

***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, 2019 AND 2018***



Metro[®]



Simpson & Simpson, LLP
Certified Public Accountants

CITY OF MANHATTAN BEACH
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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, 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 Manhattan Beach, 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 Manhattan Beach, 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 December 6, 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, appearing to read 'Simpson & Simpson'.

Los Angeles, California
December 6, 2019

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

	2019	2018
ASSETS		
Cash and investments	\$ 14,191	\$ 9,417
Other receivables	-	18,979
Prepaid items	3,761	2,432
Total assets	\$ 17,952	\$ 30,828
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 17,952	\$ 22,378
Accrued liabilities	-	8,450
Total liabilities	17,952	30,828
 Fund Balance		
Restricted	-	-
Total fund balance	-	-
Total liabilities and fund balance	\$ 17,952	\$ 30,828

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

	2019	2018
REVENUES		
Proposition A	\$ 712,461	\$ 658,404
Interest income	313	20
Unrealized gain on investment	115	-
Project generated revenue (Note 8)	8,296	7,583
Proposition A Discretionary Incentive Grant (Note 9)	-	17,976
Fund Exchange with City of Diamond Bar (Note 10)	230,000	-
Total revenues	951,185	683,983
EXPENDITURES		
Various projects	966,664	878,116
Total expenditures	966,664	878,116
Deficiency of revenues under expenditures	(15,479)	(194,133)
OTHER FINANCING SOURCES		
Transfer in from MRLRF	-	194,133
Transfer in from General Fund	15,479	-
Total other financing sources	15,479	194,133
Deficiency of revenues under expenditures and other financing sources	-	-
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
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)	
110-02	Beach Cities Transit Fixed Route #109	\$ 10,400	\$ 9,521	\$ 879	\$ 8,655
130-01	Dial-A-Ride	868,971	890,140	(21,169)	816,989
140-01	Recreation Trips	57,222	60,671	(3,449)	47,098
250-01	MTA Bus Subsidy	6,600	6,332	268	5,374
Total expenditures		\$ 943,193	\$ 966,664	\$ (23,471)	\$ 878,116

See accompanying independent auditor's report.

CITY OF MANHATTAN BEACH
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
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

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

	2019	2018
ASSETS		
Cash and investments	\$ 4,218,640	\$ 4,316,078
Due from LACMTA (Note 11)	1,151,426	754,854
Total assets	\$ 5,370,066	\$ 5,070,932
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 234,410	\$ 24,490
Accrued liabilities	35,007	-
Total liabilities	269,417	24,490
 Deferred inflows of resources		
Unavailable revenue (Note 11)	1,151,426	754,854
Total deferred inflows of resources	1,151,426	754,854
 Fund Balance		
Restricted - Sepulveda Blvd Bridge Widening Project (Note 12)	1,260,764	1,687,561
Restricted - others	2,688,459	2,604,027
Total fund balance	3,949,223	4,291,588
Total liabilities, deferred inflows of resources and fund balance	\$ 5,370,066	\$ 5,070,932

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

	2019	2018
REVENUES		
Proposition C	\$ 590,966	\$ 545,025
Interest income	94,789	72,802
Unrealized gain (loss) on investment	93,560	(46,994)
Measure R South Bay Highway Grant (Note 13)	34,152	22,840
Total revenues	813,467	593,673
EXPENDITURES		
Various projects funded by PCLRF	1,082,026	636,855
Various projects funded by other grants	73,806	95,073
Total expenditures	1,155,832	731,928
Deficiency of revenues under expenditures	(342,365)	(138,255)
Fund balance at beginning of year	4,291,588	4,429,843
Fund balance at end of year	\$ 3,949,223	\$ 4,291,588

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, 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)	
380-01	Capital Reserve for Sepulveda Blvd Bridge Widening Project	\$ 2,642,328	\$ 352,991	\$ 2,289,337	\$ 550,189
440-01	Marine Street Resurfacing	450,944	346,280	104,664	45,816
440-02	Street Resurfacing: Arterial and Collector Roadway Project	700,000	223,645	476,355	-
450-08	Dual Left-Turns for Eastbound and Westbound	290,181	59,375	230,806	22,840
450-09	Sepulveda Intersection Improvements	985,440	-	985,440	-
480-01	Proposition C Administration	120,000	99,735	20,265	18,010
	Total expenditures funded by PCLRF	<u>\$ 5,188,893</u>	<u>\$ 1,082,026</u>	<u>\$ 4,106,867</u>	<u>\$ 636,855</u>
380-01	Dual Left-Turns for Eastbound and Westbound - Sepulveda LT Lane Grant		-		17,961
380-01	Capital Reserve for Sepulveda Blvd Bridge Widening Project - Measure R South Bay Highway Grant		<u>73,806</u>		<u>77,112</u>
	Total expenditures funded by other grants		<u>73,806</u>		<u>95,073</u>
	Total expenditures funded by PCLRF and other grants		<u>\$ 1,155,832</u>		<u>\$ 731,928</u>

See accompanying independent auditor's report.

CITY OF MANHATTAN BEACH
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
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

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

	2019	2018
ASSETS		
Cash and investments	\$ 1,242,420	\$ 1,337,396
Total assets	\$ 1,242,420	\$ 1,337,396
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 50,332	\$ 1,820
Accrued liabilities	-	13,646
Retentions payable	49,695	-
Total liabilities	100,027	15,466
 Fund Balance		
Restricted	1,142,393	1,321,930
Total fund balance	1,142,393	1,321,930
Total liabilities and fund balance	\$ 1,242,420	\$ 1,337,396

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

	2019	2018
REVENUES		
Measure R	\$ 519,315	\$ 409,045
Interest income	32,265	27,083
Unrealized gain (loss) on investment	33,698	(17,140)
Total revenues	585,278	418,988
 EXPENDITURES		
Various projects	785,162	518,463
Total expenditures	785,162	518,463
 Deficiency of revenues under expenditures	(199,884)	(99,475)
 OTHER FINANCING SOURCES (USES)		
Transfer out to PALRF	-	(194,133)
Transfer in from General Fund	20,347	-
Total other financing sources (uses)	20,347	(194,133)
 Deficiency of revenues under expenditures and other financing sources (uses)	(179,537)	(293,608)
 Fund balance at beginning of year	1,321,930	1,615,538
 Fund balance at end of year	\$ 1,142,393	\$ 1,321,930

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, 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	Street Resurfacing: Liberty Village	\$ 751,313	\$ 723,439	\$ 27,874	\$ 44,822
1.05	Street Resurfacing: 1100 Block of 3rd St	-	930	(930) *	184,852
1.10	Protected LT Lanes: MBB at Peck Ave	285,000	-	285,000	-
1.20	Raised Median Construction	-	-	-	119,240
2.29	Signalized Crosswalk	-	-	-	144,570
3.20	38th & Highland Improvements	-	-	-	16,893
3.20	Ocean Drive Walkstreet Crossing	450,000	-	450,000	-
8.10	Fund Administration	22,000	60,793	(38,793)	8,086
	Total expenditures	<u>\$ 1,508,313</u>	<u>\$ 785,162</u>	<u>\$ 723,151</u>	<u>\$ 518,463</u>
	Transfer out to PALRF				
4.30	Fund DAR Services	\$ -	\$ -	\$ -	\$ 194,133
	Total expenditures and transfer out to PALRF	<u>\$ 1,508,313</u>	<u>\$ 785,162</u>	<u>\$ 723,151</u>	<u>\$ 712,596</u>

* The City received an approval from Metro on November 7, 2019 to amend the budget for Street Resurfacing: 1100 Block of 3rd St to \$930.

See accompanying independent auditor's report.

CITY OF MANHATTAN BEACH
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
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

	2019	2018
ASSETS		
Cash and investments	\$ <u>695,380</u>	\$ <u>370,688</u>
Total assets	\$ <u><u>695,380</u></u>	\$ <u><u>370,688</u></u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ <u>275,000</u>	\$ <u>-</u>
Total liabilities	<u>275,000</u>	<u>-</u>
 Fund Balance		
Restricted	<u>420,380</u>	<u>370,688</u>
Total fund balance	<u>420,380</u>	<u>370,688</u>
Total liabilities and fund balance	\$ <u><u>695,380</u></u>	\$ <u><u>370,688</u></u>

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

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

	2019	2018
REVENUES		
Measure M	\$ 499,030	\$ 370,688
Interest income	13,978	-
Unrealized gain on investment	5,165	-
Total revenues	518,173	370,688
 EXPENDITURES		
Various projects	468,481	-
Total expenditures	468,481	-
 Excess of revenues over expenditures	49,692	370,688
 Fund balance at beginning of year	370,688	-
 Fund balance at end of year	\$ 420,380	\$ 370,688

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, 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	Street Resurfacing: Liberty Village	\$ 275,000	\$ 275,000	\$ -	-
3.15	Ped Safety Improvement Highland/34th	-	140,000	(140,000) *	-
3.20	ADA Transition Plan with Public Right-of-Way	60,000	30,575	29,425	-
8.10	Fund Administration (20% cap)	36,000	22,906	13,094	-
Total expenditures		\$ 371,000	\$ 468,481	\$ (97,481)	\$ -

* The City received an approval from Metro on November 7, 2019 to amend the budget for Ped Safety Improvement Highland/34th to \$140,000.

See accompanying independent auditor's report.

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

<u>Date</u> <u>Acquired</u>	<u>Description</u>	<u>Balance</u> <u>7/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2019</u>
	None	\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

CITY OF MANHATTAN BEACH
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
(PURSUANT TO PUBLIC UTILITIES CODE SECTION 99234)

BALANCE SHEET
 June 30

	2019	2018
ASSETS		
Cash and investment	\$ -	\$ -
Total assets	\$ -	\$ -
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
 Fund Balance		
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

	2019	2018
REVENUES		
TDA 3	\$ 24,066	\$ 46,701
Total revenues	24,066	46,701
 EXPENDITURES		
Various projects	24,066	46,701
Total expenditures	24,066	46,701
 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, 2019

<u>Project Description</u>	<u>Program Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended Allocations</u>	<u>Project Status</u>
Local allocations					
Marine St. Resurfacings - Sepulveda to Aviation (16101E)	2018-19	\$ <u>24,066</u>	\$ <u>24,066</u>	\$ -	Completed
	Total	\$ <u>24,066</u>	\$ <u>24,066</u>		
Fund balance at beginning of year				-	
Fund balance at end of year				\$ -	

See accompanying independent auditor's report.

CITY OF MANHATTAN BEACH
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 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, 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 classifications 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 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, 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 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, 2019 and 2018
(Continued)

NOTE 8 – PROJECT GENERATED REVENUE – PALRF

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

	2019	2018
Dial-A-Ride fares	\$ 6,325	\$ 6,413
Bus pass sales	1,441	1,170
Older adults program bus fares	530	-
Total	<u>\$ 8,296</u>	<u>\$ 7,583</u>

NOTE 9 – PROPOSITION A DISCRETIONARY INCENTIVE GRANT

The Proposition A Discretionary Incentive Grant for the years ended June 30, 2019 and 2018 of \$0 and \$17,976, 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 September 18, 2018, the City of Diamond Bar entered into an agreement with the City to exchange \$230,000 of the City of Diamond Bar’s Proposition A Local Return funds for \$161,000 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, 2019.

NOTE 11 – DUE FROM LACMTA – PCLRF

The due from LACMTA balance as of June 30, 2019 and 2018 consisted of the following:

	2019	2018
Measure R South Bay Highway Grant	\$ 719,063	\$ 347,714
Rosecrans Project Grant	350,238	350,238
Sepulveda LT Lane Grant	82,125	56,902
Total due from LACMTA	<u>\$ 1,151,426</u>	<u>\$ 754,854</u>

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

NOTE 12 – 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. This was extended to June 30, 2020 with an approved capital reserve amount of \$3,416,320.

The Account will be funded with the Proposition C Local Return Funds allocated to the City. For the years ended June 30, 2019 and 2018, the capital reserve amount for the PCLRF is as follows:

Net capital reserve at 6/30/2017	\$	2,314,862
Capital expenditures during the year		<u>(627,301)</u>
Capital reserve at 6/30/2018		1,687,561
Total City and pending grant reimbursements		<u>1,728,759</u>
Total City commitment		3,416,320
Less: agreed commitment		<u>3,416,320</u>
Adjustment to reserve		-
Add: capital reserve at 6/30/2018		<u>1,687,561</u>
Net capital reserve at 6/30/2018		1,687,561
Capital expenditures during the year		<u>(426,797)</u>
Capital reserve at 6/30/2019		1,260,764
Total City and pending grant reimbursements		<u>2,155,556</u>
Total City commitment		3,416,320
Less: agreed commitment		<u>3,416,320</u>
Adjustment to reserve		-
Add: capital reserve at 6/30/2019		<u>1,260,764</u>
Net capital reserve at 6/30/2019	\$	<u><u>1,260,764</u></u>

NOTE 13 – MEASURE R SOUTH BAY HIGHWAY GRANT – PCLRF

On January 30, 2015, Los Angeles County Metropolitan Transportation Authority (LACMTA) and the City of Manhattan Beach entered in a Funding Agreement for Sepulveda Blvd AT Manhattan Beach Blvd Intersection Improvements (NB, WB, EB Left Turn Lanes and SB Right Turn Lane), LACMTA 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.

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

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 2016-17 allocation	\$ -	\$ 23,705
FY 2017-18 allocation	-	22,996
FY 2018-19 allocation	24,066	-
Total payment requested	\$ 24,066	\$ 46,701

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 2017-18 allocation	\$ -	\$ -
FY 2018-19 allocation	-	-
Available reserve balance	\$ -	\$ -

NOTE 16 – SUBSEQUENT EVENTS

The City has evaluated events or transactions that occurred subsequent to June 30, 2019 through December 6, 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.



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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, 2019, and the related notes to the financial statements, and have issued our report thereon dated December 6, 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 black ink that reads "Simpson & Simpson". The signature is written in a cursive style with a small ampersand between the two names.

Los Angeles, California
December 6, 2019

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, 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, 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 to 2019-006. Our opinion on each local return and Transportation Development Act Article 3 program is not modified with respect to this matter.

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.

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 might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. We did identify a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Recommendations as Finding No. 2019-002, that we consider to be a significant deficiency.



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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guidelines. Accordingly, this report is not suitable for any other purpose.

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

Los Angeles, California
December 6, 2019

CITY OF MANHATTAN BEACH
COMPLIANCE MATRIX
Year Ended June 30, 2019

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
A. Proposition A and Proposition C Local Return Funds						
1.	Uses the State Controller's Uniform System of Accounts and Records.	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	There were no expenditures that exceeded 25% of approved project budget in FY2018/19.
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	See Finding No. 2019-001 on the Schedule of Findings and Recommendation.
9.	Cash or cash equivalents are maintained.	X			None	
10.	Accounting procedures, record keeping, and documentation are adequate.		X		\$6,113	See Finding No. 2019-002 on the Schedule of Findings and Recommendation.
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	There were no Intelligent Transportation Systems projects or elements in FY2018/19.
14.	Assurances and Understandings form was on file.	X			None	
15.	Recreational transit form was submitted on time.	X			None	

CITY OF MANHATTAN BEACH
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. Measure R Local Return Fund						
1.	Funds were expended for transportation purposes.	X			None	
2.	Fund 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 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	See Finding No. 2019-003 on the Schedule of Findings and Recommendation.
7.	Expenditure Plan (Form One) was submitted on time.	X			None	
8.	Expenditure Report (Form Two) was submitted on time.		X		None	See Finding No. 2019-004 on the Schedule of Findings and Recommendation.
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	There were no fund exchanges in FY2018/19.
12.	A separate account was established for capital reserve funds and capital reserve was approved by Metro.			X	None	There was no capital reserve in FY2018/19.
13.	Recreational transit form was submitted on time.			X	None	There was no recreational transit in FY2018/19.

CITY OF MANHATTAN BEACH
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		
C. Measure M Local Return Fund						
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 funding shortfall.	X			None	
3.	Signed Assurances and Understandings 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	See Finding No. 2019-005 on the Schedule of Findings and Recommendation.
7.	Expenditure Plan (Form One) was submitted on time.	X			None	
8.	Expenditure Report (Form Two) was submitted on time.		X		None	See Finding No. 2019-006 on the Schedule of Findings and Recommendation.
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	There were no fund exchanges in FY2018/19.
12.	A separate account was established for capital reserve funds and capital reserve was approved by Metro.			X	None	There was no capital reserve in FY2018/19.
13.	Recreational transit form was submitted timely.			X	None	There was no recreational transit in FY2018/19.

CITY OF MANHATTAN BEACH
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		
D. Transportation Development Act Article 3 Fund						
1.	Timely use of funds.	X			None	
2.	Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.	X			None	

CITY OF MANHATTAN BEACH
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 June 30, 2019

PALRF and PCLRF: Finding No. 2019-001

Compliance Requirement	According to Proposition A and Proposition C Local Return Guidelines, Section III, “On or before October 15 of each fiscal year, Jurisdictions shall submit an Annual Expenditure Report (Form C) to notify LACMTA of previous year Local Return fund receipts and expenditures.”
Condition	The City did not meet the October 15, 2019 deadline for submission of Form C. However, the City submitted the Form C on October 18, 2019.
Cause	This was an oversight by the City due to onsite Enterprise Resource Planning (ERP) implementation training.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Funds Guidelines.
Recommendation	We recommend that the City strengthen internal control procedures to ensure that the Form C is properly prepared and submitted before the due date of October 15 to meet Proposition A and Proposition C Local Return Guidelines.
Management’s Response	The City was delayed in submitting the Form C on or before the deadline due to onsite Enterprise ERP implementation training. The City will endeavor to submit it on or before the deadline in the future.
Finding Corrected During the Audit	The City’s Form C was submitted on October 18, 2019. No follow-up is required.

CITY OF MANHATTAN BEACH
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 June 30, 2019
 (Continued)

PALRF: Finding No. 2019-002

Compliance Requirement	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 the jurisdictions responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these guidelines.”
Condition	To support the propriety of expenditures being charged to Proposition A Local Return Fund (PALRF), all expenditures should be based on actual amounts incurred and supported by properly executed invoice, purchase order, contract, or other official documentation evidencing in proper detail the nature of the charges. However, during our review of expenditures charged to 130-01 Dial-A-Ride Project funded by PALRF identified that information systems expenditure allocated to PALRF based on budgeted amount of \$81,756 and would not be “trued up” to actual amount of \$75,643 at year end, which resulted in overcharged of \$6,113. This is a repeat finding from the prior fiscal year.
Cause	The City was not aware that charging budgeted amounts to PALRF is not allowed.
Effect	The City overcharged PALRF for information systems by \$6,113.
Recommendation	We recommend that the City reimburse its PALRF by \$6,113. In addition, we recommend that the City ensure all budgeted expenditures charged to PALRF are “trued up” to actual amounts.
Management’s Response	The Prop A Fund incurred a deficit of \$15,479 in FY2018-2019. The deficit was relieved by the General Fund through a transfer. Included in the deficit was a budgeted billing versus actual for information systems of \$6,113. Since the General Fund transferred in excess of \$6,113, no action is required.

CITY OF MANHATTAN BEACH
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 June 30, 2019
 (Continued)

MRLRF: Finding No. 2019-003

Compliance Requirement	According to Measure R Local Return Guidelines, Section B.VII.A, Financial and Compliance Provisions, “The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of these guidelines: Verification that funds were expended with Metro’s approval.”
Condition	The City used Measure R Local Return funds for 1.05 Street Resurfacing: 1100 Block of 3rd Street project in the amount of \$930 prior to LACMTA’s approval.
Cause	The City did not submit the complete Expenditure Plan (Form-One) to LACMTA due to an oversight.
Effect	The City did not comply with the Measure R Local Return Funds Guidelines.
Recommendation	We recommend that the City strengthen internal control procedures by obtaining prior approval from LACMTA for all projects that are funded by Measure R Local Return Funds before incurring expenditures. We also recommend that the City obtain LACMTA’s retroactive approval for any new projects that are not reported on the original Form-One.
Management’s Response	The City did not submit an amended Form-One with updated information on time, since the guideline was not clear regarding submissions after the August 1 deadline.
Finding Corrected During the Audit	The City’s revised Form-One was submitted and retroactively approved by LACMTA on November 7, 2019. No follow-up is required.

CITY OF MANHATTAN BEACH
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 June 30, 2019
 (Continued)

MRLRF: Finding No. 2019-004

Compliance Requirement	According to Measure R Local Return Guidelines, Section B Administrative: Reporting Requirements – Expenditure Report (Form-Two), “The submittal of an Expenditure Report (Form Two) is also required to maintain legal eligibility and meet Measure R Local Return program compliance requirements. Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15 th (following the conclusion of the fiscal year).
Condition	The City did not meet the October 15, 2019 deadline for submission of Form Two. However, the City submitted the Form Two on October 18, 2019.
Cause	This was an oversight by the City due to onsite ERP implementation training.
Effect	The City was not in compliance with the Measure R Local Return Funds Guidelines.
Recommendation	We recommend that the City strengthen internal control procedures to ensure that the Form-Two is properly prepared and submitted before the due date of October 15 to meet the Measure R Local Return Guidelines.
Management’s Response	The City was delayed in submitting the Form Two on or before the deadline due to onsite ERP implementation training. The City will endeavor to submit it on or before the deadline in the future.
Finding Corrected During the Audit	The City’s Form-Two was submitted on October 18, 2019. No follow-up is required.

CITY OF MANHATTAN BEACH
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 June 30, 2019
 (Continued)

MMLRF: Finding No. 2019-005

Compliance Requirement	According to Measure M Final Guidelines, Section XXV, Financial and Compliance Provisions, “The Measure M LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines: Verification that funds were expended with Metro’s approval.”
Condition	The City used Measure M Local Return funds for 3.15 Ped Safety Improvement Highland/34th project in the amount of \$140,000 prior to LACMTA’s approval.
Cause	The City did not submit the complete Expenditure Plan (Form M-One) to LACMTA due to an oversight.
Effect	The City did not comply with the Measure M Local Return Funds Guidelines.
Recommendation	We recommend that the City strengthen internal control procedures by obtaining prior approval from LACMTA for all projects that are funded by Measure M Local Return Funds before incurring expenditures. We also recommend that the City obtain LACMTA’s retroactive approval for any new projects that are not reported on the original Form M-One.
Management’s Response	The City did not submit an amended Form M-One with updated information on time, since the guideline was not clear regarding submissions after the August 1 deadline.
Finding Corrected During the Audit	The City’s revised Form M-One was submitted and retroactively approved by LACMTA on November 7, 2019. No follow-up is required.

CITY OF MANHATTAN BEACH
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 June 30, 2019
 (Continued)

MMLRF: Finding No. 2019-006

Compliance Requirement	According to Measure M Final Guidelines, Section XXV Administrative: Reporting Requirements – Expenditure Report (Form M-Two), “The submittal of an Expenditure Report (Form M-Two) is also required to maintain legal eligibility and meet Measure M Local Return program compliance requirements. Jurisdictions shall submit a Form M-Two, to LACMTA annually, by October 15 th (following the conclusion of the fiscal year).
Condition	The City did not meet the October 15, 2019 deadline for submission of Form M-Two. However, the City submitted the Form M-Two on October 18, 2019.
Cause	This was an oversight by the City due to onsite ERP implementation training.
Effect	The City did not comply with the Measure M Local Return Guidelines.
Recommendation	We recommend that the City strengthen internal control procedures to ensure that the Form M-Two is properly prepared and submitted before the due date of October 15 to meet the Measure M Local Return Guidelines.
Management’s Response	The City was delayed in submitting the Form M-Two on or before the deadline due to onsite ERP implementation training. The City will endeavor to submit it on or before the deadline in the future.
Finding Corrected During the Audit	The City’s Form M-Two was submitted on October 18, 2019. No follow-up is required.

EXIT CONFERENCE

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, 2019

An exit conference was held on November 7, 2019 with the City of Manhattan Beach. Those in attendance were:

Simpson & Simpson Representative:

Mark Frishwasser, Senior Auditor

City's Representatives:

Steve Charelian, Finance Director
Libby Bretthauer, Financial Analyst
Henry Mitzner, Controller
Julie Bondarchuk, Senior Accountant

Matters Discussed:

Results of the audit disclosed one (1) significant control deficiency and six (6) 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:

Steve Charelian, Finance Director
Libby Bretthauer, Financial Analyst
Henry Mitzner, Controller
Julie Bondarchuk, Senior Accountant

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633 West 5th 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, 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 Manhattan Beach and agree with the contents of the report except as indicated below:

(Attach additional pages if necessary)

Very truly yours,

Name

Title

Date