

***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, 2021 AND 2020***



Metro[®]



Simpson & Simpson, LLP
Certified Public Accountants

CITY OF DOWNEY
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FINANCIAL SECTION



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, 2021 and 2020, 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 from 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, 2021 and 2020, and the respective changes in 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, 2021 and 2020, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on each of the Funds' financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the Funds' financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the Funds' financial statements or to the Funds' financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to each of the Funds' financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated November 17, 2021, 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 solely 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 the effectiveness of the City's internal control over the Funds' financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over the Funds' financial reporting and compliance.

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

Los Angeles, California
November 17, 2021

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

	2021	2020
ASSETS		
Cash and investments	\$ 2,037,065	\$ 1,088,963
Total assets	\$ 2,037,065	\$ 1,088,963
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 224,391	\$ 177,691
Accrued payroll and employee benefits	49,766	49,428
Interest payable	33,524	37,612
Total liabilities	307,681	264,731
 Fund Balance		
Restricted	1,729,384	824,232
Total fund balance	1,729,384	824,232
Total liabilities and fund balance	\$ 2,037,065	\$ 1,088,963

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

	2021	2020
REVENUES		
Proposition A	\$ 2,297,958	\$ 2,207,470
Interest income	11,802	13,998
Unrealized gain on investments	4,443	10,460
Project generated revenue (Note 8)	379	43,944
	2,314,582	2,275,872
EXPENDITURES		
Various projects	2,409,430	2,953,385
	2,409,430	2,953,385
OTHER FINANCING SOURCE		
Transfer-in from PCLRF (Note 9)	1,000,000	1,000,000
	1,000,000	1,000,000
Excess of revenues over expenditures and other financing	905,152	322,487
Fund balance at beginning of year	824,232	501,745
Fund balance at end of year	\$ <u>1,729,384</u>	\$ <u>824,232</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, 2021
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2020)

Project Code	Project Name	2021		Variance Favorable (Unfavorable)	2020 Actual
		Metro Budget	Actual		
105	Fixed Route Program	\$ 1,849,463	\$ 1,363,653	\$ 485,810	\$ 1,359,362
107	Senior/Handicapped Transit Program	1,329,829	787,564	542,265	1,179,396
155	Recreational/Special Event Transit	110,000	-	110,000	90,407
170	Bus Stop Maintenance	294,301	205,636	88,665	288,554
170	Downey Depot Maintenance	54,450	52,577	1,873	35,666
	Total expenditures	<u>\$ 3,638,043</u>	<u>\$ 2,409,430</u>	<u>\$ 1,228,613</u>	<u>\$ 2,953,385</u>

See accompanying independent auditor's report.

CITY OF DOWNEY
PROPOSITION A LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2021

Date Acquired	Description	Balance 7/1/2020	Additions	Deletions	Balance 6/30/2021
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
	Total	\$ 4,862,032	\$ -	\$ -	\$ 4,862,032

See accompanying independent auditor's report

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

	2021	2020
ASSETS		
Cash and investments	\$ <u>2,187,578</u>	\$ <u>1,509,855</u>
Total assets	\$ <u><u>2,187,578</u></u>	\$ <u><u>1,509,855</u></u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 74,324	\$ 93,919
Retention payable	8,676	14,753
Accrued payroll and employee benefits	<u>8,224</u>	<u>8,868</u>
Total liabilities	<u>91,224</u>	<u>117,540</u>
 Fund Balance		
Restricted	<u>2,096,354</u>	<u>1,392,315</u>
Total fund balance	<u>2,096,354</u>	<u>1,392,315</u>
Total liabilities and fund balance	\$ <u><u>2,187,578</u></u>	\$ <u><u>1,509,855</u></u>

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>2021</u>	<u>2020</u>
REVENUES		
Proposition C	\$ 1,906,074	\$ 1,831,102
Interest income	13,386	23,956
Unrealized gain on investments	3,880	14,589
Total revenues	<u>1,923,340</u>	<u>1,869,647</u>
EXPENDITURES		
Various projects	<u>219,301</u>	<u>1,012,847</u>
Total expenditures	<u>219,301</u>	<u>1,012,847</u>
OTHER FINANCING USE		
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	704,039	(143,200)
Fund balance at beginning of year	<u>1,392,315</u>	<u>1,535,515</u>
Fund balance at end of year	<u>\$ 2,096,354</u>	<u>\$ 1,392,315</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, 2021
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2020)

Project Code	Project Name	2021		Variance Favorable (Unfavorable)	2020 Actual
		Metro Budget	Actual		
302	Lakewood Boulevard Traffic Signal Upgrades	\$ 40,000	\$ 156	\$ 39,844	\$ -
302	Imperial Highway Traffic Signal Upgrades and Safety Enhancements *	200,000	12,125	187,875	-
620	Ride Sharing Program **	18,902	18,902	-	40,997
620	Local Return Fund Administration (Public Works)	32,307	32,356	(49)	32,847
715	Bellflower Boulevard Pavement Rehabilitation	25,000	-	25,000	5,927
715	Florence Avenue Pavement Rehabilitation	1,050,000	8,360	1,041,640	51,314
720	Telegraph Road Traffic Throughout and Safety Enhancements - Phase 2	1,220,801	147,402	1,073,399	135,273
270-47	Membership Dues and Subscriptions	-	-	-	75,000
400-07	Woodruff Avenue Fiber Optic Communications and Traffic Signal	-	-	-	219,000
440-45	Firestone Boulevard Median Improvements and Pavement Rehabilitation	-	-	-	168,000
450-43	Paramount Boulevard Median Island Improvements (Firestone Boulevard to Florence Avenue) Phase II	-	-	-	284,489
	Total expenditures	<u>2,587,010</u>	<u>219,301</u>	<u>2,367,709</u>	<u>1,012,847</u>
Transfer-out to PALRF (Note 9)					
105	Fixed Route Service	500,000	500,000	-	500,000
106	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>\$ 3,587,010</u>	<u>\$ 1,219,301</u>	<u>\$ 2,367,709</u>	<u>\$ 2,012,847</u>

* The City received a retroactive approval from Metro on September 23, 2021 on the budget for Project 302, Imperial Highway Traffic Signal Upgrades and Safety Enhancements, in the amount of \$200,000. See Compliance Matrix and Schedule of Findings and Recommendations - Finding No. 2021-003.

** The City received a retroactive approval from Metro on November 16, 2021 on the budget for Project 620, Ride Sharing Program, in the amount to \$18,902. See Compliance Matrix and Schedule of Findings and Recommendations - Finding No. 2021-003.

See accompanying independent auditor's report.

CITY OF DOWNEY
PROPOSITION C LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2021

Date Acquired	Description	Balance 7/1/2020	Additions	Deletions	Balance 6/30/2021
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, 2021

Date Acquired	Description	Balance 7/1/2020	Additions	Deletions	Balance 6/30/2021
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

	2021	2020
ASSETS		
Cash and investments	\$ 1,380,360	\$ 2,178,597
Total assets	\$ 1,380,360	\$ 2,178,597
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 242,557	\$ 175,829
Retention payable	17,973	52,856
Accrued payroll and employee benefits	10,245	7,027
Total liabilities	270,775	235,712
 Fund Balance		
Restricted	1,109,585	1,942,885
Total fund balance	1,109,585	1,942,885
Total liabilities and fund balance	\$ 1,380,360	\$ 2,178,597

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

	2021	2020
REVENUES		
Measure R	\$ 1,431,537	\$ 1,371,361
Interest income	12,113	30,918
Unrealized gain (loss) on investments	(18,345)	20,702
Total revenues	1,425,305	1,422,981
EXPENDITURES		
Various projects	2,258,605	1,552,867
Total expenditures	2,258,605	1,552,867
Deficiency of revenues over expenditures	(833,300)	(129,886)
Fund balance at beginning of year	1,942,885	2,072,771
Fund balance at end of year	\$ 1,109,585	\$ 1,942,885

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, 2021
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2020)

Project Code	Project Name	2021		Variance Favorable (Unfavorable)	2020 Actual
		Metro Budget	Actual		
277	Citywide Transit Priority System	\$ 95,000	\$ 1,110	\$ 93,890	\$ -
302	Firestone Boulevard Traffic Signal Upgrades	40,000	-	40,000	1,318
302	Paramount Boulevard Traffic Signal Upgrades	485,000	447,102	37,898	10,336
303	Stewart & Gray Road Signalization & Safety Enhancements	170,120	473,313	(303,193)	5,737
303	Florence Avenue Traffic Signal Upgrades	470,000	-	470,000	20
390	Traffic Safety Improvement Program	200,000	289,985	(89,985)	-
470	I-5 Consortium	30,000	30,000	-	-
470	I-710 Consortium	25,000	25,000	-	-
470	91/605 Major Corridor Study	20,000	20,000	-	-
630	Public Works Executive Management Salary (not to exceed 10%)	25,848	25,885	(37)	26,278
705	Suva Street at Rio Hondo River Bridge Repair	26,000	-	26,000	-
705	FY 20/21 Annual Citywide Traffic Striping of Major Roadways	50,000	-	50,000	-
705	Asphalt Patch Truck	223,000	222,512	488	-
705	First alley south of Little Lake Road Rehabilitation	75,000	-	75,000	-
715	Old River School Road Pavement Rehabilitation	14,788	107,887	(93,099)	28,571
715	Florence Avenue Bridge Rehabilitation and Widening at San Gabriel River	19,020	2,195	16,825	15,299
715	Woodruff Avenue Pavement Rehabilitation	25,000	-	25,000	5,283
715	FY 19-20 Residential Streets Pavement Rehabilitation	150,000	145,992	4,008	-
715	3rd Street Pavement Rehabilitation	180,000	121,046	58,954	-
715	Fifth Street Pavement Rehabilitation	50,000	20,740	29,260	-
	Sub-total	<u>2,373,776</u>	<u>1,932,767</u>	<u>441,009</u>	<u>92,842</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, 2021
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2020)

Project Code	Project Name	2021			2020 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
720	Systemic Safety Analysis Report Program	\$ 8,000	\$ -	\$ 8,000	\$ -
720	CIP 17-09: Paramount Boulevard Signalization and Safety Enhancements *	34,312	34,312	-	-
730	Florence Avenue Regional Complete Streets Study	25,000	188	24,812	342
740	Intersection Roundabouts	450,000	-	450,000	-
755	Paramount Boulevard Median Landscape Improvements (Phase 2)	515,000	291,338	223,662	812
760	Entry Monument Signs (Various Locations)	60,000	-	60,000	50,669
815	Bike Share and Safety Education Program	24,000	-	24,000	11
1.05	Civic Center Drive and 3rd Street Pavement Rehabilitation	-	-	-	388,718
1.20	Paramount Boulevard Median (Firestone Boulevard - Imperial Highway)	-	-	-	821,920
2.09	Woodruff Avenue Fiber Optic Communication and Traffic Signal Upgrades	-	-	-	152,348
5.10	Graffiti Truck	-	-	-	45,205
Total expenditures		\$ 3,490,088	\$ 2,258,605	\$ 1,231,483	\$ 1,552,867

* The City received a retroactive approval from Metro on November 16, 2021 on the budget for Project 720, CIP 17-09: Paramount Boulevard Signalization and Safety Enhancements, in the amount of \$34,312. See Compliance Matrix and Schedule of Findings and Recommendations - Finding No. 2021-004.

See accompanying independent auditor's report.

CITY OF DOWNEY
MEASURE R LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2021

Date Acquired	Description	Balance 7/1/2020	Additions	Deletions	Balance 6/30/2021
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 Fromtage 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, 2021

Date Acquired	Description	Balance 7/1/2020	Additions	Deletions	Balance 6/30/2021
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
Aug-2020	Asphalt Patch Truck	-	222,512	-	222,512
Total		\$ 4,962,835	\$ 222,512	\$ -	\$ 5,185,347

See accompanying independent auditor's report.

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

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and investments	\$ 2,618,847	\$ 1,983,508
Total assets	<u>\$ 2,618,847</u>	<u>\$ 1,983,508</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 364,822	\$ 108,498
Retention payable	14,588	15,988
Accrued payroll and employee benefits	<u>1,463</u>	<u>2,439</u>
Total liabilities	<u>380,873</u>	<u>126,925</u>
 Fund Balance		
Restricted	<u>2,237,974</u>	<u>1,856,583</u>
Total fund balance	<u>2,237,974</u>	<u>1,856,583</u>
Total liabilities and fund balance	<u>\$ 2,618,847</u>	<u>\$ 1,983,508</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>2021</u>	<u>2020</u>
REVENUES		
Measure M	\$ 1,621,984	\$ 1,543,341
Interest income	16,796	32,630
Unrealized gain (loss) on investments	<u>(24,454)</u>	<u>18,787</u>
Total revenues	<u>1,614,326</u>	<u>1,594,758</u>
 EXPENDITURES		
Various projects	<u>1,232,935</u>	<u>1,864,071</u>
Total expenditures	<u>1,232,935</u>	<u>1,864,071</u>
 Excess (deficiency) of revenues over expenditures	381,391	(269,313)
 Fund balance at beginning of year	<u>1,856,583</u>	<u>2,125,896</u>
 Fund balance at end of year	<u>\$ 2,237,974</u>	<u>\$ 1,856,583</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, 2021
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2020)

Project Code	Project Name	2021			2020 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
705	Annual Miscellaneous Bridge Repairs	\$ 200,000	\$ -	\$ 200,000	\$ 6,978
705	Lakewood Boulevard Parkway Improvements	100,000	19,084	80,916	13,728
715	Old River School Road Pavement Rehabilitation	264,367	283,224	(18,857)	7,087
715	Florence Avenue Bridge Rehabilitation at Rio Hondo River	57,157	2,783	54,374	308
715	Florence Avenue Pavement Rehabilitation	100,000	5,131	94,869	3,010
715	3rd Street Pavement Rehabilitation	50,000	-	50,000	-
720	Telegraph Traffic Throughout and Safety Enhancements - Phase 2	1,450,460	882	1,449,578	-
720	CIP 17-10: Stewart and Gray Signalization and Safety Improvements *	454,680	454,680	-	-
755	Paramount Boulevard Median Landscape Improvements (Phase 1)	700,000	428,956	271,044	8,396
755	Firestone Boulevard Median Landscape Improvements	140,000	2,258	137,742	116,892
880	Downey Bicycle Master Plan Implementation	547,483	35,937	511,546	6,900
1.05	Paramount Boulevard Median (Firestone Boulevard - Florence Avenue) Phase I	-	-	-	1,088,905
1.05	Firestone Boulevard Median Improvements and Pavement Rehabilitations	-	-	-	396,141
1.20	Paramount Boulevard Median (Firestone Boulevard - Imperial Highway)	-	-	-	170,521
	Sub-total	<u>4,064,147</u>	<u>1,232,935</u>	<u>2,831,212</u>	<u>1,818,866</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, 2021
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2020)

Project Code	Project Name	2021			2020 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
5.10	Graffiti Truck	\$ -	\$ -	\$ -	\$ 45,205
	Total expenditures	<u>\$ 4,064,147</u>	<u>\$ 1,232,935</u>	<u>\$ 2,831,212</u>	<u>\$ 1,864,071</u>

* The City received an approval from Metro on November 16, 2021 on the budget for Project 720, CIP 17-10: Stewart and Gray Signalization and Safety Improvements, in the amount of \$454,680. See Compliance Matrix and Schedule of Findings and Recommendations - Finding No. 2021-006.

See accompanying independent auditor's report.

CITY OF DOWNEY
MEASURE M LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2021

Date Acquired	Description	Balance 7/1/2020	Additions	Deletions	Balance 6/30/2021
Jun-2018	Brookshire Pavement Rehabilitation - Firestone/Florence	\$ 285,710	\$ -	\$ -	\$ 285,710
Jul-2019	Graffiti Truck	45,205	-	-	45,205
	Total	\$ 330,915	\$ -	\$ -	\$ 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

	2021	2020
ASSETS		
Due from Metro	\$ -	\$ 19,441
Total assets	\$ -	\$ 19,441
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 4,410	\$ 5,070
Due to General Fund	42,844	59,216
Total liabilities	47,254	64,286
 Fund Balance		
Unassigned	(47,254)	(44,845)
Total fund balance	(47,254)	(44,845)
Total liabilities and fund balance	\$ -	\$ 19,441

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>2021</u>	<u>2020</u>
REVENUES		
TDA 3	\$ <u>93,383</u>	\$ <u>19,441</u>
Total revenues	<u>93,383</u>	<u>19,441</u>
EXPENDITURES		
Various projects	<u>95,792</u>	<u>65,107</u>
Total expenditures	<u>95,792</u>	<u>65,107</u>
Deficiency of revenues over expenditures	(2,409)	(45,666)
Fund balance at beginning of year	<u>(44,845)</u>	<u>821</u>
Fund balance at end of year	\$ <u><u>(47,254)</u></u>	\$ <u><u>(44,845)</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, 2021

<u>Project Description</u>	<u>Program Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended Allocations</u>	<u>Project Status</u>
Local allocations					
FY 19/20 Miscellaneous Concrete Repairs and ADA Improvements	2020-21	\$ 40,000	\$ 40,000	\$ -	Complete
FY 20/21 Miscellaneous Concrete Repairs and ADA Improvements	2020-21	40,000	40,000	-	Ongoing
South Downey Safe Routes to School	2020-21	<u>13,383</u>	<u>15,792</u>	<u>(2,409)</u>	Ongoing
Total		<u>\$ 93,383</u>	<u>\$ 95,792</u>	<u>(2,409)</u>	
Fund balance at beginning of year				<u>(44,845)</u>	
Fund balance at end of year				<u>\$ (47,254)</u>	

See accompanying independent auditor's report.

CITY OF DOWNEY
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2021

Date Acquired	Description	Balance 7/1/2020	Additions	Deletions	Balance 6/30/2021
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, 2021 and 2020

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, 2021 and 2020
(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 2021 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, 2021:

- 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, 2021 and 2020
(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, 2021 and 2020 consisted of the following:

		2021		2020
Senior citizen passenger passes	\$	341	\$	6,507
Metro bus pass sales		38		2,504
Rental income		-		34,933
Total	\$	379	\$	43,944

The significant decrease in project generated revenue in fiscal year ended June 30, 2021 was caused by the coronavirus that adversely affected the operations and services of the City.

CITY OF DOWNEY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2021 and 2020
(Continued)

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

In fiscal years ended June 30, 2021 and 2020, 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 105 and Senior/Handicapped Transit Program Project Code 107.

NOTE 10 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION

The revenue allocation for the years ended June 30, 2021 and 2020 consisted of the following:

		2021		2020
FY 2016-17 allocation	\$	22,260	\$	19,441
FY 2017-18 allocation		71,123		-
Total payment requested	\$	93,383	\$	19,441

NOTE 11 – 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, 2021 and 2020, the City has funds on reserve as follows:

		2021		2020
FY 2016-17 allocation	\$	-	\$	22,260
FY 2017-18 allocation		3,231		74,354
FY 2018-19 allocation		77,160		77,160
FY 2019-20 allocation		82,153		82,153
FY 2020-21 allocation		63,649		-
Available reserve balance	\$	226,193	\$	255,927

NOTE 12 – IMPACT OF CORONAVIRUS

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. 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, including the United States.

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. However, the City’s management believes that the financial impact, if any, will not materially affect the June 30, 2021 Funds’ financial statements.

CITY OF DOWNEY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2021 and 2020
(Continued)

NOTE 13 – SUBSEQUENT EVENTS

The City has evaluated subsequent events through November 17, 2021, 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, 2021, and the related notes to the financial statements, and have issued our report thereon dated November 17, 2021.

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) as a basis for designing 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

Los Angeles, California
November 17, 2021

COMPLIANCE SECTION



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, 2021.

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, 2021.





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. 2021-001, 2021-002, 2021-003, 2021-004, 2021-005, and 2021-006. 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.

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 we consider to be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness and significant deficiencies.

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 under the Guidelines 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Recommendations as Finding Nos. 2021-001, 2021-002, and 2021-005 to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Recommendations as Finding Nos. 2021-004 and 2021-006 to be significant deficiencies.



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.

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

Los Angeles, California
November 17, 2021

CITY OF DOWNEY
COMPLIANCE MATRIX
Year Ended June 30, 2021

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 or has established a separate Proposition A and Proposition C Local Transit Assistance Account for Local Return purposes.	X			None	
2.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Proposition A and/or Proposition C Local Return Account.	X			None	
3.	Funds were expended with Metro’s approval and were not substituted for property tax.		X		None	See Finding No. 2021-003 on the Schedule of Findings and Recommendations.
4.	Timely use of funds.	X			None	
5.	Administrative expenses are within the 20% cap.	X			None	
6.	Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.	X			None	
7.	Annual Project Update Report (Form B) or electronic equivalent was submitted on time.	X			None	
8.	Annual Expenditure Report (Form C) or electronic equivalent was submitted on time.	X			None	
9.	Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	X			None	
10.	Local Return Account is credited for reimbursable expenditures.	X			None	
11.	Where Proposition A funds were given, loaned or exchanged by one jurisdiction to another, the receiving jurisdiction has credited its Local Return Account with the funds received.			X	None	
12.	Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.			X	None	

CITY OF DOWNEY
COMPLIANCE MATRIX
Year Ended June 30, 2021
(Continued)

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						
13.	A separate account was established for Capital reserve funds, Capital reserve was approved by Metro and current status is reported in the Annual Project Update (Form B) or electronic equivalent.			X	None	
14.	Recreational transit form was submitted on time.			X	None	
15.	Fund exchanges (trades, loans, or gifts) were approved by Metro.			X	None	
16.	Proposition C Local Return Funds were used to augment, not supplant existing local revenues being used for road improvement purposes.	X			None	
17.	All on-going and carryover projects were reported on Form B or electronic equivalent.	X			None	
18.	Cash or cash equivalents are maintained.	X			None	
19.	Accounting procedures, record keeping, and documentation are adequate.		X		PALRF: \$507,066 PCLRF: \$51,258	See Finding Nos. 2021-001 and 2021-002 on the Schedule of Findings and Recommendations.

CITY OF DOWNEY
COMPLIANCE MATRIX
Year Ended June 30, 2021
(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				
2.	Separate Measure R Local Return Account was established.	X			None	
3.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X			None	
4.	Funds were expended with Metro's approval.		X		None	See Finding No. 2021-004 on the Schedule of Findings and Recommendations.
5.	Funds were not substituted for property tax and are in compliance with the Maintenance of Effort.	X			None	
6.	Timely use of funds.	X			None	
7.	Administrative expenses are within the 20% cap.	X			None	
8.	Expenditure Plan (Form One or electronic equivalent) was submitted on time.	X			None	
9.	Annual Expenditure Report (Form Two or electronic equivalent) was submitted on time.	X			None	
10.	Where funds expended were reimbursable by other grants or fund sources, the reimbursement was credited to the Local Return Account upon receipt of the reimbursement.			X	None	
11.	Where Measure R funds were given, loaned or exchanged by one jurisdiction to another, the receiving jurisdiction has credited its Local Return Account with the funds received.			X	None	
12.	A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.			X	None	
13.	Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.	X			None	

CITY OF DOWNEY
COMPLIANCE MATRIX
 Year Ended June 30, 2021
 (Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
B. Measure R Local Return Fund						
14.	Recreational transit form was submitted on time.			X	None	
15.	Fund exchanges were approved by Metro.			X	None	
16.	Accounting procedures, record keeping, and documentation are adequate.		X		\$25,885	See Finding No. 2021-005 on the Schedule of Findings and Recommendations.

CITY OF DOWNEY
COMPLIANCE MATRIX
Year Ended June 30, 2021
(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.	Separate Measure M Local Return Account was established.	X			None	
3.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	X			None	
4.	Funds were expended with Metro's approval.		X		None	See Finding No. 2021-006 on the Schedule of Findings and Recommendations.
5.	Funds were not substituted for property tax and are in compliance with the Maintenance of Effort.	X			None	
6.	Timely use of funds.	X			None	
7.	Administrative expenses are within the 20% cap.			X	None	
8.	Expenditure Plan (Form M-One or electronic equivalent) was submitted on time.	X			None	
9.	Expenditure Report (Form M-Two or electronic equivalent) was submitted on time.	X			None	
10.	Where funds expended were reimbursable by other grants or fund sources, the reimbursement was credited to the Local Return Account upon receipt of the reimbursement.			X	None	
11.	Where Measure M funds were given, loaned or exchanged by one jurisdiction to another, the receiving jurisdiction has credited its Local Return Account with the funds received.			X	None	
12.	A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.			X	None	
13.	Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.	X			None	

CITY OF DOWNEY
COMPLIANCE MATRIX
Year Ended June 30, 2021
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
C. Measure M Local Return Fund						
14.	Recreational transit form was submitted on time.			X	None	
15.	Fund exchanges (trades, loans, or gifts) were approved by Metro.			X	None	
16.	Accounting procedures, record keeping, and documentation are adequate.	X			None	

CITY OF DOWNEY
COMPLIANCE MATRIX
 Year Ended June 30, 2021
 (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 DOWNEY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2021

PALRF and PCLRF: Finding No. 2021-001

Compliance Reference	<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 Metro 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
Year Ended June 30, 2021
(Continued)

PALRF and PCLRF: Finding No. 2021-001 (Continued)

<p>Condition</p>	<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 for 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 2020-21. The following is a list of the unsupported salaries and benefits allocations per project:</p> <ul style="list-style-type: none"> (a) PALRF’s Fixed Route Program Project Code 105 in the amount of \$55,663. (b) PALRF’s Senior/Handicapped Transit Program Project Code 107 in the amount of \$324,713. (c) PCLRF’s Ride Sharing Program Project Code 620 in the amount of \$18,902. (d) PCLRF’s Local Return Fund Administration (Public Works) Project Code 620 in the amount of \$32,356. <p>This is a repeat finding from the prior five fiscal years.</p>
<p>Cause</p>	<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>
<p>Effect</p>	<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 \$380,376 and \$51,258 for PALRF and PCLRF, respectively.</p>
<p>Recommendation</p>	<p>We recommend that the City reimburse its PALRF and PCLRF accounts for \$380,376 and \$51,258, 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
Year Ended June 30, 2021
(Continued)

PALRF and PCLRF: Finding No. 2021-001 (Continued)

Management's Response	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. Although 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 since fiscal year 2019-20, the City plans to have an outside agency perform a cost allocation study to help determine a more appropriate allocation of the salaries and benefits to the funds in fiscal year 2021-22. The study is estimated to begin in February 2022 and to be completed by July 1, 2022.
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CITY OF DOWNEY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2021
(Continued)

PALRF: Finding No. 2021-002

Compliance Reference	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...”
Condition	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 107, without appropriate supporting documentation, i.e., invoices, purchase orders, contracts, etc., to validate the disbursements. This is a repeat finding from the prior four fiscal years.
Cause	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.
Effect	The unsupported expenditures for the equipment rental resulted in questioned costs of \$126,690.
Recommendation	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.
Management’s Response	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.

CITY OF DOWNEY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2021
(Continued)

PCLRF: Finding No. 2021-003

Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): “Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds.”
Condition	<p>The expenditures for the following PCLRF projects were incurred prior to Metro’s approval:</p> <ul style="list-style-type: none"> a. Project Code 302, Imperial Highway Traffic Signal Upgrades and Safety Enhancements, in the amount of \$12,125. b. Project Code 620, Ride Sharing Program, in the amount of \$18,902. <p>However, the City subsequently received approved budget in the amount of \$200,000 from Metro for the Imperial Highway Traffic Signal Upgrades and Safety Enhancements Project Code 302 on September 23, 2021.</p> <p>Likewise, the City subsequently received an approved budget amount of \$18,902 from Metro for the Ride Sharing Program Project Code 620 on November 16, 2021.</p>
Cause	The request for the budget approvals from Metro for these projects were overlooked in fiscal year 2020-21.
Effect	The City did not comply with the Guidelines as expenditures for the PCLRF projects were incurred prior to Metro’s approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from Metro prior to implementing any Proposition C Local Return projects, and properly enter the budgeted amount for each project in the Local Return Management System (LRMS) and submit before the requested due date so that the City’s expenditures of Proposition C Local Return Funds are in accordance with Metro’s approval and the Guidelines.
Management’s Response	The City’s management agrees with the finding. In the future, the City will review all PCLRF projects prior to the fiscal year end and ensure that each project has the appropriate Metro-approved budget.
Corrected During the Audit	Metro Program Manager granted retroactive budget approvals of the said projects on September 23, 2021 and November 16, 2021. No follow-up is required.

CITY OF DOWNEY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2021
(Continued)

MRLRF: Finding No. 2021-004

Compliance Reference	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.”
Condition	The expenditures for MRLRF's Project Code 720, CIP 17-09: Paramount Boulevard Signalization and Safety Enhancements, in the amount of \$34,312 were incurred prior to Metro’s approval. However, the City subsequently received an approved budget amount of \$34,312 from Metro for the MRLRF project on November 16, 2021. This is a repeat finding from the prior fiscal year.
Cause	The request for the budget approval from Metro for this project was overlooked in fiscal year 2020-21.
Effect	The City did not comply with the Guidelines as expenditures for the MRLRF project were incurred prior to Metro’s approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from Metro prior to implementing any Measure R Local Return projects, and properly enter the budgeted amount for each project in the Local Return Management System (LRMS) and submit before the requested due date so that the City’s expenditures of Measure R Local Return Funds are in accordance with Metro’s approval and the Guidelines.
Management’s Response	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 Metro-approved budget.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval of the said project on November 16, 2021. No follow-up is required.

CITY OF DOWNEY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2021
(Continued)

MRLRF: Finding No. 2021-005

Compliance Reference	<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 Metro 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 “(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="margin-left: 40px;">:</p> <p style="margin-left: 40px;">(b) A Federal award and non-Federal award.</p> <p style="margin-left: 40px;">:</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p style="margin-left: 40px;">(a) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p style="margin-left: 40px;">:</p> <p style="margin-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
Year Ended June 30, 2021
(Continued)

MRLRF: Finding No. 2021-005 (Continued)

Condition	<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 630 in the amount of \$25,885 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 for 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 2020-21.</p> <p>This is a repeat finding from the prior five fiscal years.</p>
Cause	<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>
Effect	<p>The payroll costs claimed under the MRLRF projects may include expenditures which may be disallowed Measure R project expenditures. This resulted in questioned cost of \$25,885.</p>
Recommendation	<p>We recommend that the City reimburse its MRLRF account for \$25,885. 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>
Management’s Response	<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 programs. Although 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 since fiscal year 2019-20, the City plans to have an outside agency perform a cost allocation study to help determine a more appropriate allocation of the salaries and benefits to the funds in fiscal year 2021-22. The study is estimated to begin in February 2022 and to be completed by July 1, 2022.</p>

CITY OF DOWNEY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2021
(Continued)

MMLRF: Finding No. 2021-006

Compliance Reference	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.”
Condition	The expenditures for MMLRF's Project Code 720, CIP 17-10: Stewart and Gray Signalization and Safety Improvements, in the amount of \$454,680 were incurred prior to Metro’s approval. However, the City subsequently received an approved budget amount of \$454,680 from Metro for the MMLRF project on November 16, 2021. This is a repeat finding from the prior fiscal year.
Cause	The request for the budget approval from Metro for this project was overlooked in fiscal year 2020-21.
Effect	The City did not comply with the Guidelines as expenditures for the MMLRF project were incurred prior to Metro’s approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from Metro prior to implementing any Measure M Local Return projects, and properly enter the budgeted amount for each project in the Local Return Management System (LRMS) and submit before the requested due date so that the City’s expenditures of Measure M Local Return Funds are in accordance with Metro’s approval and the Guidelines.
Management’s Response	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 Metro-approved budget.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval of the said project on November 16, 2021. No follow-up is required.

EXIT CONFERENCE

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, 2021

An exit conference was held on December 28, 2021 with the City of Downey. Those in attendance were:

Simpson & Simpson Representative:

John Longoria, Senior Auditor

City's Representatives:

Francesca Navarro, Principal Accountant
Sulema Martinez, Accountant

Matters Discussed:

Results of the audit disclosed three (3) material weaknesses, two (2) significant control deficiencies, and six (6) non-compliance issues with Metro Guidelines.

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

Sulema Martinez, Accountant

Simpson & Simpson, LLP
633 West 5th 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, 2021 AND 2020.

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, 2021 and 2020, 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,

Name

Title

Date