

***CITY OF ARTESIA
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, 2020 AND 2019***



Metro[®]



Simpson & Simpson, LLP
Certified Public Accountants

CITY OF ARTESIA
TABLE OF CONTENTS

FINANCIAL SECTION	PAGE
Independent Auditor's Report	1
Proposition A Local Return Fund:	
Financial Statements:	
Balance Sheets	3
Statements of Revenues, Expenditures and Changes in Fund Balance	4
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	5
Schedule of Capital Assets	6
Proposition C Local Return Fund:	
Financial Statements:	
Balance Sheets	7
Statements of Revenues, Expenditures and Changes in Fund Balance	8
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	9
Schedule of Capital Assets	10
Measure R Local Return Fund:	
Financial Statements:	
Balance Sheets	11
Statements of Revenues, Expenditures and Changes in Fund Balance	12
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	13
Schedule of Capital Assets	14
Measure M Local Return Fund:	
Financial Statements:	
Balance Sheets	15
Statements of Revenues, Expenditures and Changes in Fund Balance	16
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	17
Schedule of Capital Assets	18
Transportation Development Act Article 3 Fund:	
Financial Statements:	
Balance Sheets	19
Statements of Revenues, Expenditures and Changes in Fund Balance	20
Supplementary Information:	
Schedule of Transportation Development Act Allocation for Specific Projects	21
Notes to Financial Statements	22
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 <i>Government Auditing Standards</i>	26

CITY OF ARTESIA
TABLE OF CONTENTS
(Continued)

COMPLIANCE SECTION

Independent Auditor's Report on Compliance	28
Compliance Matrix	31
Schedule of Findings and Recommendations	35

EXIT CONFERENCE	45
------------------------	----

FINANCIAL SECTION



SIMPSON & SIMPSON

CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS

BRAINARD C. SIMPSON, CPA

MELBA W. SIMPSON, CPA

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

Independent Auditor's Report

To the Honorable Members of the City Council of the
City of Artesia, 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 Artesia, California (the City) as of and for the years ended June 30, 2020 and 2019, 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 Artesia, California, as of June 30, 2020 and 2019, 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 Artesia, California, as of June 30, 2020 and 2019, 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 27, 2020, 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
December 27, 2020

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

	2020	2019
ASSETS		
Cash and investments	\$ 792,278	\$ 888,117
Total assets	\$ 792,278	\$ 888,117
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 11,642	\$ 11,684
Total liabilities	11,642	11,684
 Fund Balance		
Restricted	780,636	876,433
Total fund balance	780,636	876,433
Total liabilities and fund balance	\$ 792,278	\$ 888,117

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

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

	2020	2019
REVENUES		
Proposition A	\$ 325,887	\$ 337,600
Interest income	15,830	33,305
Total revenues	341,717	370,905
 EXPENDITURES		
Various projects	437,514	429,466
Total expenditures	437,514	429,466
 Deficiency of revenues over expenditures	 (95,797)	 (58,561)
 Fund balance at beginning of year	 876,433	 934,994
 Fund balance at end of year	 \$ 780,636	 \$ 876,433

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

CITY OF ARTESIA
PROPOSITION A LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2019)

Project Code	Project Name	2020			2019 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
120-06	Dial-A-Ride	\$ 100,000	\$ 50,524	\$ 49,476	\$ 59,778
140-01	Youth and Senior Recreation				
	Transportation Services	65,000	13,595	51,405	15,785
190-04	O&M of Prop A Vehicles	200,000	610	199,390	117
200-01	Support Vehicle Acquisition	116,000	115,436	564	-
300-01	Transit Facility Improvements	220,000	229,381	(9,381)	342,991
480-05	General Program Administration	50,000	5,091	44,909	10,795
480-07	Prop A Vehicle - Personnel Salary	45,000	2,877	42,123	-
480-08	Gateway COG Study	- *	20,000	(20,000)	-
Total expenditures		\$ 796,000	\$ 437,514	\$ 358,486	\$ 429,466

* The City received a retroactive approval from Metro on December 23, 2020 to use Proposition A Local Return funds in the amount of \$20,000 for Project 480-08, Gateway COG Study. See Compliance Matrix and Schedule of Findings and Recommendations, Finding No. 2020-001.

See accompanying independent auditor's report.

CITY OF ARTESIA
PROPOSITION A LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2020

Date Acquired	Description	Balance 7/1/2019	Additions	Deletions	Balance 6/30/2020
1990	7 Passenger Wagon	\$ 18,169	\$ -	\$ -	\$ 18,169
1993	12 Passenger Ford Cab	11,872	-	-	11,872
1995	Mobile Radio Units	3,878	-	-	3,878
2003	Pock Drill	5,170	-	-	5,170
2003	Barricade Type 1	3,428	-	-	3,428
2003	Computer System Upgrade	20,000	-	-	20,000
2012	2012 Grand Caravan SXT	27,868	-	-	27,868
2012	2012 Grand Caravan SXT	27,869	-	-	27,869
2020	35ft E2 Catalyst (Electric Bus)	-	115,436	-	115,436
Total \$		<u>118,254</u>	<u>\$ 115,436</u>	<u>\$ -</u>	<u>\$ 233,690</u>

See accompanying independent auditor's report.

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

	2020	2019
ASSETS		
Cash and investments	\$ <u>537,164</u>	\$ <u>507,613</u>
Total assets	\$ <u><u>537,164</u></u>	\$ <u><u>507,613</u></u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ <u>27,058</u>	\$ <u>15,637</u>
Total liabilities	<u>27,058</u>	<u>15,637</u>
 Fund Balance		
Restricted	<u>510,106</u>	<u>491,976</u>
Total fund balance	<u>510,106</u>	<u>491,976</u>
Total liabilities and fund balance	\$ <u><u>537,164</u></u>	\$ <u><u>507,613</u></u>

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

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

	2020	2019
REVENUES		
Proposition C	\$ 270,324	\$ 280,029
Interest income	13,326	13,835
Total revenues	283,650	293,864
 EXPENDITURES		
Various projects	265,520	146,276
Total expenditures	265,520	146,276
 Excess of revenues over expenditures	18,130	147,588
 Fund balance at beginning of year, as previously reported	491,976	359,353
 Prior period adjustment (Note 8)	-	(14,965)
 Fund balance at beginning of year, as restated	491,976	344,388
 Fund balance at end of year	\$ 510,106	\$ 491,976

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

CITY OF ARTESIA
PROPOSITION C LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2019)

Project Code	Project Name	2020			2019 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
400-02	Implement Synchronized Traffic Signals	\$ 65,000	\$ -	\$ 65,000	\$ -
440-07	Pioneer, Artesia, & Norwalk Landscaped Median	200,000	138,754	61,246	135,226
440-08	Pioneer, Artesia, I Norwalk & South Street	100,000	114,906	(14,906)	3,783
440-15	Traffic Stripping Maintenance	75,000	6,777	68,223	-
450-04	Cycle 4 HSIP Local Match	42,000	-	42,000	-
480-05	General Program Administration	48,000	5,083	42,917	7,267
Total expenditures		\$ 530,000	\$ 265,520	\$ 264,480	\$ 146,276

See accompanying independent auditor's report.

CITY OF ARTESIA
PROPOSITION C LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2020

Date Acquired	Description	Balance 7/1/2019	Additions	Deletions	Balance 6/30/2020
2007	Computer-Senior & Youth Transportation Services	\$ 1,388	\$ -	\$ -	\$ 1,388
	Total	\$ 1,388	\$ -	\$ -	\$ 1,388

See accompanying independent auditor's report.

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

	2020	2019
ASSETS		
Cash and investments	\$ 526,075	\$ 362,406
Prepaid items	7,063	-
Total assets	\$ 533,138	\$ 362,406
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 3,858	\$ 5,450
Total liabilities	3,858	5,450
 Fund Balance		
Restricted	529,280	356,956
Total fund balance	529,280	356,956
Total liabilities and fund balance	\$ 533,138	\$ 362,406

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

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

	2020	2019
REVENUES		
Measure R	\$ 202,453	\$ 210,082
Interest income	13,178	12,596
Total revenues	215,631	222,678
 EXPENDITURES		
Various projects	43,307	239,125
Total expenditures	43,307	239,125
 Excess (deficiency) of revenues over expenditures	172,324	(16,447)
 Fund balance at beginning of year	356,956	373,403
 Fund balance at end of year	\$ 529,280	\$ 356,956

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

CITY OF ARTESIA
MEASURE R LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2019)

Project Code	Project Name	2020			2019 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.90	Modify Existing Traffic Striping on 183rd St for 2-Way Left-Turn Lane	\$ 25,000	\$ -	\$ 25,000	\$ 17,003
1.90	Pioneer Blvd. Downtown Improvement Project	541,858	24,494	517,364	210,509
7.10	Eco Rapid Transit Dues	6,142	5,083	1,059	11,613
7.90	Radar Speed Survey & Engineering	20,000	-	20,000	-
7.90	Develop Optimized Signal Timing Plans for Downtown	20,000	-	20,000	-
7.90	Historical District Recreational Trails Project	- *	13,730	(13,730)	-
	Total expenditures	\$ 613,000	\$ 43,307	\$ 569,693	\$ 239,125

* The City received a retroactive approval from Metro on December 23, 2020 to use Measure R Local Return funds in the amount of \$13,730 for Project 7.90, Historical District Recreational Trails Project. See Compliance Matrix and Schedule of Findings and Recommendations, Finding No. 2020-006.

See accompanying independent auditor's report.

CITY OF ARTESIA
MEASURE R LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
 June 30, 2020

<u>Date</u> <u>Acquired</u>	<u>Description</u>	<u>Balance</u> <u>7/1/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2020</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

CITY OF ARTESIA
MEASURE M LOCAL RETURN FUND
BALANCE SHEETS
June 30

	2020	2019
ASSETS		
Cash and investments	\$ 566,023	\$ 424,114
Total assets	\$ 566,023	\$ 424,114
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 9,200	\$ -
Total liabilities	9,200	-
 Fund Balance		
Restricted	556,823	424,114
Total fund balance	556,823	424,114
Total liabilities and fund balance	\$ 566,023	\$ 424,114

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

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

	2020	2019
REVENUES		
Measure M	\$ 227,821	\$ 236,679
Interest income	13,249	9,248
Total revenues	241,070	245,927
 EXPENDITURES		
Various projects	108,361	-
Total expenditures	108,361	-
 Excess of revenues over expenditures	132,709	245,927
 Fund balance at beginning of year	424,114	178,187
 Fund balance at end of year	\$ 556,823	\$ 424,114

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

CITY OF ARTESIA
MEASURE M LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2020

Project Code	Project Name	2020			2019 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
7.90	Norwalk Boulevard	\$ 249,500	\$ 108,361	\$ 141,139	\$ -
	Total expenditures	\$ 249,500	\$ 108,361	\$ 141,139	\$ -

See accompanying independent auditor's report.

CITY OF ARTESIA
MEASURE M LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
 June 30, 2020

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 7/1/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2020</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

CITY OF ARTESIA
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
BALANCE SHEETS
June 30

	2020	2019
ASSETS		
Cash and investments	\$ -	\$ -
Total assets	\$ -	\$ -
 LIABILITIES AND FUND BALANCE		
Liabilities		
Due to General Fund	\$ 6,616	\$ 5,534
Total liabilities	6,616	5,534
 Fund Balance		
Unassigned	(6,616)	(5,534)
Total fund balance	(6,616)	(5,534)
Total liabilities and fund balance	\$ -	\$ -

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

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

	2020	2019
REVENUES		
TDA 3	\$ 15,438	\$ 10,968
Total revenues	15,438	10,968
 EXPENDITURES		
Various projects	16,520	23,147
Total expenditures	16,520	23,147
 Deficiency of revenues over expenditures	(1,082)	(12,179)
 Fund balance at beginning of year	(5,534)	6,645
 Fund balance at end of year	\$ (6,616)	\$ (5,534)

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

CITY OF ARTESIA
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF TRANSPORTATION DEVELOPMENT ACT
ALLOCATION FOR SPECIFIC PROJECTS
For the Fiscal Year Ended June 30, 2020

<u>Project Description</u>	<u>Program Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended Allocations</u>	<u>Project Status</u>
Local allocations					
Artesia Park Bicycle Station	2020	\$ 4,197	\$ -	\$ 4,197	Complete
Bicycle Trail / Park-and-Ride Lot	2020	<u>11,241</u>	<u>16,520</u>	<u>(5,279)</u>	Ongoing
Total		<u>\$ 15,438</u>	<u>\$ 16,520</u>	<u>(1,082)</u>	
Fund balance at beginning of year				<u>(5,534)</u>	
Fund balance at end of year				<u>\$ (6,616)</u>	

See accompanying independent auditor's report.

CITY OF ARTESIA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2020 and 2019

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 the 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. The statement of revenues, 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 ARTESIA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2020 and 2019
(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 2020 Comprehensive Annual Financial Report for detailed disclosures regarding the City's investment policy and fair value measurement.

Fund Balance Reporting

GASB Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes the fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds.

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

- Restricted – Amounts that are constrained for specific purpose, which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation. The uses of the funds' remaining fund balances are restricted for projects approved by Los Angeles County Metropolitan Transportation Authority (Metro).
- Unassigned - The unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted to those purposes.

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 ARTESIA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2020 and 2019
(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 – 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.

NOTE 8 – PRIOR PERIOD ADJUSTMENTS – PCLRF

PCLRF's fund balance as of July 1, 2018 has been restated from \$359,353 to \$344,388 for the correction of an understatement of prior year expenditures of \$14,965, which had not been previously accrued.

CITY OF ARTESIA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2020 and 2019
(Continued)

NOTE 9 – TRANSPORTATION DEVELOPMENT ACT FUNDS RESERVED

The revenue allocation for the years ended June 30, 2020 and 2019 consisted of the following:

	2020	2019
FY 2014-15 allocation	\$ -	\$ 10,968
FY 2015-16 allocation	10,703	-
FY 2016-17 allocation	4,735	-
Total payment requested	<u>\$ 15,438</u>	<u>\$ 10,968</u>

NOTE 10 – 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, 2020, and 2019, the City has funds on reserve as follows:

	2020	2019
FY 2015-16 allocation	\$ -	\$ 10,703
FY 2016-17 allocation	6,442	11,177
FY 2017-18 allocation	11,008	11,008
FY 2018-19 allocation	11,412	11,412
FY 2019-20 allocation	12,140	-
Available reserve balance	<u>\$ 41,002</u>	<u>\$ 44,300</u>

NOTE 11 – SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries. To date, it is unknown how long these conditions will last and what the complete financial effect will be to businesses and other affected organizations, including local governmental entities.

The City has evaluated subsequent events through December 27, 2020, the date the financial statements were available to be issued and concluded no other events have occurred that require disclosure or adjustments to the financial statements.



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS
FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

**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 Artesia, 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 Artesia, California (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated December 27, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the Funds’ financial statements, we considered the City’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Funds’ financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

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

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



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, Measure M Local Return Fund and Transportation Development Act Article 3 Fund financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Los Angeles, California
December 27, 2020

COMPLIANCE SECTION



SIMPSON & SIMPSON

CERTIFIED PUBLIC ACCOUNTANTS
FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320 LOS
ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

Independent Auditor's Report on Compliance

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

Report on Compliance

We have audited the compliance of the City of Artesia, 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, 2020.

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, 2020.



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 No. 2020-001 to Finding No. 2020-008. Our opinions on each local return and Transportation Development Act Article 3 program are 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. 2020-001, 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.

Simpson & Simpson

Los Angeles, California
December 27, 2020

CITY OF ARTESIA
COMPLIANCE MATRIX
Year Ended June 30, 2020

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		\$20,000	See Finding No. 2020-001 on the Schedule of Findings and Recommendations.
4.	Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).			X	None	There was no expenditure that exceeded 25% of approved project budget in FY2019/20.
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. 2020-002 on the Schedule of Findings and Recommendations.
9.	Cash or cash equivalents are maintained.	X			None	
10.	Accounting procedures, record keeping, and documentation are adequate.		X		None understated payroll charges by \$95.	See Finding No. 2020-003 on the Schedule of Findings and Recommendations.
11.	Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.		X		None	See Finding No. 2020-005 on the Schedule of Findings and Recommendations.
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 2019/20.
14.	Assurances and Understandings form was on file.	X			None	
15.	Recreational transit form was submitted on time.		X		None	See Finding No. 2020-004 on the Schedule of Findings and Recommendations.

CITY OF ARTESIA
COMPLIANCE MATRIX
Year Ended June 30, 2020
(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		\$13,730	See Finding No. 2020-006 on the Schedule of Findings and Recommendations.
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. 2020-007 on the Schedule of Findings and Recommendations.
9.	Timely use of funds.	X			None	
10.	Administrative expenditures are within the 20% cap.			X	None	There were no administrative expenses in FY 2019/20.
11.	Fund exchanges were approved by Metro.			X	None	There were no fund exchanges in FY 2019/20.
12.	A separate account was established for capital reserve funds and capital reserve was approved by Metro.			X	None	There were no capital reserve funds in FY 2019/20.
13.	Recreational transit form was submitted on time.			X	None	There was no recreational transit in FY 2019/20.

CITY OF ARTESIA
COMPLIANCE MATRIX
Year Ended June 30, 2020
(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	
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. 2020-008 on the Schedule of Findings and Recommendations.
9.	Timely use of funds.	X			None	
10.	Administrative expenses are within the 20% cap.			X	None	There were no administrative expenses in FY 2019/20.
11.	Fund exchanges were approved by Metro.			X	None	There were no fund exchanges in FY 2019/20.
12.	A separate account was established for capital reserve funds and capital reserve was approved by Metro.			X	None	There were no capital reserve funds in FY 2019/20.
13.	Recreational transit form was submitted timely.			X	None	There was no recreational transit in FY 2019/20.

CITY OF ARTESIA
COMPLIANCE MATRIX
Year Ended June 30, 2020
(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 ARTESIA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 June 30, 2020

PALRF: Finding No. 2020-001

Compliance Requirement	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): “Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 1) a new project.”
Condition	<p>The City used Proposition A Local Return funds for Project Code 480-08 Gateway COG Study in the amount of \$20,000 prior to LACMTA’s approval. Subsequently, the City submitted a Project Description Form (Form A) to LACMTA, and the project was retroactively approved on December 23, 2020.</p> <p>This is a repeat finding from the prior fiscal year.</p>
Cause	It was due to an oversight by the City’s finance department.
Effect	The City was not in compliance with Proposition A and Proposition C Local Return Guidelines in obtaining an approval from LACMTA prior to the expenditure of funds.
Recommendation	We recommend that the City strengthen internal control procedures to ensure all expenditures are approved by LACMTA prior to expending the funds by submitting Project Description Form (Form A) to LACMTA.
Management’s Response	The City’s Finance department has lost several key employees during FY2020. The new management team was unaware of compliance requirements of Local Return Funds.
Finding Corrected During the Audit	The City’s Form A for Project Code 480-08 Gateway COG Study was submitted and retroactively approved by LACMTA on December 23, 2020. No follow-up is required.

CITY OF ARTESIA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 June 30, 2020
 (Continued)

PALRF and PCLRF: Finding No. 2020-002

Compliance Requirement	According to Proposition A and Proposition C Local Return Guidelines, Section I. C, Proposition A and Proposition C Forms and Submittal Requirements – Annual Expenditure Report (Form C), "On or before October 15th of each fiscal year, the Jurisdictions shall submit an Annual Expenditure Report to provide an update on previous year LR fund receipts and expenditures."
Condition	The City did not meet the October 15, 2020 deadline for submission of the Annual Expenditure Report (Form C). Instead, the City submitted the Form C on December 23, 2020.
Cause	It was due to an oversight by the City's finance department.
Effect	The City's Form C was not submitted timely as required by Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Form C is properly prepared and submitted before the due date of October 15 th in accordance with the Proposition A and Proposition C Local Return Guidelines. Furthermore, we recommend the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner.
Management's Response	The City's Finance department has lost several key employees during FY2020. The new management team was unaware of compliance requirements of Local Return Funds.
Finding Corrected During the Audit	The City subsequently submitted the Form C on December 23, 2020. No follow up is required.

CITY OF ARTESIA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 June 30, 2020
 (Continued)

PALRF: Finding No. 2020-003

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

CITY OF ARTESIA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 June 30, 2020
 (Continued)

PALRF: Finding No. 2020-003 (continued)

Condition	<p>To support the propriety of expenditures charged to the Proposition A and Proposition C Local Return Funds, the salaries and benefits expenditures should be supported by time records, special funding certifications, activity reports, or other official documentation evidencing in proper detail the nature of the charges. However, the salaries and benefits charged for one (1) employee (Management Analyst) under Project 480-07, Prop A. Vehicle - Personnel Salary for the four (4) pay periods (1/10/20, 1/24/20, 2/8/20, 2/21/20) totaling \$2,025, did not agree with the authorized pay rate per Personnel Action Form (PAF) and the corresponding timesheets provided.</p> <p>However, based on the timesheets which showed actual hours worked per program and the pay rate per PAF to reflect the current effective pay rate allocated to the PALRF, the salaries and benefits charged under the Project 480-07 was ^{to} under- ^{were} allocated by \$95. The City represented that it was due to human error when allocating salaries and benefits expenditures to PALRF ^{the} project.</p>
Cause	It was due to an oversight by the City's finance department.
Effect	The City was not in compliance with Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City strengthen its controls over the allocation of payroll costs to ensure that all project expenditures are adequately supported and reported.
Management's Response	The error in salary expenditure allocation was due to an oversight, the new management team will ensure accurate recording in City's accounting system going forward.

CITY OF ARTESIA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 June 30, 2020
 (Continued)

PALRF: Finding No. 2020-004

Compliance Requirement	According to Proposition A and Proposition C Local Return Guidelines, Section II.A.1.3, Recreational Transit Service, “Jurisdictions shall submit a Listing of Recreational Transit Services no later than October 15 after the fiscal year.”
Condition	The City did not meet the October 15, 2020 deadline for submission of the Recreational Transit Form. However, the City submitted the Recreational Transit Form on December 28, 2020.
Cause	It was due to an oversight by the City’s finance department.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend the City strengthen its control procedures to ensure the timely submission of all required forms and documentations.
Management’s Response	The City’s Finance department has lost several key employees during FY2020. The new management team was unable to complete all required tasks on time.
Finding Corrected During the Audit	The City’s Recreational Transit Form was submitted to LACMTA on December 28, 2020. No follow-up is required.

CITY OF ARTESIA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 June 30, 2020
 (Continued)

PCLRF: Finding No. 2020-005

<p>Compliance Requirement</p>	<p>According to Proposition A and Proposition C Local Return Guidelines, Section II.C.7, “Jurisdictions are required to certify that they have conducted and maintain Pavement Management Systems when proposing “Street Repair and Maintenance” or “Bikeway” projects.</p> <p>PMS must include the following:</p> <ul style="list-style-type: none"> • Inventory of existing pavements including, as a minimum, arterial and collector routes, reviewed and updated triennially; • Inventory of existing Class I bikeways, reviewed and updated triennially; • Assessment of pavement condition including, as a minimum, arterial and collector routes, reviewed and updated triennially; • Identification of all pavement sections needing rehabilitation/replacement; and • Determination of budget needs for rehabilitation or replacement of deficient sections of pavement for current and following triennial period(s). <p>Self-certifications (included in Appendix III) executed by the Jurisdiction’s Engineer or designated, registered civil engineer, must be submitted with a Form A for new street maintenance or bikeway projects, or Form B (biannually) for ongoing projects, to satisfy “Street Repair and Maintenance” and “Bikeway” project eligibility criteria”.</p> <p>A Pavement Management System (PMS) Certification Form should be prepared and submitted to LACMTA for project codes 430, 440 ,450, and 470.</p>
<p>Condition</p>	<p>A PMS Certification Form was due for the fiscal year 2020 since the City incurred PCLRF expenditures for the following three projects: (1) 440-07 Pioneer, Artesia, & Norwalk Landscaped Median; (2) 440-08 Pioneer, Artesia, I Norwalk & South Street; and (3) 440-15 Traffic Stripping Maintenance. However, the City did not submit PMS Certification Form during the fiscal year 2020. The last PMS Certification Form was expired on November 15, 2019.</p>
<p>Cause</p>	<p>It was due to an oversight.</p>
<p>Effect</p>	<p>The City was not in compliance with the Proposition A and Proposition C Local Return Guidelines.</p>

CITY OF ARTESIA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 June 30, 2020
 (Continued)

PCLRF: Finding No. 2020-005 (Continued)

Recommendation	We recommend that the City establish procedures to ensure that if the City incurs expenditures for projects with codes 430, 440, 450, or 470, a PMS Certification Form is properly certified and executed by the City's Engineer or designated registered Civil Engineer and submitted to LACMTA on the third year from the last submission date to be in compliance with the Guidelines.
Management's Response	The City is aware that the current Pavement Management System Certification (PMS) on file should have been updated in FY20. The City is in the process of obtaining a quote from the City's contracted engineer to update the PMS Certification. The City endeavors to bring the PMS Certification into compliance as quickly as possible in 2021.
Finding Corrected During the Audit	The City has reached out to LACMTA for an extension to submit the PMS certification form in FY2021. LACMTA subsequently approved on January 16, 2021. Verification of the PMS Certification Form submission will be performed during FY2021 audit.

CITY OF ARTESIA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 June 30, 2020
 (Continued)

MRLRF: Finding No. 2020-006

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 Project Code 7.90, Historical District Recreational Trails Project in the amount of \$13,730 prior to LACMTA’s approval as the project was not reported on the Expenditure Plan (Form One).
Cause	It was due to an oversight by the City’s finance department.
Effect	The City was not in compliance with the Measure R Local Return Guidelines in obtaining an approval from LACMTA prior to the expenditure of funds.
Recommendation	We recommend that the City strengthen internal control procedures to ensure all expenditures are approved by LACMTA prior to expending the funds by submitting a complete and accurate Form One to LACMTA.
Management’s Response	The City’s Finance department has lost several key employees during FY2020. The new management team was unaware of compliance requirements of Local Return Funds.
Finding Corrected During the Audit	The City’s Amended Form One, which included Project Code 7.90, Historical District Recreational Trails Project, was submitted and retroactively approved by LACMTA on December 23, 2020. No follow-up is required.

CITY OF ARTESIA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 June 30, 2020
 (Continued)

MRLRF: Finding No. 2020-007

Compliance Requirement	According to Measure R Local Return Guidelines, Section B (II.2), Expenditure Report (Form Two), "The submittal of an Expenditure Report (Form Two) is also required to maintain legal eligibility and meet Measure R LR program compliance requirements. Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2020 deadline for submission of Expenditure Report (Form Two) to LACMTA. The City subsequently submitted the Form Two on December 23, 2020.
Cause	It was due to an oversight by the City's finance department.
Effect	The City's Form Two was not submitted timely as required by Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Form Two is properly prepared and submitted before the due date of October 15th in accordance with Measure R Local Return Guidelines. Furthermore, we recommend that the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner.
Management's Response	The City's Finance department has lost several key employees during FY2020. The new management team was unaware of compliance requirements of Local Return Funds.
Finding Corrected During the Audit	The City subsequently submitted the Form Two on December 23, 2020. No follow-up is required.

CITY OF ARTESIA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 June 30, 2020
 (Continued)

MMLRF: Finding No. 2020-008

Compliance Requirement	According to Measure M Local Return Guidelines, Section XXV, Administrative, "The submittal of an Expenditure Report (Form M-Two) is also required to maintain legal eligibility and meet Measure M LR program compliance requirements. Jurisdictions shall submit a Form M-Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2020 deadline for submission of Expenditure Report (Form M-Two) to LACMTA. The City subsequently submitted the Form M-Two on December 23, 2020.
Cause	It was due to an oversight by the City's finance department.
Effect	The City's Form M-Two was not submitted timely as required by Measure M Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Form M-Two is properly prepared and submitted before the due date of October 15th in accordance with Measure M Local Return Guidelines. Furthermore, we recommend that the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner.
Management's Response	The City's Finance department has lost several key employees during FY2020. The new management team was unaware of compliance requirements of Local Return Funds.
Finding Corrected During the Audit	The City subsequently submitted the Form M-Two on December 23, 2020. No follow-up is required.

EXIT CONFERENCE

CITY OF ARTESIA
PROPOSITION A, PROPOSITION C, MEASURE R, MEASURE M LOCAL RETURN FUNDS AND
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
EXIT CONFERENCE
June 30, 2020

An exit conference was held on January 7, 2020 with the City of Artesia. Those in attendance were:

Simpson & Simpson Representative:

Terry Bian, Senior Auditor

City's Representative:

Jamie Murguia, Acting Finance Manager

Matters Discussed:

Results of the audit disclosed one (1) significant control deficiency and eight (8) 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:

Jamie Murguia, Acting Finance Manager

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

RE: CITY OF ARTESIA 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, 2020 AND 2019

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, 2020 and 2019 for the City of Artesia and agree with the contents of the report except as indicated below:

(Attach additional pages if necessary)

Very truly yours,

Name

Title

Date