

***CITY OF DOWNEY  
ANNUAL FINANCIAL REPORT OF THE  
PROPOSITION A LOCAL RETURN FUND  
PROPOSITION C LOCAL RETURN FUND  
MEASURE R LOCAL RETURN FUND  
MEASURE M LOCAL RETURN FUND  
TRANSPORTATION DEVELOPMENT ACT  
ARTICLE 3 FUND  
FOR THE FISCAL YEARS ENDED  
JUNE 30, 2020 AND 2019***



**Metro<sup>®</sup>**



Simpson & Simpson, LLP  
Certified Public Accountants

***CITY OF DOWNEY***  
**TABLE OF CONTENTS**

<b>FINANCIAL SECTION</b>	<b>PAGE</b>
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	12
Statements of Revenues, Expenditures and Changes in Fund Balance	13
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	14
Schedule of Capital Assets	16
Measure M Local Return Fund:	
Financial Statements:	
Balance Sheets	18
Statements of Revenues, Expenditures and Changes in Fund Balance	19
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	20
Schedule of Capital Assets	22
Transportation Development Act Article 3 Fund:	
Financial Statements:	
Balance Sheets	23
Statements of Revenues, Expenditures and Changes in Fund Balance	24
Supplementary Information:	
Schedule of Transportation Development Act Allocation for Specific Projects	25
Schedule of Capital Assets	26
Notes to Financial Statements	27
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>	32

***CITY OF DOWNEY***  
**TABLE OF CONTENTS**  
(Continued)

**COMPLIANCE SECTION**

Independent Auditor's Report on Compliance	34
Compliance Matrix	37
Schedule of Findings and Recommendations	41
<b>EXIT CONFERENCE</b>	<b>49</b>

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***FINANCIAL SECTION***

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SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

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

## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the Proposition A Local Return Fund (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), Measure M Local Return Fund (MMLRF) and Transportation Development Act Article 3 Fund (TDAA3F) (collectively, the Funds), of the City of Downey, California (the City) as of and for the years ended June 30, 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 Downey, 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 Downey, 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 7, 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 &amp; Simpson".

Los Angeles, California  
December 7, 2020

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

	2020	2019
<b>ASSETS</b>		
Cash and investments	\$ 1,088,963	\$ 947,401
Due from other agency	-	695
Total assets	\$ 1,088,963	\$ 948,096
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 177,691	\$ 355,923
Accrued payroll and employee benefits	49,428	48,885
Interest payable	37,612	41,543
Total liabilities	264,731	446,351
 <b>Fund Balance</b>		
Restricted	824,232	501,745
Total fund balance	824,232	501,745
Total liabilities and fund balance	\$ 1,088,963	\$ 948,096

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

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

	<u>2020</u>	<u>2019</u>
<b>REVENUES</b>		
Proposition A	\$ 2,207,470	\$ 2,285,302
Interest income	13,998	14,609
Unrealized gain on investments	10,460	9,729
Project generated revenue (Note 8)	43,944	68,403
Total revenues	<u>2,275,872</u>	<u>2,378,043</u>
<b>EXPENDITURES</b>		
Various projects	<u>2,953,385</u>	<u>3,532,850</u>
Total expenditures	<u>2,953,385</u>	<u>3,532,850</u>
<b>OTHER FINANCING SOURCE</b>		
Transfer-in from PCLRF (Note 9)	<u>1,000,000</u>	<u>1,000,000</u>
Total other financing source	<u>1,000,000</u>	<u>1,000,000</u>
Excess (deficiency) of revenues over expenditures and other financing source	322,487	(154,807)
Fund balance at beginning of year	<u>501,745</u>	<u>656,552</u>
Fund balance at end of year	<u>\$ 824,232</u>	<u>\$ 501,745</u>

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



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

Project Code	Project Name	2020		Variance	2019 Actual
		Metro Budget	Actual	Favorable (Unfavorable)	
110-13	Fixed Route Program	\$ 1,101,842	\$ 1,359,362	\$ (257,520)	\$ 1,640,925
130-02	Revised Senior/Handicapped Transit Program	2,619,384	1,179,396	1,439,988	1,476,236
140-08	Recreational/Special Event Transit	105,800	90,407	15,393	122,195
150-02	Bus Stop Maintenance	272,283	288,554	(16,271)	257,054
160-01	Downey Depot Maintenance	53,540	35,666	17,874	36,440
Total expenditures		\$ 4,152,849	\$ 2,953,385	\$ 1,199,464	\$ 3,532,850

See accompanying independent auditor's report.

**CITY OF DOWNEY**  
**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
Jun-2005	Ford Bus (6233)	\$ 63,475	\$ -	\$ -	\$ 63,475
Jan-2007	Projector - Dell 1220	8,000	-	-	8,000
Feb-2008	2007 Ford Bus	69,795	-	-	69,795
Feb-2008	2007 Ford Bus	72,263	-	-	72,263
Jun-2008	Storage Server	13,341	-	-	13,341
Jun-2008	2008 Starcraft Allstar Type III	69,795	-	-	69,795
Jun-2008	2008 Starcraft Allstar Type III	69,795	-	-	69,795
Jun-2008	2008 Starcraft Allstar Type III	69,796	-	-	69,796
Oct-2008	Surveillance	45,828	-	-	45,828
Dec-2008	2008 Chevrolet Uplander -White	46,620	-	-	46,620
Apr-2009	2009 Starcraft Allstar Bus	74,257	-	-	74,257
Apr-2009	2009 Starcraft Allstar Bus	74,257	-	-	74,257
Apr-2009	2009 Starcraft Allstar Bus	74,258	-	-	74,258
Jun-2010	9 Navigational Router - Novus DCC- PRO II	105,562	-	-	105,562
Aug-2010	Property at 9300 Stewart and Gray Road for the Consolidated City Corporate Yard Project (Partly Funded by Proposition A Local Return)	877,999	-	-	877,999
Jul-2019	El Dorado Bus	-	446,713	-	446,713
Jul-2019	El Dorado Bus	-	446,713	-	446,713
Jul-2019	El Dorado Bus	-	446,713	-	446,713
Jul-2019	El Dorado Bus	-	446,713	-	446,713
Jul-2019	El Dorado Bus	-	446,713	-	446,713
Jul-2019	El Dorado Bus	-	446,713	-	446,713
Jul-2019	El Dorado Bus	-	446,713	-	446,713
<b>Total</b>		<b>\$ 1,735,041</b>	<b>\$ 3,126,991</b>	<b>\$ -</b>	<b>\$ 4,862,032</b>

See accompanying independent auditor's report

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

	2020	2019
<b>ASSETS</b>		
Cash and investments	\$ 1,509,855	\$ 1,560,951
Total assets	\$ 1,509,855	\$ 1,560,951
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 93,919	\$ 15,566
Retention payable	14,753	4,904
Accrued payroll and employee benefits	8,868	4,966
Total liabilities	117,540	25,436
 <b>Fund Balance</b>		
Restricted	1,392,315	1,535,515
Total fund balance	1,392,315	1,535,515
Total liabilities and fund balance	\$ 1,509,855	\$ 1,560,951

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

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

	<u>2020</u>	<u>2019</u>
<b>REVENUES</b>		
Proposition C	\$ 1,831,102	\$ 1,895,594
Interest income	23,956	24,059
Unrealized gain on investments	14,589	15,442
Total revenues	<u>1,869,647</u>	<u>1,935,095</u>
 <b>EXPENDITURES</b>		
Various projects	<u>1,012,847</u>	<u>283,193</u>
Total expenditures	<u>1,012,847</u>	<u>283,193</u>
 <b>OTHER FINANCING USE</b>		
Transfer-out to PALRF (Note 9)	<u>(1,000,000)</u>	<u>(1,000,000)</u>
Total other financing use	<u>(1,000,000)</u>	<u>(1,000,000)</u>
 Excess (deficiency) of revenues over expenditures and other financing use	 (143,200)	 651,902
 Fund balance at beginning of year	 <u>1,535,515</u>	 <u>883,613</u>
 Fund balance at end of year	 <u>\$ 1,392,315</u>	 <u>\$ 1,535,515</u>

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

**CITY OF DOWNEY**  
**PROPOSITION C LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES**  
**ACTUAL AND METRO APPROVED PROJECT BUDGET**  
For the Fiscal Year Ended June 30, 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)	
270-47	Membership Dues and Subscriptions	\$ 125,000	\$ 75,000	\$ 50,000	\$ 105,450
400-07	Woodruff Avenue Fiber Optic Communications and Traffic Signal Upgrades	481,974	219,000	262,974	-
400-08	Lakewood Boulevard Traffic Signal Upgrades	40,000	-	40,000	-
400-09	Imperial Highway Traffic Signal Upgrades and Safety Enhancements	167,844	-	167,844	-
440-32	Bellflower Boulevard Pavement Rehabilitation (Foster Road - Stewart and Gray Road)	20,000	5,927	14,073	667
440-42	FY 18-19 Pavement Rehabilitation at Various Locations	-	-	-	13,000
440-43	Florence Avenue Pavement Rehabilitation	600,000	51,314	548,686	-
440-44	3rd Sreet Pavement Rehabilitation	400,000	-	400,000	-
440-45	Firestone Boulevard Median Improvements and Pavement Rehabilitation	168,000	168,000	-	-
450-42	Telegraph Traffic Throughout and Safety Enhancements - Phase II	916,471	135,273	781,198	86,673
450-43	Paramount Boulevard Median Island Improvements (Firestone Boulevard to Florence Avenue) Phase II	284,500	284,489	11	-
480-02	Ride Sharing Program Administration	53,000	40,997	12,003	46,400
480-28	Local Return Fund Administration (Public Works)	31,099	32,847	(1,748)	31,003
	Total expenditures	<u>3,287,888</u>	<u>1,012,847</u>	<u>2,275,041</u>	<u>283,193</u>
<b>Transfer-out to PALRF (Note 9)</b>					
110-13	Fixed Route Program	500,000	500,000	-	500,000
130-02	Revised Senior/Handicapped Transit Program	500,000	500,000	-	500,000
	Total transfer-out to PALRF	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
	Total expenditures and transfer-out to PALRF	<u>\$ 4,287,888</u>	<u>\$ 2,012,847</u>	<u>\$ 2,275,041</u>	<u>\$ 1,283,193</u>

See accompanying independent auditor's report.

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

See accompanying independent auditor's report.

**CITY OF DOWNEY**  
**PROPOSITION C LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
(Continued)  
June 30, 2020

Date Acquired	Description	Balance 7/1/2019	Additions	Deletions	Balance 6/30/2020
Jun-2017	Telegraph Road Traffic Improvements	\$ 827,158	\$ -	\$ -	\$ 827,158
Jun-2018	Bellflower/Imperial Intersection Improvements	862	-	-	862
Jun-2018	Firestone Median-Patton-Marbel Avenue (6703)	315,971	-	-	315,971
Jun-2018	Imperial Highway Traffic Signal Fiberoptics Communication Systems (6700)	166,489	-	-	166,489
Total		\$ 12,947,452	\$ -	\$ -	\$ 12,947,452

See accompanying independent auditor's report.

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

	2020	2019
<b>ASSETS</b>		
Cash and investments	\$ 2,178,597	\$ 2,200,399
Total assets	\$ 2,178,597	\$ 2,200,399
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 175,829	\$ 113,444
Retention payable	52,856	8,842
Accrued payroll and employee benefits	7,027	5,342
Total liabilities	235,712	127,628
 <b>Fund Balance</b>		
Restricted	1,942,885	2,072,771
Total fund balance	1,942,885	2,072,771
Total liabilities and fund balance	\$ 2,178,597	\$ 2,200,399

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



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

	2020	2019
<b>REVENUES</b>		
Measure R	\$ 1,371,361	\$ 1,422,104
Interest income	30,918	33,668
Unrealized gain on investments	20,702	22,228
Other income (Note 10)	-	90,227
Total revenues	1,422,981	1,568,227
<b>EXPENDITURES</b>		
Various projects	1,552,867	711,353
Total expenditures	1,552,867	711,353
Excess (deficiency) of revenues over expenditures	(129,886)	856,874
Fund balance at beginning of year	2,072,771	1,215,897
Fund balance at end of year	\$ 1,942,885	\$ 2,072,771

The accompanying notes are an integral part of the financial statements

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

Project Code	Project Name	2020		Variance Favorable (Unfavorable)	2019 Actual
		Metro Budget	Actual		
1.05	Woodruff Avenue Pavement Rehabilitation (Imperial Highway - Stewart and Gray Road)	\$ 20,000	\$ 5,283	\$ 14,717	\$ 745
1.05	Old River School Road Pavement Rehabilitation (Imperial Highway - Arnett Street)	42,000	28,571	13,429	19,453
1.05	Florence Avenue Bridge Rehabilitation and Widening at San Gabriel River	19,618	15,299	4,319	1,703
1.05	Civic Center Drive and 3rd Street Pavement Rehabilitation	426,094	388,718	37,376	-
1.05	FY 19-20 Residential Streets Pavement Rehabilitation	515,000	-	515,000	-
1.05	FY 18-19 Pavement Rehabilitation at Various Locations	-	-	-	30,286
1.05	FY 17-18 Residential Street Resurfacing Project	-	-	-	386,296
1.20	Paramount Boulevard Median (Firestone Boulevard - Imperial Highway)	544,507	821,920	(277,413)	227,111
1.30	Florence Avenue Regional Complete Streets Study	25,000	342	24,658	-
1.90	Entry Monument Signs (Various Locations)	120,000	50,669	69,331	-
1.90	Paramount Blvd. Median Landscape Improvements	300,000	812	299,188	-
2.09	Woodruff Avenue Fiber Optic Communication and Traffic Signal Upgrades	391,609	152,348	239,261	15,144
2.09	Florence Avenue Traffic Signal Upgrades	57,768	20	57,748	-
	Sub-total	<u>2,461,596</u>	<u>1,463,982</u>	<u>997,614</u>	<u>680,738</u>

See accompanying independent auditor's report.

**CITY OF DOWNEY**  
**MEASURE R LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES**  
**ACTUAL AND METRO APPROVED PROJECT BUDGET**

(Continued)

For the Fiscal Year Ended June 30, 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)	
2.09	Firestone Boulevard Traffic Signal Upgrades	\$ 40,000	\$ 1,318	\$ 38,682	\$ -
2.09	Traffic Signals on Paramount Boulevard at Depalma Street and Fire Station	485,000	10,336	474,664	-
2.09	Stewart and Gray Road Fiber Optic Comm and Traffic Signal Upgrade	164,232	5,737	158,495	-
2.24	Citywide Transit Priority System	28,000	-	28,000	-
3.90	Bike Share and Safety Education Program	24,000	11	23,989	-
5.10	Graffiti Truck	-	* 45,205	(45,205)	-
5.10	Asphalt Patcher Truck	230,000	-	230,000	-
8.10	Public Works Executive Management Salary (not to exceed 10%)	21,538	26,278	(4,740)	30,615
	Total expenditures	\$ 3,454,366	\$ 1,552,867	\$ 1,901,499	\$ 711,353

\* The City received an approval from Metro on October 13, 2020 to amend the budget for Project 5.10, Graffiti Truck, in the amount to \$ 45,205. See Compliance Matrix and Schedule of Findings and Recommendations. Finding No. 2020-004.

See accompanying independent auditor's report.

**CITY OF DOWNEY**  
**MEASURE R 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
Jun-2015	Columbia Way - I105 to Imperial Highway	\$ 543,549	\$ -	\$ -	\$ 543,549
Jun-2015	FY 13-14 Residential Street Resurfacing	19,036	-	-	19,036
Jun-2015	Brookshire Avenue - Imperial Highway to Davis	222,941	-	-	222,941
Jun-2016	Firestone Street Improvements Old River School Road to Brookshire	200,000	-	-	200,000
Jun-2016	Imperial East City Limits Frontage Road to Brookshire Avenue	18,300	-	-	18,300
Jun-2016	Public Works Contract (Residential Street Resurfacing)	1,276,747	-	-	1,276,747
Jun-2016	Residential Streets Resurfacing	160,013	-	-	160,013
Jun-2016	Stewart and Gray Pavement Rehabilitation (Old River School Road - Bellflower and Woodruff - Firestone)	2,500	-	-	2,500
Aug-2016	Variable Message Feedback Signs	11,555	-	-	11,555
Aug-2016	Variable Message Feedback Signs	11,555	-	-	11,555
Jun-2017	Citywide Striping Major Roadways	12,697	-	-	12,697
Jun-2017	Downtown Street Lighting Conversion	153,828	-	-	153,828
Jun-2017	Firestone Rehabilitation - Lakewood to East City Limits	45,823	-	-	45,823
Jun-2017	Gardendale Pavement Rehabilitation Lakewood	235,676	-	-	235,676
Jun-2017	Pedestrian Improvements/New Sidewalk/Ramp	86,662	-	-	86,662
Jun-2017	Telegraph Road Traffic Improvements	468,000	-	-	468,000
Jun-2018	Bellflower/Imperial Intersection Improvements	33,976	-	-	33,976
Jun-2018	Firestone Median-Patton-Marbel Avenue	518,265	-	-	518,265
Jun-2018	Florence Boulevard Old River School Road Traffic Signal Upgrade	81,534	-	-	81,534
Jun-2018	Bellflower Boulevard/Foster Road Traffic Signal Upgrade	85,689	-	-	85,689
Jun-2018	Woodruff Avenue/Foster Road Traffic Signal Upgrade	98,414	-	-	98,414
	Sub-total	<u>4,286,760</u>	<u>-</u>	<u>-</u>	<u>4,286,760</u>

See accompanying independent auditor's report.

**CITY OF DOWNEY**  
**MEASURE R LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
(Continued)  
June 30, 2020

Date Acquired	Description	Balance 7/1/2019	Additions	Deletions	Balance 6/30/2020
Jun-2018	Firestone/Woodruff Traffic Signal Upgrade	\$ 94,021	\$ -	\$ -	\$ 94,021
Jun-2018	Lakewood/Florence Traffic Signal Upgrade	76,777	-	-	76,777
Jun-2018	Imperial Highway/Downey Avenue Traffic Signal Upgrade	57,021	-	-	57,021
Jun-2018	Paramount Boulevard at 3rd, 5th, 7th Street Signal	343,448	-	-	343,448
Jun-2018	Lakewood Boulevard LED Light and Pole Painting	59,603	-	-	59,603
Aug-2019	Graffiti Truck	-	45,205	-	45,205
Total		\$ 4,917,630	\$ 45,205	\$ -	\$ 4,962,835

See accompanying independent auditor's report.

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

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and investments	\$ 1,983,508	\$ 2,284,648
Total assets	<u>\$ 1,983,508</u>	<u>\$ 2,284,648</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 108,498	\$ 155,874
Retention payable	15,988	2,173
Accrued payroll and employee benefits	<u>2,439</u>	<u>705</u>
Total liabilities	<u>126,925</u>	<u>158,752</u>
 <b>Fund Balance</b>		
Restricted	<u>1,856,583</u>	<u>2,125,896</u>
Total fund balance	<u>1,856,583</u>	<u>2,125,896</u>
Total liabilities and fund balance	<u>\$ 1,983,508</u>	<u>\$ 2,284,648</u>

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

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

	<u>2020</u>	<u>2019</u>
<b>REVENUES</b>		
Measure M	\$ 1,543,341	\$ 1,602,000
Interest income	32,630	34,751
Unrealized gain on investments	18,787	22,335
Total revenues	<u>1,594,758</u>	<u>1,659,086</u>
 <b>EXPENDITURES</b>		
Various projects	<u>1,864,071</u>	<u>392,529</u>
Total expenditures	<u>1,864,071</u>	<u>392,529</u>
 Excess (deficiency) of revenues over expenditures	 (269,313)	 1,266,557
 Fund balance at beginning of year	 <u>2,125,896</u>	 <u>859,339</u>
 Fund balance at end of year	 <u><u>\$ 1,856,583</u></u>	 <u><u>\$ 2,125,896</u></u>

The accompanying notes are an integral part of the financial statements

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

Project Code	Project Name	2020		Variance Favorable (Unfavorable)	2019 Actual
		Metro Budget	Actual		
1.05	Old River School Road Pavement Rehabilitation	\$ 82,794	\$ 7,087	\$ 75,707	\$ -
1.05	Florence Avenue Bridge Rehabilitation at Rio Hondo River	57,350	308	57,042	2,828
1.05	Lakewood Boulevard Parkway Improvements	20,000	13,728	6,272	-
1.05	Florence Avenue Pavement Rehabilitation	50,000	3,010	46,990	-
1.05	Paramount Boulevard Median (Firestone Boulevard - Florence Avenue) Phase I	1,040,000	1,088,905	(48,905)	-
1.05	Firestone Boulevard Median Improvements and Pavement Rehabilitations	714,246	396,141	318,105	-
1.10	Annual Miscellaneous Bridge Repairs	200,000	6,978	193,022	-
1.10	Bridge Improvements	-	-	-	156,179
1.20	Telegraph Traffic Throughout and Safety Enhancements - Phase II	-	-	-	956
1.20	Paramount Boulevard Median (Firestone Boulevard - Imperial Highway)	100,000	170,521	(70,521)	43,463
1.20	Paramount Boulevard Median Landscape Improvements	780,000	8,396	771,604	-
1.20	Firestone Boulevard Median Landscape Improvements	150,000	116,892	33,108	-
1.25	ADA Transition Plan Implementation - Phase 1	-	-	-	187,185
	Sub-total	<u>3,194,390</u>	<u>1,811,966</u>	<u>1,382,424</u>	<u>390,611</u>

See accompanying independent auditor's report.



**CITY OF DOWNEY**  
**MEASURE M LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES**  
**ACTUAL AND METRO APPROVED PROJECT BUDGET**

(Continued)

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		Variance Favorable (Unfavorable)	2019 Actual
		Metro Budget	Actual		
3.90	Downey Bicycle Master Plan Implementation	\$ 223,000	\$ 6,900	\$ 216,100	\$ 1,918
5.10	Graffiti Truck	- *	45,205	(45,205)	-
	Total expenditures	\$ 3,417,390	\$ 1,864,071	\$ 1,553,319	\$ 392,529

\* The City received an approval from Metro on October 13, 2020 to amend the budget for Project 5.10, Graffiti Truck, in the amount to \$ 45,205. See Compliance Matrix and Schedule of Findings and Recommendations. Finding No. 2020-005.

See accompanying independent auditor's report.

**CITY OF DOWNEY**  
**MEASURE M 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
Jun-2018	Brookshire Pavement Rehabilitation - Firestone/Florence	\$ 285,710	\$ -	\$ -	\$ 285,710
Jul-2019	Graffiti Truck	-	45,205	-	45,205
Total		\$ 285,710	\$ 45,205	\$ -	\$ 330,915

See accompanying independent auditor's report.

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

	2020	2019
<b>ASSETS</b>		
Cash and investments	\$ -	\$ 821
Due from Metro	19,441	-
Total assets	\$ 19,441	\$ 821
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 5,070	\$ -
Due to General Fund	59,216	-
Total liabilities	64,286	-
 <b>Fund Balance</b>		
Restricted	-	821
Unassigned	(44,845)	-
Total fund balance	(44,845)	821
Total liabilities and fund balance	\$ 19,441	\$ 821

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

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

	<u>2020</u>	<u>2019</u>
<b>REVENUES</b>		
TDA 3	\$ 19,441	\$ 70,000
Total revenues	<u>19,441</u>	<u>70,000</u>
 <b>EXPENDITURES</b>		
Various projects	<u>65,107</u>	<u>69,971</u>
Total expenditures	<u>65,107</u>	<u>69,971</u>
Excess (deficiency) of revenues over expenditures	(45,666)	29
Fund balance at beginning of year	<u>821</u>	<u>792</u>
Fund balance at end of year	\$ <u><u>(44,845)</u></u>	\$ <u><u>821</u></u>

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

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

<u>Project Description</u>	<u>Program Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended Allocations</u>	<u>Project Status</u>
<b>Local allocations</b>					
FY 19/20 Miscellaneous Concrete Repairs and ADA Improvements	2019-20	\$ 19,441	\$ 40,011	\$ (20,570)	Complete
South Downey Safe Routes to School	2019-20	<u>-</u>	<u>25,096</u>	<u>(25,096)</u>	Ongoing
Total		<u>\$ 19,441</u>	<u>\$ 65,107</u>	(45,666)	
Fund balance at beginning of year				<u>821</u>	
Fund balance at end of year				<u>\$ (44,845)</u>	

See accompanying independent auditor's report.

**CITY OF DOWNEY**  
**TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
June 30, 2020

Date Acquired	Description	Balance 7/1/2019	Additions	Deletions	Balance 6/30/2020
6/30/2008	Pedestrian Improvements	\$ 28,064	\$ -	\$ -	\$ 28,064
6/30/2008	Pedestrian Improvements	106	-	-	106
6/30/2008	Pedestrian Improvements	11,606	-	-	11,606
6/30/2008	Pedestrian Improvements	13,106	-	-	13,106
6/30/2009	Safe Route to School - ORSR	50,892	-	-	50,892
6/30/2009	Safe Route to School	33,597	-	-	33,597
6/30/2010	Pedestrian Improvements	208,747	-	-	208,747
6/30/2012	Pedestrian Improvements	51,510	-	-	51,510
6/30/2013	Pedestrian Improvements	165,350	-	-	165,350
6/30/2014	Pedestrian Improvements	103,569	-	-	103,569
6/30/2017	Pedestrian Improvements	13,050	-	-	13,050
6/30/2017	Bike Master Plan	20,737	-	-	20,737
Total \$		<u>700,334</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 700,334</u>

See accompanying independent auditor's report.

**CITY OF DOWNEY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 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 present 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 DOWNEY**  
**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 classification 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, Transportation Development Act Article 3 and the Los Angeles County Metropolitan Transportation Authority Funding and Allocation Guidelines for Transportation Development Act Article 3 Bicycle and Pedestrian Funds.



**CITY OF DOWNEY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 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 – TRANSPORTATION DEVELOPMENT ACT COMPLIANCE REQUIREMENTS**

In accordance with Public Utilities Code Section 99234, funds received pursuant to this Code’s section may only be used for activities relating to pedestrians and bicycle facilities. See accompanying Compliance Matrix.

**NOTE 7 – CASH AND INVESTMENTS**

The PALRF, PCLRF, MRLRF, MMLRF, and TDAA3F’s cash and investment balances were pooled with various other City funds for deposit and investment purposes. The share of each fund in the pooled cash and investments account was separately maintained and interest income was apportioned to the participating funds based on the relationship of their average balances to the total of the pooled cash and investments.

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

Project generated revenue for the years ended June 30, 2020 and 2019 consisted of the following:

	2020	2019
Senior citizen passenger passes	\$ 6,507	\$ 10,930
Metro bus pass sales	2,504	5,327
Rental income	34,933	52,146
Total	\$ <u>43,944</u>	\$ <u>68,403</u>

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

**NOTE 9 – TRANSFER IN (OUT) - PALRF AND PCLRF**

In fiscal years ended June 30, 2020 and 2019, transfers were made from PCLRF to PALRF in the same amount of \$1,000,000 in both fiscal years, to provide and subsidize funding for PALRF’s Fixed Route Program Project Code 110-13 and Revised Senior/Handicapped Transit Program Project Code 130-02.

**NOTE 10 – OTHER INCOME - MRLRF**

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

**NOTE 11 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION**

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

	<u>2020</u>	<u>2019</u>
FY 2015-16 allocation	\$ -	\$ 36,239
FY 2016-17 allocation	19,441	33,761
Total payment requested	<u>\$ 19,441</u>	<u>\$ 70,000</u>

**NOTE 12 – 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:

	<u>2020</u>	<u>2019</u>
FY 2016-17 allocation	\$ 22,260	\$ 41,701
FY 2017-18 allocation	74,354	74,354
FY 2018-19 allocation	77,160	77,160
FY 2019-20 allocation	82,153	-
Available reserve balance	<u>\$ 255,927</u>	<u>\$ 193,215</u>

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

**NOTE 13 – 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 7, 2020, the date the accompanying 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

**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, Measure M Local Return Fund, and Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Downey, California (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated December 7, 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 &amp; Simpson".

Los Angeles, California  
December 7, 2020

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*COMPLIANCE SECTION*

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SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

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

## Independent Auditor's Report on Compliance

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

### Report on Compliance

We have audited the compliance of the City of Downey, California (the City) with the Proposition A and Proposition C Local Return Guidelines, Measure R Local Return Guidelines, Measure M Local Return Guidelines, Transportation Development Act Article 3, and the Los Angeles County Metropolitan Transportation Authority's Funding and Allocation Guidelines for the Transportation Development Act Article 3 Bicycle and Pedestrian Funds (collectively, the Guidelines) for the year ended June 30, 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, except as noted in the Compliance Matrix and the Schedule of Findings and Recommendations, the City complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 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 Nos. 2020-001, 2020-002, 2020-003, 2020-004, and 2020-005. Our opinion on each local return program and Transportation Development Act Article 3 is not modified with respect to these matters.

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

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

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the Guidelines referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*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 Nos. 2020-001, 2020-002, and 2020-003 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 requirement of the Guidelines. Accordingly, this report is not suitable for any other purpose.

*Simpson & Simpson*

Los Angeles, California  
December 7, 2020

**CITY OF DOWNEY**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2020

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
<b>A. Proposition A and Proposition C Local Return Funds</b>						
1.	Uses the State Controller's Uniform System of Accounts and Records.	X			None	
2.	Timely use of funds.	X			None	
3.	Funds expended were approved and have not been substituted for property tax.	X			None	
4.	Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).	X			None	
5.	Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	X			None	
6.	All on-going and carryover projects were reported in Form B.	X			None	
7.	Annual Project Summary Report (Form B) was submitted on time.	X			None	
8.	Annual Expenditure Report (Form C) was submitted on time.	X			None	
9.	Cash or cash equivalents are maintained.	X			None	
10.	Accounting procedures, record keeping and documentation are adequate.		X		PALRF: \$589,093 PCLRF: \$73,844	See Finding Nos. 2020-001 and 2020-002 on the Schedule of Findings and Recommendations.
11.	Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	X			None	
12.	Local Return Account is credited for reimbursable expenditures.	X			None	
13.	Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.			X	None	
14.	Signed Assurances and Understandings form was on file.	X			None	
15.	Recreational transit form was submitted on time.	X			None	

**CITY OF DOWNEY**  
**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>B. Measure R Local Return Fund</b>						
1.	Funds were expended for transportation purposes.		X		\$26,278	See Finding No. 2020-003 on the Schedule of Findings and Recommendations.
2.	Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	X			None	
3.	Signed Assurances and Understandings form was on file.	X			None	
4.	Separate Measure R Local Return Account was established.	X			None	
5.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X			None	
6.	Funds were expended with Metro's approval.		X		None	See Finding No. 2020-004 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	
9.	Timely use of funds.	X			None	
10.	Administrative expenditures are within the 20% cap.	X			None	
11.	Fund exchanges were approved by Metro.			X	None	
12.	A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.			X	None	
13.	Recreational transit form was submitted on time.			X	None	

**CITY OF DOWNEY**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2020  
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
<b>C. Measure M Local Return Fund</b>						
1.	Funds were expended for transportation purposes.	X			None	
2.	Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.	X			None	
3.	Signed Assurances and Understandings form was on file.	X			None	
4.	Separate Measure M Local Return Account was established.	X			None	
5.	Revenue received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	X			None	
6.	Funds were expended with Metro's approval.		X		None	See Finding No. 2020-005 on the Schedule of Findings and Recommendations.
7.	Expenditure Plan (Form M-One) was submitted on time.	X			None	
8.	Expenditure Report (Form M-Two) was submitted on time.	X			None	
9.	Timely use of funds.	X			None	
10.	Administrative expenses are within the 20% cap.			X	None	
11.	Fund exchanges were approved by Metro.			X	None	
12.	A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.			X	None	
13.	Recreational transit form was submitted timely.			X	None	

**CITY OF DOWNEY**  
**COMPLIANCE MATRIX**  
 Year Ended June 30, 2020  
 (Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
<b>D. Transportation Development Act Article 3 Fund</b>						
1.	Timely use of funds.	X			None	
2.	Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.	X			None	

**CITY OF DOWNEY**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
 June 30, 2020

**PALRF and PCLRF: Finding No. 2020-001**

<b>Compliance Reference</b>	<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 or their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <p style="padding-left: 40px;">:</p> <p style="padding-left: 40px;">(b) A Federal award and non-Federal award.</p> <p style="padding-left: 40px;">:</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p style="padding-left: 40px;">:</p> <p style="padding-left: 40px;">(a) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p style="padding-left: 40px;">:</p> <p style="padding-left: 40px;">(e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances.”</p>
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**CITY OF DOWNEY**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
 June 30, 2020  
 (Continued)

**PALRF and PCLRF: Finding No. 2020-001 (Continued)**

<b>Condition</b>	<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 were based on estimated percentages on PALRF and PCLRF activities rather than the employee’s actual hours worked on the projects. Although the City provided a time study listing the employees charged to PALRF and PCLRF, the salaries and benefits on the time study were based on estimated percentages. Moreover, the hours were not adjusted to reflect the “true” hours worked on the projects at the end of the fiscal year 2019-20. The following is a list of the unsupported salaries and benefits allocations per project:</p> <ul style="list-style-type: none"> <li>(a) PALRF’s Fixed Route Program Project Code 110-13 in the amount of \$33,307.</li> <li>(b) PALRF’s Revised Senior/Handicapped Transit Program Project Code 130-02 in the amount of \$429,096.</li> <li>(c) PCLRF’s Ride Sharing Program Administration Project Code 480-02 in the amount of \$40,997.</li> <li>(d) PCLRF’s Local Return Fund Administration (Public Works) Project Code 480-28 in the amount of \$32,847.</li> </ul> <p>This is a repeat finding from the prior four fiscal years.</p>
<b>Cause</b>	<p>The City allocates the salaries and benefits charges based on a time study from fiscal year 2011-12. The same percentage allocations have been used in prior fiscal years. Additionally, the City believed the estimated percentages charged to the funds for salaries and benefit expenses are still less than the actual costs incurred for the programs.</p>
<b>Effect</b>	<p>The payroll costs claimed under the PALRF and PCLRF projects may include expenditures which may be disallowed Proposition A and Proposition C project expenditures. This resulted in questioned costs of \$462,403 and \$73,844 for PALRF and PCLRF, respectively.</p>
<b>Recommendation</b>	<p>We recommend that the City reimburse its PALRF and PCLRF accounts for \$462,403 and \$73,844, respectively. In addition, we recommend that the City strengthen its controls over the allocation of payroll costs by using a supported allocation basis, time sheets or similar documentation to substantiate the actual hours worked by employees charged to the programs.</p>

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

**PALRF and PCLRF: Finding No. 2020-001 (Continued)**

<b>Management's Response</b>	The City's management agrees that the amounts were based on a time study from fiscal year 2011-12. However, the City believes that the percentage charged to all City funds (Enterprise, Special Revenue, Successor Agency) for salaries and benefits are less than the actual costs incurred for the programs. In fiscal year 2018-19, as opposed to the time study from fiscal year 2011-12, the program was internally administered in which caused an increase in the salaries and benefits costs. In fiscal year 2019-20, the City implemented KRONOS, an online-based timekeeping system, for the staff to properly allocate the actual time spent on projects and to be able to track the time spent on each program. With the implementation of this system, the City will be able to charge salaries and benefits costs directly to the program. With the full implementation of KRONOS, the City expects this finding to be fully resolved in fiscal year 2020-21.
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**CITY OF DOWNEY**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
 June 30, 2020  
 (Continued)

**PALRF: Finding No. 2020-002**

<b>Compliance Reference</b>	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...”
<b>Condition</b>	To support the propriety of expenditures charged to the Proposition A and Proposition C Local Return Funds, non-payroll expenditures should be supported by properly executed contracts, invoices, and vouchers or other official documentation evidencing in proper detail the nature of the charges. However, payments for equipment rental in the amount of \$126,690 were charged to PALRF's Revised Senior/Handicapped Transit Program, Project Code 130-02, without appropriate supporting documentation, i.e., invoices, purchase orders, contracts, etc., to validate the disbursements.  This is a repeat finding from the prior three fiscal years.
<b>Cause</b>	The City allocates equipment rental charges based on a time study from fiscal year 2011-12. The same percentage allocation has been used in prior fiscal years. Additionally, the City believed the estimated percentage charged to the fund for equipment rental expenditures are still less than the actual costs incurred for the program.
<b>Effect</b>	The unsupported expenditures for the equipment rental resulted in questioned costs of \$126,690.
<b>Recommendation</b>	We recommend that the City reimburse its PALRF account for \$126,690. In addition, we recommend that the City strengthen its controls over the allocation of equipment rental costs by using an equitable and supported allocation basis to substantiate the costs charged to the program.
<b>Management’s Response</b>	The City’s management agrees with the recommendation about its control over the allocation of the costs and also, agrees that the amounts were based on a time study from fiscal year 2011-12. However, the City believes that the percentage charged to all City funds (Enterprise, Special Revenue, Successor Agency) for the allocation of equipment rental expenditures are less than the actual costs incurred to administer the program. For example, the maintenance costs are directly charged to the City’s equipment fund and monthly charges are distributed to various departments for the repairs, maintenance, and general upkeep of the vehicles. In fiscal year 2019-20, legal costs in the amount of \$230,000 were incurred for charges in a Dial-A-Ride lawsuit. Both the maintenance and legal costs far exceed the amount allocated to the PALRF.

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

**MRLRF: Finding No. 2020-003**

<p><b>Compliance Reference</b></p>	<p>According to Measure R Local Return Guidelines, Section A.I: Program Summary, “The Measure R Ordinance specifies that LR (Local Return) funds are to be used for transportation purposes. No net revenue distributed to Jurisdictions may be used for purposes other than transportation purposes.” and Section B.VII: Audit Section states, “It is the Jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of audit prescribed in these guidelines.” 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 or their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <p style="padding-left: 40px;">:</p> <p style="padding-left: 40px;">(b) A Federal award and non-Federal award.</p> <p style="padding-left: 40px;">:</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p style="padding-left: 40px;">(a) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p style="padding-left: 40px;">:</p> <p style="padding-left: 40px;">(e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances.”</p>
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**CITY OF DOWNEY**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
 June 30, 2020  
 (Continued)

**MRLRF: Finding No. 2020-003 (Continued)**

<b>Condition</b>	<p>To support the propriety of expenditures charged to the Measure R Local Return Fund, the salaries and benefits expenditures should be supported by time records, activity reports, special funding certifications, or other official documentation evidencing in proper detail the nature of the charges. However, the salaries and benefits charged to Public Works Executive Management Salary Project Code 8.10 in the amount of \$26,278 were based on estimated percentages on MRLRF activity rather than the employee’s actual hours worked on the project. Although the City provided a time study listing the employees charged to MRLRF, the salaries and benefits were based on estimated percentages. Moreover, the hours were not adjusted to reflect the “true” hours worked on the projects at the end of the fiscal year 2019-20.</p> <p>This is a repeat finding from the prior four fiscal years.</p>
<b>Cause</b>	<p>The City allocates the salaries and benefits charges based on a time study from fiscal year 2011-12. The same percentage allocation has been used in prior fiscal years. Additionally, the City believed that the estimated percentage charged to the fund for salaries and benefit expenses is still less than the actual payroll costs incurred for the program.</p>
<b>Effect</b>	<p>The payroll costs claimed under the Measure R Local Return Fund project may include expenditures which may be disallowed Measure R project expenditures.</p>
<b>Recommendation</b>	<p>We recommend that the City reimburse its MRLRF account for \$26,278. In addition, we recommend that the City strengthen its controls over the allocation of payroll costs by using a supported allocation basis, time sheets or similar documentation to substantiate the actual hours worked by employees charged to the program.</p>
<b>Management’s Response</b>	<p>The City’s management agrees that the amounts were based on a time study from fiscal year 2011-12. However, the City believes that the percentage charged to all City funds (Enterprise, Special Revenue, Successor Agency) for salaries and benefits are less than the actual costs incurred for the program. In fiscal year 2018-19, as opposed to the time study from fiscal year 2011-12, the program was internally administered in which caused an increase in the salaries and benefits costs. In fiscal year 2019-20, the City implemented KRONOS, an online-based timekeeping system, for the staff to properly allocate the actual time spent on projects and to be able to track the time spent on each program. With the implementation of this system, the City will be able to charge salaries and benefits costs directly to the program. With the full implementation of KRONOS, the City expects this finding to be fully resolved in fiscal year 2020-21.</p>

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

**MRLRF: Finding No. 2020-004**

<b>Compliance Reference</b>	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 this guidelines:… Verification that funds were expended with Metro’s approval.”
<b>Condition</b>	The City incurred expenditures prior to receiving approval from LACMTA for the MRLRF’s Project Code 5.10, Graffiti Truck, in the amount of \$45,205. However, the project was subsequently approved on October 13, 2020.
<b>Cause</b>	In fiscal year 2018-19, the Graffiti Truck project was approved by LACMTA and the truck was delivered to the City. However, add-on cabinets were installed in early July 2019 and the request for the budget approval from LACMTA for this project was overlooked in fiscal year 2019-20.
<b>Effect</b>	The City did not comply with the Guidelines as expenditures for the MRLRF project were incurred prior to LACMTA’s approval, which could result in the City being required to reimburse the MRLR funds account.
<b>Recommendation</b>	We recommend that the City strengthen its controls to ensure that approvals are obtained from LACMTA prior to implementing any Measure R Local Return projects. Form One (Expenditure Plan) is properly prepared and submitted before the due date of August 1st in accordance with Guidelines. The City should also include all approved ongoing and carryover Local Return projects in Form One.
<b>Management’s Response</b>	The City’s management agrees with the finding. In the future, the City will review all MRLRF projects prior to the fiscal year end and ensure that each project has the appropriate LACMTA-approved budget.
<b>Finding Corrected During the Audit</b>	LACMTA Program Manager granted retroactive budget approval of the said project on October 13, 2020. No follow-up is required.

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

**MMLRF: Finding No. 2020-005**

<b>Compliance Reference</b>	According to Measure M Local Return Guidelines, Section XXV Administrative, Form Submission Timeline, “New, amended, ongoing and carryover projects must file an Expenditure Plan Form M-One by August 1st. In addition, the Audit Requirements, Financial and Compliance Provisions of the section states, “The Measure M LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines:... Verification that funds were expended with Metro’s approval.”
<b>Condition</b>	The City incurred expenditures prior to receiving approval from LACMTA for the MMLRF's Project Code 5.10, Graffiti Truck, in the amount of \$45,205. However, the project was subsequently approved on October 13, 2020.
<b>Cause</b>	In fiscal year 2018-19, the Graffiti Truck project was approved by LACMTA and the truck was delivered to the City. However, add-on cabinets were installed in early July 2019 and the request for the budget approval from LACMTA for this MMLRF project was overlooked in fiscal year 2019-20.
<b>Effect</b>	The City did not comply with the Guidelines as expenditures for the MMLRF project are incurred before LACMTA’s approval.
<b>Recommendation</b>	We recommend that the City strengthen its controls to ensure that approvals are obtained from LACMTA prior to implementing any Measure M Local Return projects. Form M-One (Expenditure Plan) is properly prepared and submitted before the due date of August 1st in accordance with Guidelines. The City should also include all approved ongoing and carryover Local Return projects in Form M-One.
<b>Management’s Response</b>	The City’s management agrees with the finding. In the future, the City will review all MMLRF projects prior to the fiscal year end and ensure that each project has the appropriate LACMTA-approved budget.
<b>Finding Corrected During the Audit</b>	LACMTA Program Manager granted retroactive budget approval of the said project on October 13, 2020. No follow-up is required.

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***EXIT CONFERENCE***

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

An exit conference was held on December 16, 2020 with the City of Downey. Those in attendance were:

***Simpson & Simpson Representative:***

John Longoria, Senior Auditor

***City's Representatives:***

Francesca Navarro, Senior Accountant  
Sulema Martinez, Accountant

***Matters Discussed:***

Results of the audit disclosed three (3) material weaknesses and five (5) non-compliance issues with Metro Guidelines.

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

Sulema Martinez, Accountant

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

RE: CITY OF DOWNEY ANNUAL FINANCIAL REPORT OF THE PROPOSITION A LOCAL RETURN FUND, PROPOSITION C LOCAL RETURN FUND, MEASURE R LOCAL RETURN FUND, MEASURE M LOCAL RETURN FUND, AND TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND FOR THE FISCAL YEARS ENDED JUNE 30, 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 Downey and agree with the contents of the report except as indicated below:

(Attach additional pages if necessary)

Very truly yours,

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Name

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Title

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Date