18 Residential Street Resurfacing Project	380,000	386,296	(6,296)	15,433
1.05	Florence Avenue Bridge Rehabilitation and Widening at San Gabriel River	20,000	1,703	18,297	-
1.05	Lakewood Boulevard Undergrounding of Overhead Utilities	-	-	-	125,015
1.05	FY 18-19 Pavement Rehabilitation at Various Locations	400,000	30,286	369,714	-
1.20	Paramount Boulevard Median (Firestone Boulevard - Imperial Boulevard - Brookshire Avenue)	1,050,000	227,111	822,889	-
1.20	Firestone Boulevard Median (Lakewood Boulevard - Brookshire Avenue)	-	-	-	2,639
2.09	Florence Avenue at Old River School Road Traffic Signal Upgrade	-	-	-	25,994
2.09	Bellflower Boulevard at Foster Road Traffic Signal Upgrade	-	-	-	13,154
2.09	Woodruff Avenue at Foster Road Traffic Signal Upgrade	-	-	-	24,622
2.09	Firestone Boulevard at Woodruff Avenue Traffic Signal Upgrade	-	-	-	36,787
	Sub-total	<u>2,935,000</u>	<u>665,594</u>	<u>2,269,406</u>	<u>887,258</u>

See accompanying independent auditor's report.

**CITY OF DOWNEY**  
**MEASURE R LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES**  
**ACTUAL AND METRO APPROVED PROJECT BUDGET**  
(Continued)  
For the Fiscal Year Ended June 30, 2019  
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2018)

Project Code	Project Name	2019		Variance Favorable (Unfavorable)	2018 Actual
		Metro Budget	Actual		
2.09	Lakewood Boulevard at Florence Avenue Traffic Signal Upgrade	\$ -	\$ -	\$ -	\$ 48,947
2.09	Imperial Highway at Downey Avenue Traffic Signal Upgrade	-	-	-	13,378
2.09	Paramount Boulevard at 3rd, 5th and 7th Streets Traffic Signal Upgrade	-	-	-	159,540
2.09	Woodruff Avenue Fiber Optic Communication and Traffic Signal Upgrades	171,000	15,144	155,856	1,733
2.24	Citywide Transit Priority System	10,000	-	10,000	-
3.15	Lakewood Boulevard Street Lighting Improvement Project	-	-	-	59,603
3.90	Bike Share and Safety Education Program	24,000	-	24,000	-
5.10	Graffiti Truck	45,000	-	45,000	-
8.10	Public Works Executive Management Salary (not to exceed 10%)	21,538	30,615	(9,077)	26,691
Total expenditures \$		<u>3,206,538</u>	<u>\$ 711,353</u>	<u>\$ 2,495,185</u>	<u>\$ 1,197,150</u>

See accompanying independent auditor's report.

**CITY OF DOWNEY**  
**MEASURE R LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
June 30, 2019

Date Acquired	Description	Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019
Jun-2015	Columbia Way - I105 to Imperial Highway	\$ 543,549	\$ -	\$ -	\$ 543,549
Jun-2015	FY 13-14 Residential Street Resurfacing	19,036	-	-	19,036
Jun-2015	Brookshire Avenue - Imperial Highway to Davis	222,941	-	-	222,941
Jun-2016	Firestone Street Improvements Old River School Road to Brookshire	200,000	-	-	200,000
Jun-2016	Imperial East City Limits Frontage Road to Brookshire Avenue	18,300	-	-	18,300
Jun-2016	Public Works Contract (Residential Street Resurfacing)	1,276,747	-	-	1,276,747
Jun-2016	Residential Streets Resurfacing	160,013	-	-	160,013
Jun-2016	Stewart and Gray Pavement Rehabilitation (Old River School Road - Bellflower and Woodruff-Firestone)	2,500	-	-	2,500
Aug-2016	Variable Message Feedback Signs	11,555	-	-	11,555
Aug-2016	Variable Message Feedback Signs	11,555	-	-	11,555
Jun-2017	Citywide Striping Major Roadways	12,697	-	-	12,697
Jun-2017	Downtown Street Lighting Conversion	153,828	-	-	153,828
Jun-2017	Firestone Rehabilitation - Lakewood to East City Limits	45,823	-	-	45,823
Jun-2017	Gardendale Pavement Rehabilitation Lakewood	235,676	-	-	235,676
Jun-2017	Pedestrian Improvements/New Sidewalk/Ramp	86,662	-	-	86,662
Jun-2017	Telegraph Road Traffic Improvements	468,000	-	-	468,000
Jun-2018	Bellflower/Imperial Intersection Improvements	33,976	-	-	33,976
Jun-2018	Firestone Median-Patton-Marbel Avenue	518,265	-	-	518,265
Jun-2018	Florence Boulevard Old River School Road Traffic Signal Upgrade	81,534	-	-	81,534
Jun-2018	Bellflower Boulevard/Foster Road Traffic Signal Upgrade	85,689	-	-	85,689
	Sub-total	<u>4,188,346</u>	<u>-</u>	<u>-</u>	<u>4,188,346</u>

See accompanying independent auditor's report.

**CITY OF DOWNEY**  
**MEASURE R LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
June 30, 2019

Date Acquired	Description	Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019
Jun-2018	Woodruff Avenue/Foster Road Traffic Signal Upgrade	\$ 98,414	\$ -	\$ -	\$ 98,414
Jun-2018	Firestone/Woodruff Traffic Signal Upgrade	94,021	-	-	94,021
Jun-2018	Lakewood/Florence Traffic Signal Upgrade	76,777	-	-	76,777
Jun-2018	Imperial Highway/Downey Avenue Traffic Signal Upgrade	57,021	-	-	57,021
Jun-2018	Paramount Boulevard at 3rd, 5th, 7th Street Signal	343,448	-	-	343,448
Jun-2018	Lakewood Boulevard LED Light and Pole Painting	59,603	-	-	59,603
Total		\$ 4,917,630	\$ -	\$ -	\$ 4,917,630

See accompanying independent auditor's report.

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

	2019	2018
<b>ASSETS</b>		
Cash and investments	\$ 2,284,648	\$ 867,544
Total assets	\$ 2,284,648	\$ 867,544
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 155,874	\$ 8,143
Retention payable	2,173	-
Accrued payroll and employee benefits	705	62
Total liabilities	158,752	8,205
 <b>Fund Balance</b>		
Restricted	2,125,896	859,339
Total fund balance	2,125,896	859,339
Total liabilities and fund balance	\$ 2,284,648	\$ 867,544

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

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

	<u>2019</u>	<u>2018</u>
<b>REVENUES</b>		
Measure M	\$ 1,602,000	\$ 1,199,126
Interest income	34,751	6,642
Unrealized gain (loss) on investments	22,335	(4,984)
	<u>1,659,086</u>	<u>1,200,784</u>
Total revenues		
<b>EXPENDITURES</b>		
Various projects	<u>392,529</u>	<u>341,445</u>
	<u>392,529</u>	<u>341,445</u>
Total expenditures		
Excess of revenues over expenditures	1,266,557	859,339
Fund balance at beginning of year	<u>859,339</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 2,125,896</u></u>	<u><u>\$ 859,339</u></u>

The accompanying notes are an integral part of the financial statements

**CITY OF DOWNEY**  
**MEASURE M LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES**  
**ACTUAL AND METRO APPROVED PROJECT BUDGET**  
**For the Fiscal Year Ended June 30, 2019**  
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2018)

Project Code	Project Name	2019			2018 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	Old River School Road Pavement Rehabilitation	\$ 288,001	\$ -	\$ 288,001	\$ 451
1.05	Florence Avenue Bridge Rehabilitation at Rio Hondo River	219,236	2,828	216,408	22,161
1.05	Brookshire Avenue Pavement Rehabilitation	-	-	-	285,710
1.10	Bridge Improvements	200,000	156,179	43,821	7,296
1.20	Telegraph Traffic Throughout and Safety Enhancements- Phase II	400,000	956	399,044	-
1.20	Paramount Boulevard Median (Firestone Boulevard - Imperial Highway)	250,207	43,463	206,744	-
1.25	ADA Transition Plan Implementation - Phase 1	200,000	187,185	12,815	25,827
3.90	Downey Bicycle Master Plan Implementation	227,000	1,918	225,082	-
5.10	Graffiti Truck	45,000	-	45,000	-
Total expenditures		\$ 1,829,444	\$ 392,529	\$ 1,436,915	\$ 341,445

See accompanying independent auditor's report.



**CITY OF DOWNEY**  
**MEASURE M LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
June 30, 2019

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 7/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2019</u>
Jun-2018	Brookshire Pavement Rehabilitation - Firestone/Florence	\$ 285,710	\$ -	\$ -	\$ 285,710
	Total	<u>\$ 285,710</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 285,710</u>

See accompanying independent auditor's report.

**CITY OF DOWNEY**  
**TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND**  
**(PURSUANT TO PUBLIC UTILITIES CODE SECTION 99234)**  
**BALANCE SHEETS**  
**June 30**

	2019	2018
<b>ASSETS</b>		
Cash and investments	\$ 821	\$ 821
Total assets	\$ 821	\$ 821
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accrued payroll and employee benefits	\$ -	\$ 29
Total liabilities	-	29
 <b>Fund Balance</b>		
Restricted	821	792
Total fund balance	821	792
Total liabilities and fund balance	\$ 821	\$ 821

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

**CITY OF DOWNEY**  
**TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**For the Fiscal Years Ended June 30**

	2019	2018
<b>REVENUES</b>		
TDA 3	\$ 70,000	\$ -
Total revenues	70,000	-
 <b>EXPENDITURES</b>		
Pedestrian Improvement, New Sidewalk/Ramp Construction and ADA Improvements	69,971	1,986
Total expenditures	69,971	1,986
Excess (deficiency) of revenues over (under) expenditures	29	(1,986)
Fund balance at beginning of year	792	2,778
Fund balance at end of year	\$ 821	\$ 792

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

**CITY OF DOWNEY**  
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF TRANSPORTATION DEVELOPMENT ACT  
ALLOCATION FOR SPECIFIC PROJECTS  
For the Fiscal Year Ended June 30, 2018

<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>					
Pedestrian Improvement, New Sidewalk/Ramp Construction and ADA Improvements	2018-19	\$ <u>70,000</u>	\$ <u>69,971</u>	\$ <u>29</u>	Complete
Total		\$ <u><u>70,000</u></u>	\$ <u><u>69,971</u></u>	<u>29</u>	
Fund balance at beginning of year				<u>792</u>	
Fund balance at end of year				\$ <u><u>821</u></u>	

See accompanying independent auditor's report.

**CITY OF DOWNEY**  
**TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
June 30, 2019

Date Acquired	Description	Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019
6/30/2008	Pedestrian Improvements	\$ 28,064	\$ -	\$ -	\$ 28,064
6/30/2008	Pedestrian Improvements	106	-	-	106
6/30/2008	Pedestrian Improvements	11,606	-	-	11,606
6/30/2008	Pedestrian Improvements	13,106	-	-	13,106
6/30/2009	Safe Route to School - ORSR	50,892	-	-	50,892
6/30/2009	Safe Route to School	33,597	-	-	33,597
6/30/2010	Pedestrian Improvements	208,747	-	-	208,747
6/30/2012	Pedestrian Improvements	51,510	-	-	51,510
6/30/2013	Pedestrian Improvements	165,350	-	-	165,350
6/30/2014	Pedestrian Improvements	103,569	-	-	103,569
6/30/2017	Pedestrian Improvements	13,050	-	-	13,050
6/30/2017	Bike Master Plan	20,737	-	-	20,737
Total \$		<u>700,334</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 700,334</u>

See accompanying independent auditor's report.

**CITY OF DOWNEY**  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Years Ended June 30, 2019 and 2018

**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 present 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 DOWNEY**  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Years Ended June 30, 2019 and 2018  
(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 2019 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 classification as of June 30, 2019:

- 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.

**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, 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 DOWNEY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2019 and 2018  
(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 balances to the total of the pooled cash and investments.

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

Project generated revenue for the years ended June 30, 2019 and 2018 consisted of the following:

	2019	2018
Senior citizen passenger passes	\$ 10,930	\$ 10,293
Metro bus pass sales	5,327	2,008
Rental income	52,146	50,626
Total	\$ <u>68,403</u>	\$ <u>62,927</u>



**CITY OF DOWNEY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2019 and 2018  
(Continued)

**NOTE 9 – SALE OF VEHICLES - PALRF**

On August 22, 2017, the City sold two vehicles in the total amount of \$41,599. The proceeds were recorded under PALRF for the fiscal year ended June 30, 2018.

**NOTE 10 – TRANSFER IN (OUT) - PALRF AND PCLRF**

In fiscal years ended June 30, 2019 and 2018, transfers were made from PCLRF to PALRF in the same amount of \$1,000,000 in both fiscal years, to provide and subsidize funding for PALRF’s Fixed Route Program Project Code 110-13 and Revised Senior/Handicapped Transit Program Project Code 130-02.

**NOTE 11 – RETENTION RELEASE - PCLRF**

In fiscal year ended June 30, 2018, the City received from Metro the total amount of \$118,054 for the release of retention from the invoices billed that were dated from August 31, 2011 through August 28, 2013 for the Florence Avenue Traffic Signal Communication System Project.

**NOTE 12 – OTHER INCOME – MRLRF**

In fiscal year ended June 30, 2019, the other income for MRLRF were funds received from the City of Bellflower in the total amount of \$90,227 for its share of costs that were incurred in prior fiscal years on MRLRF’s Woodruff Avenue at Foster Road Traffic Signal Upgrade Project Code 2.09.

In fiscal year ended June 30, 2018, the other income for MRLRF were funds received from the City of South Gate in the total amount of \$144,623 for its share of costs that were incurred in fiscal year ended June 30, 2016 on MRLRF’s Gardendale Street Pavement Rehabilitation (Lakewood Boulevard to Garfield Avenue) Project Code 1.05.

**NOTE 13 – TRANSFER-IN FROM GENERAL FUND – MRLRF**

The amount of \$22,609 represents a reimbursement from the General Fund to MRLRF related to the fiscal year ended June 30, 2017 Finding No. 2017-003 for the administrative salaries and benefits which were based on distribution percentages and were determined before the services were performed.

**NOTE 14 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION**

The revenue allocation for the years ended June 30, 2019 and 2018 consisted of the following:

		2019		2018
FY 2015-16 allocation	\$	36,239	\$	-
FY 2016-17 allocation		33,761		-
Total payment requested	\$	70,000	\$	-

**CITY OF DOWNEY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2019 and 2018  
(Continued)

**NOTE 15 – 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, 2019 and 2018, the City has funds on reserve as follows:

		2019		2018
FY 2015-16 allocation	\$	-	\$	36,239
FY 2016-17 allocation		41,701		75,462
FY 2017-18 allocation		74,354		74,354
FY 2018-19 allocation		77,160		-
Available reserve balance	\$	193,215	\$	186,055

**NOTE 16 – SUBSEQUENT EVENTS**

The City has evaluated events or transactions that occurred subsequent to June 30, 2019 through November 26, 2019, 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

FOUNDING PARTNERS  
BRAINARD C. SIMPSON, CPA  
MELBA W. SIMPSON, CPA

**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 Downey, 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 Downey, California (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated November 26, 2019.

**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) to determine the 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 determination of financial statement amounts. 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.

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

Los Angeles, California  
November 26, 2019

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*COMPLIANCE SECTION*

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SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS  
BRAINARD C. SIMPSON, CPA  
MELBA W. SIMPSON, CPA

## Independent Auditor's Report on Compliance

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

### Report on Compliance

We have audited the compliance of the City of Downey, 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, 2019.

### *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, except as noted in the Compliance Matrix and the Schedule of Findings and Recommendations, the City complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2019.





### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and which are described in the accompanying Schedule of Findings and Recommendations as Finding Nos. 2019-001, 2019-002, 2019-003, 2019-004, and 2019-005. Our opinion on each local return program and Transportation Development Act Article 3 is not modified with respect to these matters.

The City's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Recommendations. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### **Report on Internal Control Over Compliance**

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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness and significant deficiencies.

*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 Guidelines 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Recommendations as Finding Nos. 2019-001, 2019-002, and 2019-004 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Recommendations as Finding No. 2019-003 to be a significant deficiency.



The City's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Recommendations. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

Los Angeles, California  
November 26, 2019



**CITY OF DOWNEY**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2019

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.	X			None	
2.	Timely use of funds.	X			None	
3.	Funds expended were approved and have not been substituted for property tax.	X			None	
4.	Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).	X			None	
5.	Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	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 are maintained.	X			None	
10.	Accounting procedures, record keeping and documentation are adequate.		X		PALRF: \$537,284 PCLRF: \$77,403	See Finding Nos. 2019-001 and 2019-002 on the Schedule of Findings and Recommendations.
11.	Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	X			None	
12.	Local Return Account is credited for reimbursable expenditures.	X			None	
13.	Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.			X	None	
14.	Signed Assurances and Understandings form was on file.	X			None	
15.	Fund exchanges were approved by Metro.			X	None	
16.	Recreational transit form was submitted on time.		X		None	See Finding No. 2019-003 on the Schedule of Findings and Recommendations.

**CITY OF DOWNEY**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2019  
(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		\$24,802	See Finding No. 2019-004 on the Schedule of Findings and Recommendations.
2.	Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	X			None	
3.	Signed Assurances and Understandings form was on file.	X			None	
4.	Separate Measure R Local Return Account was established.	X			None	
5.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X			None	
6.	Funds were expended with Metro's approval.	X			None	
7.	Expenditure Plan (Form One) was submitted on time.	X			None	
8.	Expenditure Report (Form Two) was submitted on time.	X			None	
9.	Timely use of funds.	X			None	
10.	Administrative expenditures are within the 20% cap.	X			None	
11.	Fund exchanges were approved by Metro.			X	None	
12.	A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.			X	None	
13.	Recreational transit form was submitted on time.			X	None	

**CITY OF DOWNEY**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2019  
(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.	Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.	X			None	
3.	Signed Assurances and Understandings form was on file.	X			None	
4.	Separate Measure M Local Return Account was established.	X			None	
5.	Revenue received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	X			None	
6.	Funds were expended with Metro's approval.	X			None	
7.	Expenditure Plan (Form M-One) was submitted on time.	X			None	
8.	Expenditure Report (Form M-Two) was submitted on time.	X			None	
9.	Timely use of funds.	X			None	
10.	Administrative expenses are within the 20% cap.			X	None	
11.	Fund exchanges were approved by Metro.			X	None	
12.	A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.			X	None	
13.	Recreational transit form was submitted timely.			X	None	

**CITY OF DOWNEY**  
**COMPLIANCE MATRIX**  
 Year Ended June 30, 2019  
 (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		\$821	See Finding No. 2019-005 on the Schedule of Findings and Recommendations.
2.	Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.	X			None	

**CITY OF DOWNEY**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
 June 30, 2019

**PALRF and PCLRF: Finding No. 2019-001**

<p><b>Compliance Reference</b></p>	<p>According to Proposition A and Proposition C Local Return Guidelines, Section II, “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance” and Section V, “It is jurisdictions’ responsibility to maintain proper accounting records and documentation...”In addition, LACMTA Local Return Program Manager issued a memo dated on April 29, 2014 to jurisdictions to provide recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines, those recommendations are “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, “(4) Where employees work on multiple activities or cost objectives, a distribution or their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <p style="padding-left: 40px;">(b) A Federal award and non-Federal award.</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p style="padding-left: 40px;">(a) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p style="padding-left: 40px;">(e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances.”</p>
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**CITY OF DOWNEY**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
 June 30, 2019  
 (Continued)

**PALRF and PCLRF: Finding No. 2019-001 (Continued)**

<b>Condition</b>	<p>To support the propriety of expenditures being charged to Proposition A and Proposition C Local Return Fund, payroll expenditures should be supported by properly executed payrolls, time records, activity reports, vouchers, or other official documentation evidencing in proper detail the nature of the charges. However, the salaries and benefits charged were based on an estimate of a percentage of time spent on PALRF and PCLRF activities rather than the employee’s actual working hours spent on the projects. Although the City provided a time study listing the employees charged to PALRF and PCLRF, the payroll costs and benefits were based on estimated percentages of the time spent on the projects. Moreover, the hours were not adjusted to reflect the “true” hours worked on the projects at the end of the fiscal year 2018-19.</p> <p>(a) PALRF’s Fixed Route Program Project Code 110-13 in the amount of \$39,490.</p> <p>(b) PALRF’s Revised Senior/Handicapped Transit Program Project Code 130-02 in the amount of \$371,104.</p> <p>(c) PCLRF’s Ride Sharing Program Administration Project Code 480-02 in the amount of \$46,400.</p> <p>(d) PCLRF’s Local Return Fund Administration (Public Works) Project Code 480-28 in the amount of \$31,003.</p> <p>This is a repeat finding from the prior three fiscal years.</p>
<b>Cause</b>	<p>The City allocates administrative charges based on time study from 2011-12. The same percentage allocation has been used in prior fiscal years in which the City believed is still relevant today as when the study was completed.</p>
<b>Effect</b>	<p>The payroll costs claimed under the PALRF and PCLRF projects may include expenditures which may not be allowable Proposition A and Proposition C project expenditures. This resulted in questioned costs of \$410,594 and \$77,403 for PALRF and PCLRF, respectively.</p>
<b>Recommendation</b>	<p>In accordance with the Guidelines, we recommend that the City reimburse its Proposition A and Proposition C Local Return Fund accounts for \$410,594 and \$77,403, respectively. In addition, we recommend that the City revise its current labor costs reporting procedures to ensure that labor costs charged to Local Return Funds are adequately supported by time sheets or similar documentation which includes employees’ actual working hours.</p>

**CITY OF DOWNEY**  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
June 30, 2019  
(Continued)

**PALRF and PCLRF: Finding No. 2019-001 (Continued)**

<b>Management's Response</b>	The City management agrees that the amounts were based on a time study from 2011-12. However, the City believes the percentage charged to all City funds (Enterprise, Special Revenue, Successor Agency) for administration are less than the actual payroll costs incurred for the program. In fiscal year 2018-19, as opposed to the time study from fiscal year 2011-12, the program was internally administered adding to administrative time. In fiscal year 2019-20, the City will implement KRONOS, an online-based timekeeping system, for the staff to properly allocate the actual time spent on projects and be able to track the time spent on each program. With the implementation of this system, the City will be able to charge administrative costs directly to the program.
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**CITY OF DOWNEY**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
June 30, 2019  
(Continued)

**PALRF: Finding No. 2019-002**

<b>Compliance Reference</b>	According to Proposition A and Proposition C Local Return Guidelines, Section II, “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance” and Section V, “It is jurisdictions’ responsibility to maintain proper accounting records and documentation...”
<b>Condition</b>	To support the propriety of expenditures being charged to the Proposition A and Proposition C Local Return Funds, non-payroll expenditures should be supported by properly executed contracts, invoices, and vouchers or other official documentation evidencing in proper detail the nature of the charges. However, payments for equipment rental in the amount of \$126,690 were charged to PALRF's Senior/Handicapped Transit Program, Project Code 130-02, without appropriate supporting documentation, i.e., invoices, purchase orders, contracts, etc., to validate the disbursements.  This is a repeat finding from the prior two fiscal years.
<b>Cause</b>	The City allocates equipment rental charges based on time study from 2011-12. The same percentage allocation has been used in prior fiscal years in which the City believed is still relevant today as when the study was completed.
<b>Effect</b>	The unsupported expenditures for the equipment rental resulted in questioned costs of \$126,690.
<b>Recommendation</b>	In accordance with the Guidelines, we recommend that the City reimburse its Proposition A Local Return Account for \$126,690. In addition, we recommend that the City establish controls to ensure that the costs charged to the Local Return funds are adequately supported by contracts, invoices, canceled checks or similar documentation so that Local Return expenditures are in compliance with the Guidelines.
<b>Management’s Response</b>	The City management agrees that the amounts were based on a time study from 2011-12. However, the City believes the percentage charged to all City funds (Enterprise, Special Revenue, Successor Agency) for administration and repairs are less than the actual costs incurred for the program. In fiscal year 2018-19, as opposed to the time study from fiscal year 2011-12, the City maintained all the transit vehicles in its in-house garage for repairs, maintenance and general upkeep. The maintenance costs are directly charged to the City's equipment fund and the monthly charges are distributed to various departments for the repairs, maintenance, and general upkeep of the vehicles.



**CITY OF DOWNEY**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
 June 30, 2019  
 (Continued)

**PALRF: Finding No. 2019-003**

<b>Compliance Reference</b>	According to Proposition A and Proposition C Local Return Guidelines, Section II.A.1.3, Recreational Transit Service, “Jurisdictions shall submit a Listing of Recreational Transit Services no later than October 15 after the fiscal year.”
<b>Condition</b>	The City did not meet the October 15, 2019 deadline for submission of the Listing of Recreational Transit Services. However, the City submitted the listing on November 18, 2019.  This is a repeat finding from the prior fiscal year.
<b>Cause</b>	City staff changes resulted in misunderstanding regarding the submission of the Listing of Recreational Transit Services form.
<b>Effect</b>	The City’s Listing of Recreational Transit Services was not submitted timely as required by the Guidelines.
<b>Recommendation</b>	We recommend that the City establish procedures to ensure that the Recreational Transit Services Listing is properly prepared and submitted before the due date of October 15 <sup>th</sup> so that the City’s expenditures of the Proposition A Local Return Fund will be in accordance with LACMTA’s approval and the Guidelines. Furthermore, we recommend that the City retain a confirmation of receipt from LACMTA to indicate the form was submitted in a timely manner.
<b>Management’s Response</b>	City management agrees with the finding. Management has created a schedule with reporting deadlines to be used by the City staff to monitor LACMTA’s reporting requirements. City management will review the schedule on a regular basis to confirm that the staff is submitting reports in a timely basis.
<b>Finding Corrected During the Audit</b>	The City submitted the form to LACMTA on November 18, 2019. No follow-up is required.

**CITY OF DOWNEY**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
 June 30, 2019  
 (Continued)

**MRLRF: Finding No. 2019-004**

<b>Compliance Reference</b>	<p>According to Measure R Local Return Guidelines, Section A.I, “The Measure R Ordinance specifies that Local Return funds are to be used for transportation purposes. No net revenue distributed to Jurisdictions may be used for purposes other than transportation purposes.” and Section B.VII, “It is the Jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of audit prescribed in these guidelines.” In addition, LACMTA Local Return Program Manager issued a memo dated on April 29, 2014 to jurisdictions to provide recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines, those recommendations are “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, “(4) Where employees work on multiple activities or cost objectives, a distribution or their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <p style="padding-left: 40px;">(b) A Federal award and non-Federal award.</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p style="padding-left: 40px;">(a) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p style="padding-left: 40px;">(e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances.”</p>
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**CITY OF DOWNEY**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
 June 30, 2019  
 (Continued)

**MRLRF: Finding No. 2019-004 (Continued)**

<b>Condition</b>	<p>To support the propriety of expenditures being charged to Measure R Local Return Fund, payroll expenditures should be supported by properly executed payrolls, time records, activity reports, vouchers, or other official documentation evidencing in proper detail the nature of the charges. However, the salaries and benefits charged to Public Works Executive Management Salary Project Code 8.10 in the amount of \$24,802 was based on an estimate of a percentage of time spent on MRLRF activity rather than the employee’s actual working hours spent on the project. Although the City provided a time study listing the employees charged to MRLRF, the payroll costs and benefits were based on estimated percentages of the time spent on the projects. Moreover, the hours were not adjusted to reflect the “true” hours worked on the projects at the end of the fiscal year 2018-19.</p> <p>This is a repeat finding from the prior three fiscal years.</p>
<b>Cause</b>	<p>The City allocates administrative charges based on time study from 2011-12. The same percentage allocation has been used in prior fiscal years in which the City believed is still relevant today as when the study was completed.</p>
<b>Effect</b>	<p>The payroll costs claimed under the Measure R Local Return Fund project may include expenditures which may not be an allowable Measure R project expenditures. This resulted in questioned costs of \$24,802.</p>
<b>Recommendation</b>	<p>In accordance with the Guidelines, we recommend that the City reimburse its Measure R Local Return Fund account for \$24,802. In addition, we recommend that the City revise its current labor costs reporting procedures to ensure that labor costs charged to Local Return Funds are adequately supported by time sheets or similar documentation which includes employees’ actual working hours.</p>
<b>Management’s Response</b>	<p>The City management agrees that the amounts were based on a time study from 2011-12. However, the City believes the percentage charged to all City funds (Enterprise, Special Revenue, Successor Agency) for administration are less than the actual payroll costs incurred for the program. In fiscal year 2018-19, as opposed to the time study from fiscal year 2011-12, the program was internally administered adding to administrative time. In fiscal year 2019-20, the City will implement KRONOS, an online-based timekeeping system, for the staff to properly allocate the actual time spent on projects and be able to track the time spent on each program. With the implementation of this system, the City will be able to charge administrative costs directly to the program.</p>

***CITY OF DOWNEY***  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
 June 30, 2019  
 (Continued)

**TDAA3F: Finding No. 2019-005**

<b>Compliance Reference</b>	According to the Los Angeles County Metropolitan Transportation Authority Transportation Development Act Article 3 Bicycle and Pedestrian Funds, Funding and Allocation Guidelines: “Agencies may only draw down the funds that they can spend during the fiscal year in which they were allocated. Agencies are not allowed to have a fund balance at the end of the fiscal year. Any funds drawn down and that remain unspent after the end of the fiscal year must be returned to Metro to be placed on reserve for the city under the fiscal year in which they were originally allocated. Agencies must also fully spend any interest accumulated by these funds by the end of the fiscal year in which the funds were allocated.”
<b>Condition</b>	As of June 30, 2019, the City had unspent TDA 3 ending fund balance of \$821. The remaining funds were not placed on a reserve account with LACMTA as required by the Guidelines.
<b>Cause</b>	The City failed to fully expend the funds of \$821 as required by the Guidelines during fiscal year 2017-18. Due to staff changes in fiscal year 2018-19, the fund balance of \$821 was overlooked. As a result, the funds were not fully spent as of June 30, 2019.
<b>Effect</b>	The City is not in compliance with the requirements of the Guidelines.
<b>Recommendation</b>	In accordance with the Guidelines, we recommend that the City return to LACMTA the unspent funds of \$821. In addition, we recommend that the City establish procedures to ensure that it only draws down funds that will be spent or encumbered on eligible projects before the end of the fiscal year and returns any unspent funds to LACMTA to be placed on reserve for the City as required by the Guidelines.
<b>Management’s Response</b>	The City management agrees with the finding. Management has established procedure to ensure only funds that will be spent and/or encumbered will be drawdown. The City will return the funds of \$821 to LACMTA.

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*EXIT CONFERENCE*

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**CITY OF DOWNEY**  
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  
EXIT CONFERENCE  
June 30, 2019

An exit conference was held on December 12, 2019 with the City of Downey. Those in attendance were:

***Simpson & Simpson Representative:***

John Longoria, Senior Auditor

***City's Representatives:***

Anil Gandhi, Finance Director  
Francesca Navarro, Senior Accountant  
Sulema Martinez, Accountant

***Matters Discussed:***

Results of the audit disclosed three (3) material weaknesses, one (1) significant control deficiency, and five (5) 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:

Sulema Martinez, Accountant

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

RE: CITY OF DOWNEY 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, 2019 AND 2018.

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, 2019 and 2018, for the City of Downey and agree with the contents of the report except as indicated below:

(Attach additional pages if necessary)

Very truly yours,

\_\_\_\_\_  
Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date