

***CITY OF AVALON
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
TRANSPORTATION DEVELOPMENT ACT
ARTICLE 8 FUND
FOR THE FISCAL YEARS ENDED
JUNE 30, 2019 AND 2018***



Metro[®]



Simpson & Simpson, LLP
Certified Public Accountants

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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 Avalon, 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) and Transportation Development Act Article 8 Fund (TDAA8F) (collectively, the Funds), of the City of Avalon, 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 an opinion 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 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, TDAA3F and TDAA8F of the City of Avalon, 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, TDAA3F and TDAA8F of the City and do not purport to, and do not, present fairly the financial position of the City of Avalon, 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 12, 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 & Simpson".

Los Angeles, California
November 12, 2019

CITY OF AVALON
PROPOSITION A LOCAL RETURN FUND
BALANCE SHEETS
June 30

	2019	2018
ASSETS		
Due from Metro	\$ 194,240	\$ 490,481
Total assets	\$ 194,240	\$ 490,481
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 100	\$ -
Due to General Fund	194,140	490,481
Total liabilities	194,240	490,481
 Fund Balance		
Restricted	-	-
Total fund balance	-	-
Total liabilities and fund balance	\$ 194,240	\$ 490,481

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

CITY OF AVALON
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	\$ 74,643	\$ 68,607
Proposition A Discretionary Incentive Grant (Note 9)	950,000	950,000
Total revenues	1,024,643	1,018,607
 EXPENDITURES		
Avalon Rapid Transit funded by PALRF	74,643	68,607
Various projects funded by Proposition A Discretionary Incentive Grants	950,000	950,000
Total expenditures	1,024,643	1,018,607
 Excess of revenues over expenditures	-	-
 Fund balance at beginning of year	-	-
 Fund balance at end of year	\$ -	\$ -

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

CITY OF AVALON
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)	
<u>Expenditures funded by PALRF</u>					
250-01	Avalon Rapid Transit	\$ 72,771	\$ 74,643	\$ (1,872)	\$ 68,607
	Total expenditures funded by PALRF	\$ 72,771	\$ 74,643	\$ (1,872)	\$ 68,607
<u>Expenditures funded by Proposition A Discretionary Incentive Grants</u>					
	Avalon Rapid Transit		300,000		300,000
	Avalon Ferry		650,000		650,000
	Total expenditures funded by Proposition A Discretionary Incentive Grants		950,000		950,000
	Total expenditures funded by PALRF and Proposition A Discretionary Incentive Grants		\$ 1,024,643		\$ 1,018,607

See accompanying independent auditor's report.

CITY OF AVALON
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 AVALON
PROPOSITION C LOCAL RETURN FUND
BALANCE SHEETS
June 30

	2019	2018
ASSETS		
Cash and investments	\$ -	\$ -
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 of the financial statements.

CITY OF AVALON
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	\$ 61,914	\$ 57,387
Total revenues	61,914	57,387
 EXPENDITURES		
Avalon Rapid Transit	61,914	57,387
Total expenditures	61,914	57,387
 Excess of revenues over expenditures	-	-
 Fund balance at beginning of year	-	-
 Fund balance at end of year	\$ -	\$ -

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

CITY OF AVALON
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)	
250-01	Avalon Rapid Transit	\$ 60,362	\$ 61,914	\$ (1,552)	\$ 57,387
	Total expenditures	\$ 60,362	\$ 61,914	\$ (1,552)	\$ 57,387

See accompanying independent auditor's report.

CITY OF AVALON
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 AVALON
MEASURE R LOCAL RETURN FUND
BALANCE SHEETS
June 30

	2019	2018
ASSETS		
Cash and investments	\$ -	\$ -
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 of the financial statements.

CITY OF AVALON
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	\$ 46,449	\$ 42,623
Total revenues	46,449	42,623
 EXPENDITURES		
Avalon Rapid Transit	46,449	42,623
Total expenditures	46,449	42,623
 Excess of revenues over expenditures	-	-
 Fund balance at beginning of year	-	-
 Fund balance at end of year	\$ -	\$ -

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

CITY OF AVALON
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)	
4.10	Avalon Rapid Transit	\$ 45,727	\$ 46,449	\$ (722)	\$ 42,623
	Total expenditures	\$ 45,727	\$ 46,449	\$ (722)	\$ 42,623

See accompanying independent auditor's report.

CITY OF AVALON
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
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

CITY OF AVALON
MEASURE M LOCAL RETURN FUND
BALANCE SHEET
June 30

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and investments	\$ <u>-</u>	\$ <u>-</u>
Total assets	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ <u>-</u>	\$ <u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
 Fund Balance		
Restricted	<u>-</u>	<u>-</u>
Total fund balance	<u>-</u>	<u>-</u>
Total liabilities and fund balance	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

The accompanying notes are an integral part of the financial statements

CITY OF AVALON
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	\$ 52,255	\$ 38,626
Total revenues	52,255	38,626
 EXPENDITURES		
Avalon Rapid Transit	52,255	38,626
Total expenditures	52,255	38,626
 Excess of revenues over expenditures	-	-
 Fund balance at beginning of year	-	-
 Fund balance at end of year	\$ -	\$ -

The accompanying notes are an integral part of the financial statements

CITY OF AVALON
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)	
4.20	Avalon Rapid Transit	\$ 51,308	\$ 52,255	\$ (947)	\$ 38,626
	Total expenditures	\$ 51,308	\$ 52,255	\$ (947)	\$ 38,626

See accompanying independent auditor's report.

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

	2019	2018
ASSETS		
Cash and investments	\$ -	\$ -
Total assets	\$ -	\$ -
 LIABILITIES AND FUND BALANCE		
Liabilities		
Due to General Fund	\$ -	\$ -
Total liabilities	-	-
 Fund Balance		
Restricted	-	-
Total fund balance	-	-
Total liabilities and fund balance	\$ -	\$ -

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

CITY OF AVALON
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	\$ -	\$ -
Total revenues	-	-
 EXPENDITURES		
Various projects	-	-
Total expenditures	-	-
 Excess of revenues over expenditures	-	-
 Fund balance at beginning of year	-	-
 Fund balance at end of year	\$ -	\$ -

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

CITY OF AVALON
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					
None	2018-19	\$ -	\$ -	\$ -	N/A
	Total	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	
Fund balance at beginning of year				<u>-</u>	
Fund balance at end of year				<u>\$ -</u>	

See accompanying independent auditor's report.

CITY OF AVALON
TRANSPORTATION DEVELOPMENT ACT ARTICLE 8 FUND
(PURSUANT TO PUBLIC UTILITIES CODE SECTION 99234)
BALANCE SHEETS
JUNE 30

	2019	2018
ASSETS		
Metro Receivable	\$ 12,390	\$ -
Total assets	\$ 12,390	\$ -
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 5,685	\$ -
Cash overdraft	6,705	-
Total liabilities	12,390	-
 Fund Balance		
Restricted	-	-
Total fund balance	-	-
Total liabilities and fund balance	\$ 12,390	\$ -

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

CITY OF AVALON
TRANSPORTATION DEVELOPMENT ACT ARTICLE 8 FUND
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Fiscal Years Ended June 30

	2019	2018
REVENUES		
TDA 8	\$ 148,677	\$ 141,320
Total revenues	148,677	141,320
 EXPENDITURES		
Transportation Dial-A-Ride Services	148,677	141,320
Total expenditures	148,677	141,320
 Excess of revenues over expenditures	-	-
 Fund balance at beginning of year	-	-
 Fund balance at end of year	\$ -	\$ -

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

CITY OF AVALON
TRANSPORTATION DEVELOPMENT ACT ARTICLE 8 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					
Transportation Dial-A-Ride Services	2018-19	\$ 148,677	\$ 148,677	\$ -	On-going
Total		<u>\$ 148,677</u>	<u>\$ 148,677</u>	-	
Fund balance at beginning of year				-	
Fund balance at end of year				<u>\$ -</u>	

See accompanying independent auditor's report.

CITY OF AVALON
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), Transportation Development Act Article 3 Fund (TDAA3F) and Transportation Development Act Article 8 Fund (TDAA8F) (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 18% of a county-wide ½ cent sales tax which is distributed to the jurisdictions within Los Angeles County based on a per capita basis and must be used exclusively for transportation purposes.

Transportation Development Act Article 3 Fund (TDAA3F) and Transportation Development Act Article 8 Fund (TDAA8F) are Special Revenue Funds that account for the City's share of the Transportation Development Act Article 3 and 8 allocations which are legally restricted for specific purposes.

Basis of Accounting and Measurement Focus

PALRF, PCLRF, MRLRF, TDAA3F and TDAA8F 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 revenues, expenditures and change in fund balance for special revenue funds generally presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Budgets and Budgetary Accounting

The budgeted amounts presented in this report for comparison to the actual amounts are presented in accordance with accounting principles generally accepted in the United States of America.

CITY OF AVALON
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 Governmental Accounting Standards 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 investments 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, TDAA3F and TDAA8F 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 Balance 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, TDAA3F and TDAA8F 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, the Los Angeles County Metropolitan Transportation Authority Funding and Allocation Guidelines for Transportation Development Act (TDA) Article 3 Bicycle and Pedestrian Funds, and the Los Angeles County Metropolitan Transportation Authority Guidelines to the Administration of TDA Article 8.

CITY OF AVALON
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 – TDA ARTICLE 3 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 – TDA ARTICLE 8 COMPLIANCE REQUIREMENTS

In accordance with Public Utilities Code Section 99400, funds received pursuant to this Code’s section may only be used for activities relating to transit, paratransit, and local streets and roads, including facilities for the exclusive use of pedestrians and bicycles to fulfill unmet transit needs in areas outside the service area of Metro operations. See accompanying Compliance Matrix.

NOTE 8 – CASH AND INVESTMENTS

The PALRF, PCLRF, MRLRF, MMLRF, TDAA3F and TDAA8F’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 AVALON
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2019 and 2018
(Continued)

NOTE 9 – PROPOSITION A DISCRETIONARY INCENTIVE GRANTS

The Proposition A Discretionary Incentive Grants amounting to \$950,000 for the years ended June 30, 2019 and 2018 were for the Cross-Channel Carrier Commuter Subsidy Program that subsidizes the ferry ticket booklets for commuters and to provide transportation through the City’s land transit services. The Proposition A Discretionary Incentive Grants were recorded under PALRF.

NOTE 10 – TDA FUND REVENUE ALLOCATION

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

TDA Article 3 Fund

	2019	2018
FY 2017-18 allocation	\$ -	\$ -
FY 2018-19 allocation	-	-
Total payment requested	\$ -	\$ -

TDA Article 8 Fund

	2019	2018
FY 2017-18 allocation	\$ -	\$ 141,320
FY 2018-19 allocation	148,677	-
Total payment requested	\$ 148,677	\$ 141,320

NOTE 11 – TDA FUNDS RESERVED

In accordance with state 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:

TDA Article 3 Fund

	2019	2018
FY 2015-16 allocation	\$ 2,697	\$ 2,697
FY 2016-17 allocation	5,000	5,000
FY 2017-18 allocation	5,000	5,000
FY 2018-19 allocation	5,000	-
Available reserve balance	\$ 17,697	\$ 12,697

TDA Article 8 Fund

	2019	2018
FY 2017-18 allocation	\$ -	\$ -
FY 2018-19 allocation	-	-
Available reserve balance	\$ -	\$ -

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

NOTE 12 – SUBSEQUENT EVENTS

The City has evaluated events or transactions that occurred subsequent to June 30, 2019 through November 12, 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
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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 Avalon, 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, Transportation Development Act Article 3 Fund (TDAA3F), and Transportation Development Act Article 8 Fund (TDAA8F) (collectively, the Funds) of the City of Avalon, 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 12, 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, Transportation Development Act Article 3 Fund, and Transportation Development Act Article 8 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 & Simpson".

Los Angeles, California
November 12, 2019

COMPLIANCE SECTION



SIMPSON & SIMPSON

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Independent Auditor's Report On Compliance

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

Report on Compliance

We have audited the compliance of the City of Avalon, California (the City) with the Proposition A and Proposition C Local Return Guidelines, Measure R Local Return Guidelines, Measure M Local Return Guidelines, the Los Angeles County Metropolitan Transportation Authority's Funding and Allocation Guidelines for the Transportation Development Act Article 3 Bicycle and Pedestrian Funds, and the Los Angeles County Metropolitan Transportation Authority Guidelines to the Administration of Transportation Development Act Article 8 (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 and 8 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 and Transportation Development Act Article 8

In our opinion, except as noted on 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 an instance of noncompliance, which is required to be reported in accordance with the Guidelines and which is described in the accompanying Schedule of Findings and Recommendations as Findings No. 2019-001 through No. 2019-003. Our opinion on each local return program and Transportation Development Act Articles 3 and 8 programs is not modified with respect to this matter.

The City's response to the noncompliance findings 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.

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. We did identify certain deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Recommendations as Finding No. 2019-002 that we consider to be material weaknesses.

The responses by the City to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Recommendations. The responses by the City were not subject 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 requirements of the Guidelines. Accordingly, this report is not suitable for any other purpose.

Simpson & Simpson

Los Angeles, California
November 12, 2019

CITY OF AVALON
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.
5.	Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.			X	None	There were no administrative expenditures in FY 2018/19.
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	See Finding No. 2019-001 on the Schedule of Findings and Recommendations.
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			None	
11.	Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.			X	None	There were no street maintenance or improvement projects expenditures in FY 2018/19.
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 FY 2018/19.
14.	Assurances and Understandings form was on file.	X			None	
15.	Recreational transit form was submitted on time.			X	None	There was no recreational transit in FY 2018/19.

CITY OF AVALON
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.	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 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	See Finding No. 2019-002 on the Schedule of Findings and Recommendations.
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	There were no administrative expenditures in FY 2018/19.
11.	Fund exchanges were approved by Metro.			X	None	There were no fund exchanges in FY 2018/19.
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	There was no recreational transit in FY 2018/19.

CITY OF AVALON
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 fund shortfall.	X			None	
3.	Signed Assurances and Understandings 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 One) was submitted on time.		X		None	See Finding No. 2019-003 on the Schedule of Findings and Recommendations.
8.	Expenditure Report (Form Two) was submitted on time.	X			None	
9.	Timely use of funds	X			None	
10.	Administrative expenses are within the 20% cap.			X	None	There were no administrative expenditures in FY 2018/19.
11.	Fund exchanges were approved by Metro.			X	None	There were no fund exchanges in FY 2018/19.
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	There was no recreational transit in FY 2018/19.

CITY OF AVALON
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. 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	There were no expenditures in FY 2018/19.
D. Transportation Development Act Article 8 Fund						
1.	Timely use of funds.	X			None	
2.	Expenditures were incurred for activities relating to transit, paratransit and local streets and roads.	X			None	

CITY OF AVALON
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 June 30, 2019

PALRF and PCLRF: Finding No. 2019-001

Finding	Entity
Compliance Requirement	According to Proposition A and Proposition C Local Return Guidelines Section C, "Jurisdictions shall submit on or before August 1 of each fiscal year an Annual Project Update to provide current information on all approved on-going and carryover LR projects. Metro will review and accept or return the report for changes. Cities shall report the anticipated expenditure cash flow amounts for the covered fiscal year."
Condition	The City did not submit the Annual Project Update (Form B) to LACMTA by August 1, 2018. However, the City submitted the Form B late on August 7, 2018.
Cause	The late submission was due to an oversight.
Effect	The City's Annual Project Update (Form B) was not submitted to LACMTA by August 1 st as required by the Proposition A and C Local Return Guidelines.
Recommendation	We recommend that the City establish internal control procedures to ensure that the Annual Project Update (Form B) is properly prepared and submitted prior to the August 1 st deadline, and that the City retain a confirmation of receipt by LACMTA to comply with the Proposition A and C Local Return Guidelines.
Management's Response	Management will ensure to submit the Form B by the due date going forward.
Finding and Corrected During the Audit	The City submitted the Form B on August 7, 2018. No follow-up is required.

CITY OF AVALON
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
June 30, 2019

MRLRF: Finding No. 2019-002

Finding	Entity
Compliance Requirement	According to Measure R Local Return Guidelines Section B (II), "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1st of each year."
Condition	The City did not submit the Expenditure Plan (Form One) to LACMTA by August 1, 2018. However, the City submitted the Form One late on August 7, 2018. This is a repeat finding from the prior two fiscal years.
Cause	The late submission was due to an oversight.
Effect	The City's Expenditure Plan (Form One) was not submitted to LACMTA by August 1st, as required by Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish internal control procedures to ensure that the Expenditure Plan (Form One) is properly prepared and submitted prior to the August 1 st deadline, and that the City retain a confirmation of receipt by LACMTA to comply with the Measure R Local Return Guidelines.
Management's Response	Management will ensure to submit the Form One by the due date going forward.
Finding and Corrected During the Audit	The City submitted the Form One on August 7, 2018. No follow-up is required.

CITY OF AVALON
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
June 30, 2019

MMLRF - Finding No. 2019-003

Finding	Entity
Compliance Requirement	According to Measure M Local Return Guidelines, Section XXV Administrative: Reporting Requirements – Expenditure Plan (Form M-One), “To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdictions shall submit to Metro an Expenditure Plan (Form M-One), annually, by August 1 of each year.”
Condition	The City did not submit the Expenditure Plan (Form M-One) to LACMTA by August 1, 2018. However, the City submitted the Form M-One late to LACMTA on August 7, 2018.
Cause	The late submission was due to an oversight.
Effect	The City’s Form M-One was not submitted to LACMTA by August 1st, as required by Measure M Local Return Guidelines.
Recommendation	We recommend that the City establish internal control procedures to ensure that the Expenditure Plan (Form M-One) is properly prepared and submitted prior to the August 1 st deadline, and that the City retain a confirmation of receipt by LACMTA to comply with the Guidelines.
Management’s Response	Management will submit the budget form by the due date going forward.
Finding and Corrected During the Audit	The City submitted the Form M-One on August 7, 2018. No follow-up is required.

EXIT CONFERENCE

CITY OF AVALON
PROPOSITION A, PROPOSITION C, MEASURE R, MEASURE M LOCAL RETURN FUNDS,
TRANSPORTATION DEVELOPMENT ACT ARTICLES 3 AND 8 FUNDS
EXIT CONFERENCE
June 30, 2019

An exit conference was held on October 29, 2019 with the City of Avalon. Those in attendance were:

Simpson & Simpson Representative:

Tian Bian, Senior Auditor

City's Representative:

Matthew Baker, Senior Accountant

Matters Discussed:

Result of the audit disclosed one (1) material weakness and one (3) 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:

Matthew Baker, Senior Accountant

Simpson & Simpson, LLP
633 West 5th Street, Suite 3320
Los Angeles, CA 90071

RE: CITY OF AVALON 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, AND TRANSPORTATION DEVELOPMENT ACT ARTICLE 8 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, Transportation Development Act Article 3 Fund, and Transportation Development Act Article 8 Fund for the fiscal years ended June 30, 2019 and 2018 for the City of Avalon and agree with the contents of the report except s indicated below:

(Attach additional pages if necessary)

Very truly yours,

Name

Title

Date