

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



Metro[®]



Simpson & Simpson, LLP
Certified Public Accountants

CITY OF MANHATTAN BEACH
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CITY OF MANHATTAN BEACH

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FINANCIAL SECTION



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Independent Auditor's Report

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

Report on the Financial Statements

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

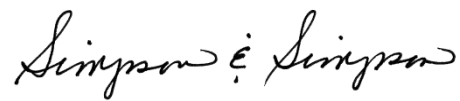
Supplementary Information

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 8, 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.


Los Angeles, California
December 8, 2020

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

	2020	2019
ASSETS		
Cash and investments	\$ 87,085	\$ 14,191
Prepaid items	3,390	3,761
Total assets	\$ 90,475	\$ 17,952
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 3,086	\$ 17,952
Total liabilities	3,086	17,952
 Fund Balance		
Restricted	87,389	-
Total fund balance	87,389	-
Total liabilities and fund balance	\$ 90,475	\$ 17,952

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

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

	2020	2019
REVENUES		
Proposition A	\$ 698,362	\$ 712,461
Interest income	341	313
Unrealized gain on investment	322	115
Project generated revenue (Note 8)	6,216	8,296
Proposition A Discretionary Incentive Grant (Note 9)	19,680	-
Fund Exchange with Other Cities (Note 10)	273,973	230,000
Total revenues	998,894	951,185
EXPENDITURES		
Various projects	911,505	966,664
Total expenditures	911,505	966,664
Excess (deficiency) of revenues over expenditures	87,389	(15,479)
OTHER FINANCING SOURCES		
Transfer in from General Fund	-	15,479
Total other financing sources	-	15,479
Excess (deficiency) of revenues over expenditures and other financing sources	87,389	-
Fund balance at beginning of year	-	-
Fund balance at end of year	\$ 87,389	\$ -

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

CITY OF MANHATTAN BEACH
PROPOSITION A LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 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)	
110-02	Beach Cities Transit Fixed Route #109	\$ 1	\$ -	\$ 1	\$ 9,521
130-01	Dial-A-Ride	930,924	866,460	64,464	890,140
140-01	Recreation Trips	41,595	40,595	1,000	60,671
250-01	MTA Bus Subsidy	4,010	4,450	(440)	6,332
Total expenditures		\$ 976,530	\$ 911,505	\$ 65,025	\$ 966,664

See accompanying independent auditor's report.

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

	2020	2019
ASSETS		
Cash and investments	\$ 4,974,197	\$ 4,218,640
Due from Metro (Note 11)	758,944	1,151,426
Total assets	\$ 5,733,141	\$ 5,370,066
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 27,363	\$ 234,410
Accrued liabilities	32,513	35,007
Unearned revenue	101,939	-
Total liabilities	161,815	269,417
 Deferred inflows of resources		
Unavailable revenue (Note 11)	758,944	1,151,426
Total deferred inflows of resources	758,944	1,151,426
 Fund Balance		
Restricted - Sepulveda Blvd Bridge Widening Project (Note 12)	1,682,285	1,260,764
Restricted - others	3,130,097	2,688,459
Total fund balance	4,812,382	3,949,223
Total liabilities, deferred inflows of resources and fund balance	\$ 5,733,141	\$ 5,370,066

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

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

	2020	2019
REVENUES		
Proposition C	\$ 579,293	\$ 590,966
Interest income	79,459	94,789
Unrealized gain on investment	66,900	93,560
Measure R South Bay Highway Grant (Note 13)	1,506,510	34,152
Total revenues	2,232,162	813,467
EXPENDITURES		
Various projects funded by PCLRF	303,755	1,082,026
Various projects funded by other grants	1,065,248	73,806
Total expenditures	1,369,003	1,155,832
Excess (deficiency) of revenues over expenditures	863,159	(342,365)
Fund balance at beginning of year	3,949,223	4,291,588
Fund balance at end of year	\$ 4,812,382	\$ 3,949,223

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

CITY OF MANHATTAN BEACH
PROPOSITION C LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 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)	
380-01	Capital Reserve for Sepulveda Blvd Bridge Widening Project	\$ 2,438,418	\$ -	\$ 2,438,418	\$ 352,991
440-01	Marine Street Resurfacing	166,004	1,275	164,729	346,280
440-02	Street Resurfacing: Arterial and Collector Roadway Project	963,016	155,994	807,022	223,645
450-08	Dual Left-Turns for Eastbound and Westbound	233,323	37,687	195,636	59,375
450-09	Sepulveda Intersection Improvements	985,440	-	985,440	-
440-03	Street Resurfacing: Liberty Village	-	77,600	(77,600) *	-
480-01	Proposition C Administration	61,000	31,199	29,801	99,735
	Total expenditures funded by PCLRF	<u>\$ 4,847,201</u>	<u>\$ 303,755</u>	<u>\$ 4,543,446</u>	<u>\$ 1,082,026</u>
380-01	Capital Reserve for Sepulveda Blvd Bridge Widening Project - Measure R				
	South Bay Highway Grant		<u>1,065,248</u>		<u>73,806</u>
	Total expenditures funded by other grants		<u>1,065,248</u>		<u>73,806</u>
	Total expenditures funded by PCLRF and other grants		<u>\$ 1,369,003</u>		<u>\$ 1,155,832</u>

* On September 24, 2020, the City received a retroactive approval from Metro to use Proposition C Local Return funds in the amount of \$77,600 for Street Resurfacing: Liberty Village Project. See Compliance and Schedule of Findings and Recommendations - Finding No. 2020-003.

See accompanying independent auditor's report.

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

See accompanying independent auditor's report.

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

	2020	2019
ASSETS		
Cash and investments	\$ 1,593,248	\$ 1,242,420
Due from CalRecycle	38,000	-
Due from General Fund	5,859	-
Total assets	\$ 1,637,107	\$ 1,242,420
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ 50,332
Retentions payable	-	49,695
Total liabilities	-	100,027
 Deferred inflows of resources		
Unavailable revenue	38,000	-
Total deferred inflows of resources	38,000	-
 Fund Balance		
Restricted	1,599,107	1,142,393
Total fund balance	1,599,107	1,142,393
Total liabilities, deferred inflows of resources and fund balance	\$ 1,637,107	\$ 1,242,420

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

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

	2020	2019
REVENUES		
Measure R	\$ 433,848	\$ 519,315
Interest income	28,382	32,265
Unrealized gain on investment	24,484	33,698
Total revenues	486,714	585,278
EXPENDITURES		
Various projects	30,000	785,162
Total expenditures	30,000	785,162
Excess (deficiency) of revenues over expenditures	456,714	(199,884)
OTHER FINANCING SOURCES		
Transfer in from General Fund	-	20,347
Total other financing sources	-	20,347
Excess (deficiency) of revenues over expenditures and other financing sources	456,714	(179,537)
Fund balance at beginning of year	1,142,393	1,321,930
Fund balance at end of year	\$ 1,599,107	\$ 1,142,393

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

CITY OF MANHATTAN BEACH
MEASURE R LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 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)	
1.05	Street Resurfacing: Liberty Village	\$ 94,874	\$ 30,000	\$ 64,874	\$ 723,439
1.05	Street Resurfacing: 1100 Block of 3rd St	-	-	-	930
1.10	Protected LT Lanes: MBB at Peck Ave	285,000	-	285,000	-
3.16	Rosecrans Bike Lane Improvements	240,000	-	240,000	-
3.20	Ocean Drive Walkstreet Crossing	450,000	-	450,000	-
3.20	Aviation (West-side) and 33rd Sidewalk	100,000	-	100,000	-
8.10	Fund Administration	-	-	-	60,793
Total expenditures		\$ <u>1,169,874</u>	\$ <u>30,000</u>	\$ <u>1,139,874</u>	\$ <u>785,162</u>

See accompanying independent auditor's report.

CITY OF MANHATTAN BEACH
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
May 2013	Paratransit Bus 22 - Passenger CNG	\$ 140,931	\$ -	\$ -	\$ 140,931
July 2013	Braun Vista Ford 7 - Passenger Van	71,478	-	-	71,478
Oct 2013	Paratransit Bus 22 - Passenger CNG	112,760	-	-	112,760
Oct 2015	Turtletop Bus	68,955	-	-	68,955
	Total	<u>\$ 394,124</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 394,124</u>

See accompanying independent auditor's report.

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

	2020	2019
ASSETS		
Cash and investments	\$ 897,255	\$ 695,380
Total assets	\$ 897,255	\$ 695,380
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ 275,000
Total liabilities	-	275,000
 Fund Balance		
Restricted	897,255	420,380
Total fund balance	897,255	420,380
Total liabilities and fund balance	\$ 897,255	\$ 695,380

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

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

	2020	2019
REVENUES		
Measure M	\$ 488,664	\$ 499,030
Interest income	14,135	13,978
Unrealized gain on investment	12,966	5,165
Total revenues	515,765	518,173
EXPENDITURES		
Various projects	38,890	468,481
Total expenditures	38,890	468,481
Excess of revenues over expenditures	476,875	49,692
Fund balance at beginning of year	420,380	370,688
Fund balance at end of year	\$ 897,255	\$ 420,380

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

CITY OF MANHATTAN BEACH
MEASURE M LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 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)	
1.05	Street Resurfacing: Liberty Village	\$ 275,000	\$ -	\$ 275,000	\$ 275,000
2.01	Traffic Signal Pole - 15th & Highland	280,000	24,414	255,586	-
3.05	Rowell Ave Sidewalk Connection	200,000	-	200,000	-
3.20	Ped Safety Improvement Highland/34th, 35th, 36th	140,000	-	140,000	140,000
3.20	ADA Transition Plan with Public Right-of-Way	29,425	7,994	21,431	30,575
8.10	Fund Administration (20% cap)	37,000	6,482	30,518	22,906
	Total expenditures	\$ 961,425	\$ 38,890	\$ 922,535	\$ 468,481

See accompanying independent auditor's report.

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

	2020	2019
ASSETS		
Cash and investment	\$ -	\$ -
Total assets	\$ -	\$ -
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
 Fund Balance		
Restricted	-	-
Total fund balance	-	-
Total liabilities and fund balance	\$ -	\$ -

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

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

	2020	2019
REVENUES		
TDA 3	\$	\$ 24,066
Total revenues	-	24,066
EXPENDITURES		
Various projects		24,066
Total expenditures	-	24,066
Excess of revenues over expenditures	-	-
Fund balance at beginning of year	-	-
Fund balance at end of year	\$ -	\$ -

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

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

<u>Project Description</u>	<u>Program</u> <u>Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended</u> <u>Allocations</u>	<u>Project</u> <u>Status</u>
Local allocations					
None	N/A	\$ -	\$ -	\$ -	N/A
	Total	\$ -	\$ -		
Fund balance at beginning of year				-	
Fund balance at end of year				-	

See accompanying independent auditor's report.

CITY OF MANHATTAN BEACH
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 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 spending or “financial flow” measurement focus. This means that generally only current assets, current liabilities and deferred inflows and outflows of resources are included on their balance sheets. Statement of revenue, expenditures and changes in fund balance for Special Revenue Funds generally presents increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Budgets and Budgetary Accounting

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

CITY OF MANHATTAN BEACH
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 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).

Information regarding the fund balance reporting policy adopted by the City is described in Note 1 to the City's Comprehensive Annual Financial Report.

NOTE 2 – ANNUAL FINANCIAL STATEMENTS

The financial statements reflect only the financial position and results of operations of the PALRF, PCLRF, MRLRF, MMLRF and TDAA3F and their compliance with the Proposition A and Proposition C Local Return Program Guidelines, Measure R Local Return Program Guidelines, Measure M Local Return Program Guidelines and Transportation Development Act Article 3 and the Los Angeles County Metropolitan Transportation Authority Funding and Allocation Guidelines for Transportation Development Act Article 3 Bicycle and Pedestrian Funds.

CITY OF MANHATTAN BEACH
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 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 quarterly balances to the total of the pooled cash and investments.

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

NOTE 8 – PROJECT GENERATED REVENUE – PALRF

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

	2020	2019
Dial-A-Ride fares	\$ 5,303	\$ 6,325
Bus pass sales	913	1,441
Older adults program bus fares	-	530
Total	\$ 6,216	\$ 8,296

NOTE 9 – PROPOSITION A DISCRETIONARY INCENTIVE GRANT

The Proposition A Discretionary Incentive Grant for the years ended June 30, 2020 and 2019 of \$19,680 and \$0, respectively, represents additional funds received from Metro for participating in the Voluntary National Transit Database (NTD) Program. The Proposition A Discretionary Incentive Grant was recorded under PALRF.

NOTE 10 – PROPOSITION A FUND EXCHANGE

On September 18, 2018, the City of Diamond Bar entered into an agreement with the City to exchange \$230,000 of the City of Diamond Bar’s Proposition A Local Return funds for \$161,000 of the City’s General Fund monies, or \$0.70 of General Fund monies given for each \$1.00 of Proposition A Local Return monies received. The agreement was only applicable to the fiscal year ended June 30, 2019.

On January 8, 2020, the City of Maywood entered into an agreement with the City to exchange \$273,973 of the City of Maywood’s Proposition A Local Return funds for \$200,000 of the City’s General Fund monies, or \$0.73 of General Fund monies given for each \$1.00 of Proposition A Local Return monies received. The agreement was only applicable to the fiscal year ended June 30, 2020.

NOTE 11 – DUE FROM METRO – PCLRF

The due from Metro balance as of June 30, 2020 and 2019 consisted of the following:

	2020	2019
Measure R South Bay Highway Grant	\$ -	\$ 719,063
MTA Call For Projects Grant	308,711	-
Rosecrans Project Grant	350,238	350,238
Sepulveda LT Lane Grant	99,995	82,125
Total due from Metro	\$ 758,944	\$ 1,151,426

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

NOTE 12 – CAPITAL RESERVE – PCLRF

On June 20, 2007, Metro and the City entered into capital reserve agreements to establish a capital reserve account (Account) for the Sepulveda Boulevard Bridge Widening projects. The original period of performance for the agreement is from June 20, 2007 to June 30, 2013. This was extended to June 30, 2025 with an approved capital reserve amount of \$2,561,806.

The Account will be funded with the Proposition C Local Return Funds allocated to the City. For the years ended June 30, 2020 and 2019, the capital reserve amount for the PCLRF is as follows:

Net capital reserve at 6/30/2018	\$	1,687,561
Capital expenditures during the year		(426,797)
Capital reserve at 6/30/2019		1,260,764
Total City and pending grant reimbursements		2,155,556
Total City commitment		3,416,320
Less: agreed commitment		3,416,320
Adjustment to reserve		-
Add: capital reserve at 6/30/2019		1,260,764
Net capital reserve at 6/30/2019		1,260,764
Reimbursement from Measure R Southbay Highway Grant		1,486,769
Capital expenditures during the year		(1,065,248)
Capital reserve at 6/30/2020		1,682,285
Total City and pending grant reimbursements		1,734,035
Total City commitment		3,416,320
Less: agreed commitment		3,416,320
Adjustment to reserve		-
Add: capital reserve at 6/30/2020		1,682,285
Net capital reserve at 6/30/2020	\$	1,682,285

NOTE 13 – MEASURE R SOUTH BAY HIGHWAY GRANT – PCLRF

On January 30, 2015, Metro and the City entered into a Funding Agreement for Sepulveda Blvd at Manhattan Beach Blvd Intersection Improvements (NB, WB, EB Left Turn Lanes and SB Right Turn Lane), Metro Project ID# MR312.35 and FTIP# LA0G1044. This project is eligible for funding under Line 33, I-405, I-110, I-105, and SR-91 Ramp and Interchange Improvements (South Bay), of the Measure R Expenditure Plan. For the fiscal years ended June 30, 2020 and 2019, the City received \$19,741 and \$34,152, respectively.

On July 31, 2014, Metro and the City entered into a Funding Agreement for Seismic Retrofit of Widened Bridge 53-62 from Sepulveda Blvd from 33rd Street to South of Rosecrans Ave, Metro Project ID# MR312.28 and FTIP# LA0C8080. This project is eligible for funding under Line 33, Interstate I-110, I-105, and SR-91 Ramp and Interchange Improvements (South Bay), of the Measure R Expenditure Plan. For the fiscal years ended June 30, 2020 and 2019, the City received \$1,486,769 and \$0, respectively.

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

NOTE 14 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION

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

	2020	2019
FY 2018-19 allocation	\$ -	\$ 24,066
FY 2019-20 allocation	-	-
Total payments requested	\$ -	\$ 24,066

NOTE 15 – TRANSPORTATION DEVELOPMENT ACT FUNDS RESERVED

In accordance with TDA Article 3 (SB821) Guidelines, funds not spent during the fiscal year have been placed on reserve in the Local Transportation Fund (LTF) account with the County Auditor-Controller to be drawn down whenever the funds become eligible for a specific project and an approved drawdown request is received by Metro. As of June 30, 2020, and 2019, the City has funds on reserve as follows:

	2020	2019
FY 2018-19 allocation	\$ -	\$ -
FY 2019-20 allocation	26,000	-
Available reserve balance	\$ 26,000	\$ -

NOTE 16 – 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 events or transactions that occurred subsequent to June 30, 2020 through December 8, 2020, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined no subsequent matters require disclosure or adjustment to the accompanying financial statements.



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, Measure M Local Return Fund, and Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Manhattan Beach, California (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated December 8, 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 black ink that reads "Simpson & Simpson".

Los Angeles, California
December 8, 2020

COMPLIANCE SECTION



SIMPSON & SIMPSON

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Independent Auditor's Report On Compliance

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

Report on Compliance

We have audited the compliance of the City of Manhattan Beach, California (the City) with the Proposition A and Proposition C Local Return Guidelines, Measure R Local Return Guidelines, Measure M Local Return Guidelines, Transportation Development Act Article 3, and the Los Angeles County Metropolitan Transportation Authority's Funding and Allocation Guidelines for the Transportation Development Act Article 3 Bicycle and Pedestrian Funds (collectively, the Guidelines) for the year ended June 30, 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 Nos. 2020-001, 2020-002, and 2020-003. Our opinion on each local return and Transportation Development Act Article 3 program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. We did identify a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Recommendations as Finding No. 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.

A handwritten signature in black ink that reads "Simpson & Simpson".

Los Angeles, California
December 8, 2020

CITY OF MANHATTAN BEACH
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		None	See Finding No. 2020-003 on the Schedule of Findings and Recommendation.
4.	Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).			X	None	There were no expenditures that exceeded 25% of approved project budget in FY 2019/20
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	
9.	Cash or cash equivalents are maintained.	X			None	
10.	Accounting procedures, record keeping, and documentation are adequate.		X		None.	See Finding No. 2020-001 on the Schedule of Findings and Recommendation.
11.	Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	X			None	
12.	Local Return Account is credited for reimbursable expenditures.	X			None	
13.	Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.			X	None	There were no Intelligent Transportation Systems projects or elements in 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. 2020-002 on the Schedule of Findings and Recommendation.

CITY OF MANHATTAN BEACH
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			None	
7.	Expenditure Plan (Form One) was submitted on time.	X			None	
8.	Expenditure Report (Form Two) was submitted on time.	X			None	
9.	Timely use of funds.	X			None	
10.	Administrative expenditures are within the 20% cap.	X			None	
11.	Fund exchanges were approved by Metro.			X	None	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 was no capital reserve 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 MANHATTAN BEACH
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	
9.	Timely use of funds.	X			None	
10.	Administrative expenses are within the 20% cap.	X			None	
11.	Fund exchanges were approved by Metro.			X	None	There were no fund exchanges in FY 2019/20.
12.	A separate account was established for capital reserve funds and capital reserve was approved by Metro.			X	None	There was no capital reserve in FY 2019/20.
13.	Recreational transit form was submitted timely.			X	None	There was no recreational transit in FY 2019/20.

CITY OF MANHATTAN BEACH
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 MANHATTAN BEACH
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 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 to facilitate the performance of the audit prescribed in these guidelines.”
Condition	To support the propriety of expenditures charged to the Proposition A Local Return Fund (PALRF), all expenditures should be based on actual amounts incurred and supported by a properly executed invoice, purchase order, contract, or other official documentation evidencing in proper detail the nature of the charges. However, during our review of expenditures charged to PALRF for the Dial-A-Ride project code 130-01, it was noted that information system expenditures from the City’s Internal Service Fund were allocated to the PALRF based on the budgeted amount of \$86,640 and would not be “trued up” to the actual cost of \$89,620 at year end. The result was an undercharge of \$2,980 to the PALRF account. This is a repeat finding from the prior fiscal year.
Cause	The City was unaware that charging budgeted amounts to the PALRF is unallowable.
Effect	The City undercharged the PALRF for information system allocations by \$2,980.
Recommendation	We recommend that the City ensure all budgeted expenditures charged to the PALRF are “trued up” to actual amounts.
Management’s Response	The City in the future will allocate internal service funds on an actual basis.

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

PALRF: Finding No. 2020-002

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 the submission of the Recreational Transit Form. Instead, the City submitted the Recreational Transit Form on November 19, 2020.
Cause	This was an oversight by the City in submitting the Recreational Transit Form before the due date.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City strengthen its internal control procedures to ensure that the Recreational Transit Form is properly prepared and submitted before the due date of October 15 to meet the Proposition A and Proposition C Local Return Guidelines.
Management's Response	The City in the future will endeavor to submit the Recreational Transit Form on or before the due date.
Finding Corrected During the Audit	The City's Recreational Transit Form was submitted on November 19, 2020. No follow-up is required.

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

PCLRF: Finding No. 2020-003

Compliance Requirement	According to Proposition A and Proposition C Local Return Guidelines, Section III.A: Reporting Requirements for Jurisdictions, Project Description Form (Form A), “A new project that meets the eligibility criteria...must be submitted to Metro on Project Description Form (Form A) prior to the expenditure of funds. Metro will review the project to determine if it meets the statutory eligibility requirement and notify Jurisdictions of the project’s LR funding eligibility. If a Jurisdiction expends Proposition A or Proposition C LR funds for a project prior to Metro approval, the Jurisdiction will be required to reimburse its LR Account. Additionally, approvals cannot be retroactive. A Project Description Form (Form A) may be submitted any time during the fiscal year”.
Condition	The City incurred expenditures in the amount of \$77,600 for the Street Resurfacing: Liberty Village project code 440-03 prior to receiving approval from LACMTA. However, the project was subsequently approved on September 24, 2020.
Cause	The City did not submit Form A to LACMTA prior to expenditure of funds on a new project due to an oversight.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines as expenditures for the PCLRF projects were incurred prior to LACMTA’s approval.
Recommendation	We recommend that the City strengthen internal control procedures to ensure that Form A is submitted to LACMTA prior to expending funds on a new project.
Management’s Response	The City in the future will endeavor to submit the Form A on or before the due date.
Finding Corrected During the Audit	Updated Form A was submitted to LACMTA and was retroactively approved on September 24, 2020. No follow-up is required.

EXIT CONFERENCE

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

An exit conference was held on November 2, 2020 with the City of Manhattan Beach. Those in attendance were:

Simpson & Simpson Representative:

Mark Frishwasser, Audit Senior

City's Representatives:

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

Matters Discussed:

Results of the audit disclosed one (1) significant deficiency and three (3) non-compliance issues with Metro Guidelines.

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

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

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

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

(Attach additional pages if necessary)

Very truly yours,

Name

Title

Date