

***CITY OF LONG BEACH
ANNUAL FINANCIAL REPORT OF THE
PROPOSITION A LOCAL RETURN FUND
PROPOSITION C LOCAL RETURN FUND
TRANSPORTATION DEVELOPMENT ACT
ARTICLE 3 FUND***

***FOR THE NINE MONTHS ENDED
JUNE 30, 2017***



Metro[®]



Simpson & Simpson, LLP
Certified Public Accountants

CITY OF LONG 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 Long 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), and Transportation Development Act Article 3 Fund (TDAA3F) of the City of Long Beach, California (City) as of and for the nine months ended June 30, 2017, 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 audit. We conducted our audit 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, and TDAA3F of the City of Long Beach, California, as of June 30, 2017, and the respective changes in their financial position for the nine months 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, and TDAA3F and do not purport to, and do not, present fairly the financial position of the City of Long Beach, California, as of June 30, 2017, and the changes in financial position thereof for the nine months 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 audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Long Beach, California's PALRF, PCLRF, and TDAA3F Fund financial statements as a whole. 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 financial statements.

The supplementary 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 financial statements or to the 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 the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2017, on our consideration of the City of Long Beach's internal control over 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 financial reporting and compliance and the results of that testing, not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering the City's internal control over financial reporting and compliance.

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

Los Angeles, California
November 24, 2017

CITY OF LONG BEACH

PROPOSITION A LOCAL RETURN FUND

BALANCE SHEET

JUNE 30, 2017

ASSETS

Cash and investments	\$	<u>13,044,735</u>
Total assets	\$	<u><u>13,044,735</u></u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$	1,843,795
Accrued salaries and wages payable		310
Due to other funds		<u>4,062</u>
Total liabilities		<u><u>1,848,167</u></u>

Fund Balance

Restricted		<u>11,196,568</u>
Total fund balance		<u><u>11,196,568</u></u>
Total liabilities and fund balance	\$	<u><u>13,044,735</u></u>

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

CITY OF LONG BEACH

PROPOSITION A LOCAL RETURN FUND

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**

For the Nine Months Ended June 30, 2017

REVENUES

Proposition A	\$ 6,501,107
Interest income	72,707
Unrealized loss on investments	<u>(33,433)</u>
Total revenues	<u>6,540,381</u>

EXPENDITURES

Various projects	<u>6,683,934</u>
Total expenditures	<u>6,683,934</u>

Deficiency of revenues over expenditures (143,553)

Fund balance at beginning of year 11,340,121

Fund balance at end of year \$ 11,196,568

See accompanying independent auditor's report.

CITY OF LONG BEACH

PROPOSITION A LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES

ACTUAL AND METRO APPROVED PROJECT BUDGET

For the Nine Months Ended June 30, 2017

Project Code	Project Name	Metro Budget	Actual	Variance Favorable (Unfavorable)
110-02	Operation and Maintenance of Downtown Busways Promenade and Boardwalk	\$ 875,000	\$ 75,000	\$ 800,000
110-03	Apportionment to Long Beach Transit (Note 6)	5,500,000	5,572,293	(72,293)
110-04	Marina Drive Shuttle Bus Pilot Project	150,000	5,888	144,112
140-07	Recreational Transit - Handi-Van	121,000	30,600	90,400
140-30	Youth and Senior Recreational Transit	135,000	3,912	131,088
150-36	Bus Stop Improvement Program	268,034	-	268,034
150-41	Schoreder Hall Bus Stop Improvement	275,000	-	275,000
150-98	East Bound Bus Stop on Anaheim between Long Beach Boulevard and Elm Street	60,000	-	60,000
150-100	7th Street Bus Stop Improvements	400,000	-	400,000
150-101	Bus Stop Improvement at Pacific and 3rd Avenues	250,000	81,393	168,607
150-102	Neighborhood Transit Improvements	50,000	-	50,000
160-01	Bus Stop Improvements at Orange Avenue and 4th Street	400,000	-	400,000
160-02	Bus Stop Improvements on Studebaker Road Between Spring Street and Wardlow Road	300,000	20,225	279,775
160-03	Bus Stop Improvements on Pacific between PCH and Wardlow Road	500,000	24,424	475,576
160-04	Bus Stop Improvements on Orange Avenue between 52nd Street and 64th Street	600,000	285,048	314,952
160-05	Bus Stop Improvements at Hughes Way and Via Oro	60,000	-	60,000
160-06	Bus Stop Improvements on Easy Avenue Between 27th Street and Spring Street	60,000	4,138	55,862
160-07	Bus Stop Improvements on Alamitos Avenue between 7th Street and Orange Avenue	300,000	-	300,000
160-08	Bus Stop Improvements on Atherton Street between Clark Avenue and Bellflower Boulevard	300,000	-	300,000
160-09	Bus Stop Improvements on 10th Street between Cherry Avenue and Temple Avenue	210,000	-	210,000
	Sub-total	<u>10,814,034</u>	<u>6,102,921</u>	<u>4,711,113</u>

See accompanying independent auditor's report.

CITY OF LONG BEACH
PROPOSITION A LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
(Continued)

For the Nine Months Ended June 30, 2017

Project Code	Project Name	Metro Budget	Actual	Variance Favorable (Unfavorable)
160-10	Bus Stop Improvements at Orange Avenue and 4th Street	\$ 400,000	\$ -	\$ 400,000
160-11	East Police Department Bus Stop	275,000	-	275,000
160-12	Bus Stop Improvements at PCH and MLK Jr Avenue	200,000	314	199,686
160-13	Bus Stop Improvements on Carson Street between City Limits and Clark Avenue	150,000	-	150,000
160-14	Bus Stop Improvements on Magnolia Avenue between Spring Street and Wardlow Road	90,000	539	89,461
160-15	Bus Stop Improvements on Anaheim Street between Atlantic Avenue and Alamitos Avenue	150,000	-	150,000
160-16	Bus Stop Improvements on Artesia Blvd between Paramount Boulevard and Downey Avenue	120,000	-	120,000
160-17	Bus Stop Improvements on Atherton Street between Outer Traffic Circle and Clark Avenue	120,000	-	120,000
160-18	Bus Shelter Demonstration	300,000	1,453	298,547
160-19	Bus Stop Improvements at Pacific and Ocean	50,000	48,430	1,570
160-20	City of LB and LB Transit Partnership Projects	950,000	7,858	942,142
160-21	Bus Stop Improvements on Long Beach Boulevard	70,000	18,028	51,972
160-22	Willow Street Bus Shelters	300,000	-	300,000
210-69	Bus Lane Project Study	750,000	-	750,000
210-70	Atlantic Avenue Transit Priority Project	50,000	-	50,000
270-11	I-710 Corridor Study	300,000	-	300,000
270-26	Streetcar Feasibility Study	100,000	-	100,000
290-112	Park and Ride Lot at Cherry and 4th Street	100,000	45	99,955
290-113	2nd and Marina Park and Ride	500,000	-	500,000
300-14	Office Equipment	65,000	-	65,000
310-01	Long Beach Transit Center Electrical Service Panel Relocation- Pine and 1st	10,000	-	10,000
Sub-total		<u>5,050,000</u>	<u>76,667</u>	<u>4,973,333</u>

See accompanying independent auditor's report.

CITY OF LONG BEACH
PROPOSITION A LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
(Continued)

For the Nine Months Ended June 30, 2017

Project Code	Project Name	Metro Budget	Actual	Variance Favorable (Unfavorable)
320-01	Long Beach Blue Line Priority Project	\$ 1,600,000	\$ 63,665	\$ 1,536,335
350-95	East Anaheim Street and Redondo Avenue Transit Improvements	550,000	27,424	522,576
350-96	Willow Street Pedestrian Bus Stop Improvements	550,000	15,217	534,783
390-05	Landscape Maintenance Blue Line	439,000	134,245	304,755
400-17	Maintain Metro Blue Line Facilities in Long Beach	6,690	-	6,690
410-01	Belmont Shore Employee Bus Pass Program	270,000	85,137	184,863
410-03	Citywide TDM Program	250,000	26,700	223,300
410-04	Long Beach Bike Share Expansion	250,000	-	250,000
410-05	Park or Ride TDM Project	500,000	-	500,000
480-13	Direct Administration	1,000,000	151,958	848,042
480-98	Government Affairs Support	25,000	-	25,000
500-06	Metro Blue Line Ride Sharing Pool Contribution	50,000	-	50,000
500-07	Long Beach Transit Mall Lighting	5,000	-	5,000
	Total expenditures	<u>\$ 21,359,724</u>	<u>\$ 6,683,934</u>	<u>\$ 14,675,790</u>

See accompanying independent auditor's report.

CITY OF LONG BEACH

PROPOSITION A LOCAL RETURN FUND

**SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS**

June 30, 2017

<u>Date</u> <u>Acquired</u>	<u>Description</u>	<u>Balance</u> <u>10/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2017</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report

CITY OF LONG BEACH

PROPOSITION C LOCAL RETURN FUND

BALANCE SHEET

JUNE 30, 2017

ASSETS

Cash and investments	\$	16,232,007
Prepaid expenses		<u>28,125</u>
Total assets	\$	<u><u>16,260,132</u></u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$	1,476,946
Due to other funds		<u>20,473</u>
Total liabilities		<u>1,497,419</u>

Fund Balance

Restricted		<u>14,762,713</u>
Total fund balance		<u>14,762,713</u>
Total liabilities and fund balance	\$	<u><u>16,260,132</u></u>

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

CITY OF LONG BEACH

PROPOSITION C LOCAL RETURN FUND

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**

For the Nine Months Ended June 30, 2017

REVENUES

Proposition C	\$ 5,407,722
Interest income	84,857
Unrealized loss on investments	<u>(37,817)</u>
Total revenues	<u>5,454,762</u>

EXPENDITURES

Various projects	<u>3,441,300</u>
Total expenditures	<u>3,441,300</u>

Excess of revenues over expenditures 2,013,462

Fund balance at beginning of year 12,749,251

Fund balance at end of year \$ 14,762,713

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

CITY OF LONG BEACH

PROPOSITION C LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES

ACTUAL AND METRO APPROVED PROJECT BUDGET

For the Nine Months Ended June 30, 2017

Project Code	Project Name	Metro Budget	Actual	Variance Favorable (Unfavorable)
150-99	Long Beach Boulevard & 5th Street Bus Stop	\$ 400,000	\$ -	\$ 400,000
210-67	Funding for Strategic Transportation Planning and Implementation	87,000	-	87,000
270-02	Mobility Element	500,000	890	499,110
270-63	City Portion- Gateway Cities COG/LACMTA Employee	25,000	-	25,000
270-90	I-710 Long Beach Community Livability Plan	50,000	-	50,000
270-91	I-710 Corridor Project Draft EIR/EIS Review	300,000	37,500	262,500
270-92	Bicycle/Pedestrian Intersection and Crossing Improvements Study	70,000	26,629	43,371
270-134	Planning for Transportation Projects	100,000	-	100,000
270-135	Systemic Safety Analysis Report Program	25,000	2,630	22,370
300-13	Steam Cleaning of First Street Sidewalks	9,000	-	9,000
350-94	Metro Blue Line Fence on Long Beach Boulevard	500,000	-	500,000
360-61	Downtown Bike Station Operations at Promenade and 1st Street	50,000	13,534	36,466
400-55	Signal Synchronization Operations	400,000	-	400,000
400-89	Ocean Boulevard Signal Synchronization Project	1,000,000	-	1,000,000
410-02	Parking and Wayfinding Signage	250,000	4,282	245,718
420-09	CMP Compliance	25,000	-	25,000
430-82	Downtown Regional Bikeway Connector	298,000	-	298,000
430-93	Artesia Street Traffic Signal Synchronization	500,000	-	500,000
430-96	Pacific Avenue Between Willow and Spring Street	27,000	-	27,000
430-99	3rd and Broadway Cycle Tracks	3,130,000	57,549	3,072,451
430-116	Metro Bike Lane and Pedestrian Access Plan	30,000	-	30,000
430-119	Bike Boulevards	500,000	-	500,000
430-122	Willow Street Pedestrian Improvements	918,000	117,636	800,364
430-123	Long Beach Boulevard Pedestrian Improvements	970,824	35,991	934,833
430-135	Bike Gap Closures and Access to the LA River	400,000	28,302	371,698
430-140	Artesia Boulevard Improvements (Atlantic Avenue to Orange Avenue)	220,000	32,526	187,474
	Sub-total	<u>10,784,824</u>	<u>357,469</u>	<u>10,427,355</u>

See accompanying independent auditor's report.

CITY OF LONG BEACH
PROPOSITION C LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
(Continued)

For the Nine Months Ended June 30, 2017

Project Code	Project Name	Metro Budget	Actual	Variance Favorable (Unfavorable)
440-08	East/West Corridor Bus Speed Improvements- Phase III	\$ 2,392,000	\$ -	\$ 2,392,000
440-100	Atlantic Place Atlantic Avenue to 72nd Street	896,000	-	896,000
440-101	Willow Street, Redondo Avenue to Grand Avenue	1,588,000	-	1,588,000
440-103	Long Beach Boulevard, 10th to Anaheim Street	1	-	1
440-124	Atherton Street Improvements	620,000	-	620,000
440-132	Atherton Street Between Outer Traffic Circle and Bellflower Boulevard	280,899	-	280,899
440-135	Alamitos Avenue from 7th Street to Orange Avenue	1,700,000	581	1,699,419
440-138	Pacific Avenue from Anaheim Street to Pacific Coast Highway	800,000	136	799,864
440-141	Santa Fe Avenue from Spring Street to Wardlow Road	160,000	61	159,939
440-142	Magnolia Avenue from Pacific Coast Highway to Spring Street	100,000	-	100,000
440-201	Cherry Avenue Between Ocean Boulevard and Pacific Coast Highway	3,000,000	85,172	2,914,828
440-202	Alamitos Park Street Improvements	200,000	-	200,000
440-203	Orange Avenue Between Wardlow Road and Bixby Road	890,000	-	890,000
440-204	7th Street from Martin Luther King Jr. Boulevard to Atlantic Avenue	300,000	-	300,000
440-208	Street Maintenance on Artesia Blvd Between Paramount Blvd and Downey Avenue	960,000	24,043	935,957
440-209	Street Maintenance on Atherton St between Outer Traffic Circle and Clark Avenue	880,000	35,667	844,333
440-210	Street Maintenance on Carson Street between City Limits and Clark Avenue	1,892,000	26,237	1,865,763
440-211	Street Maintenance on Magnolia Avenue between Spring Street and Wardlow Road	990,000	-	990,000
440-212	Street Maintenance on Magnolia Ave between Spring Street and Wardlow Road	990,000	51,994	938,006
	Sub-total	<u>18,638,900</u>	<u>223,891</u>	<u>18,415,009</u>

See accompanying independent auditor's report.

CITY OF LONG BEACH
PROPOSITION C LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
(Continued)

For the Nine Months Ended June 30, 2017

Project Code	Project Name	Metro Budget	Actual	Variance Favorable (Unfavorable)
440-213	Street Maintenance on Anaheim Street Between Atlantic Avenue and Alamitos Avenue	\$ 880,000	\$ 33,987	\$ 846,013
440-300	Studebaker Road from Spring Street to Wardlow Road	1,096,000	299,868	796,132
440-301	Pacific Avenue from PCH to Willow Street	1,588,000	30,528	1,557,472
440-302	Easy Avenue from 27th Street to Spring Street	688,000	(2,893)	690,893
440-303	Orange Avenue from 52nd Street to 64th Street	2,853,000	1,941,047	911,953
440-304	Del Amo Boulevard Between West City Limits and Long Beach Boulevard	1,372,000	25,858	1,346,142
440-305	Orange Avenue Between Artesia Boulevard and 72nd Street	1,447,000	34,463	1,412,537
440-306	Redondo Avenue Between Reservoir Drive and Stearns Street	410,000	7,152	402,848
440-307	Studebaker Road Between Keynote Street and Los Coyotes Diagonal	1,023,000	23,685	999,315
440-308	Ximeno Avenue Between Atherton Street and Los Coyotes Diagonal	385,000	2,830	382,170
440-309	Anaheim Street Between Oregon Avenue and Pacific Avenue	682,000	25,966	656,034
440-310	Broadway Between Lindero Avenue and Redondo Avenue	865,000	-	865,000
450-60	Metro Blue Line Three-Car Train Mitigation	816,000	-	816,000
450-84	Traffic Signal Enhancements and Installations	583,000	-	583,000
470-08	Maintaining Pavement Management System	50,000	-	50,000
470-88	Pavement Management System Update	600,000	-	600,000
470-97	Pavement Management System Update	50,000	-	50,000
480-53	Local Return Administration	59,000	-	59,000
480-54	Transit Program Development	88,000	-	88,000
480-56	Transportation Software Systems Maintenance	58,000	-	58,000
480-57	Collision Database System Operations	25,000	31,250	(6,250)
480-68	Project Management System Software and Support Services	400,000	-	400,000
	Sub-total	<u>16,018,000</u>	<u>2,453,741</u>	<u>13,564,259</u>

See accompanying independent auditor's report.

CITY OF LONG BEACH
PROPOSITION C LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
(Continued)

For the Nine Months Ended June 30, 2017

Project Code	Project Name	Metro Budget	Actual	Variance Favorable (Unfavorable)
480-70	Transportation Programs Development and Administration	\$ 105,000	\$ -	\$ 105,000
480-71	Transportation Programs Management	600,000	194,920	405,080
480-72	Engineering Administration- Proposition C Projects	360,000	104,991	255,009
480-73	Traffic and Transportation Administration	115,000	106,288	8,712
	Total expenditures	<u>\$ 46,621,724</u>	<u>\$ 3,441,300</u>	<u>\$ 43,180,424</u>

See accompanying independent auditor's report.

CITY OF LONG BEACH

PROPOSITION C LOCAL RETURN FUND

**SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS**

June 30, 2017

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 10/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2017</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

CITY OF LONG BEACH

**TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
(PURSUANT TO PUBLIC UTILITIES CODE SECTION 99234)**

**BALANCE SHEET
JUNE 30, 2017**

ASSETS

Cash	\$	274,743
Due from LACMTA		<u>26,098</u>
Total assets	\$	<u><u>300,841</u></u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$	<u>-</u>
Total liabilities		<u>-</u>

Fund Balance

Restricted		<u>300,841</u> *
Total fund balance		<u>300,841</u>
Total liabilities and fund balance	\$	<u><u>300,841</u></u>

* Since the City encumbered the funds for the Park Bike Path and Sidewalk Replacement Project and 6th Street Bike Boulevard Project as of June 30, 2017, the City is not required to return the ending fund balance of \$300,841 to be placed on reserve for the City.

See accompanying independent auditor's report.

CITY OF LONG BEACH

TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE

For the Nine Months Ended June 30, 2017

REVENUES

TDA 3	\$	313,181
Interest income		<u>2,580</u>
Total revenues		<u>315,761</u>

EXPENDITURES

6th Street Bike Boulevard		<u>14,920</u>
Total expenditures		<u>14,920</u>

Excess of revenues over expenditures 300,841

Fund balance at beginning of year -

Fund balance at end of year \$ 300,841 *

* Since the City encumbered the funds for the Park Bike Path and Sidewalk Replacement Project and 6th Street Bike Boulevard Project as of June 30, 2017, the City is not required to return the ending fund balance of \$300,841 to be placed on reserve for the City.

See accompanying independent auditor's report.

CITY OF LONG BEACH

TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
SUPPLEMENTARY INFORMATION

SCHEDULE OF TRANSPORTATION DEVELOPMENT ACT
ALLOCATION FOR SPECIFIC PROJECTS

For the Nine Months Ended June 30, 2017

<u>Project Description</u>	<u>Program Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended Allocations</u>	<u>Project Status</u>
Local allocations					
Park Bike Path and Sidewalk Replacement Project	2016-17	\$ 313,181	\$ -	\$ 313,181	Ongoing
6th Street Bike Boulevard	2016-17	-	14,920	(14,920)	Ongoing
Total		<u>\$ 313,181</u>	<u>\$ 14,920</u>	298,261	
Unexpended interest accumulate to date				2,580	
Fund balance at beginning of year				<u>-</u>	
Fund balance at end of year				<u>\$ 300,841</u> *	

* The City encumbered the funds for the Park Bike Path and Sidewalk Replacement Project and 6th Street Bike Boulevard Project as of June 30, 2017. Therefore, the City is not required to return the ending fund balance of \$300,841 to LACMTA to be placed on reserve for the City.

See accompanying independent auditor's report.

CITY OF LONG BEACH

NOTES TO FINANCIAL STATEMENTS
For the Nine Months Ended June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The operations of the Proposition A Local Return Fund (PALRF) and Proposition C Local Return Funds (PCLRF), and Transportation Development Act Article 3 Fund (TDAA3F) 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.

Transportation Development Act Article 3 Fund (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, 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 a 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. Statements of revenues, expenditures and changes in fund balances 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.

Fair Value Measurement

In accordance with GASB Statement No. 72, Fair Value Measurement and Application, which became effective for the fiscal year ended September 30, 2016, the City categorized 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 investments at fair value and recognized unrealized gain (loss) on investments.

CITY OF LONG BEACH

NOTES TO FINANCIAL STATEMENTS
For the Nine Months Ended June 30, 2017
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Refer to the City’s 2017 Comprehensive Annual Financial Report for detailed disclosures regarding the City’s investments policy and fair value measurements.

Fund Balance Reporting

Governmental Accounting Standards Board (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 the resources reported in governmental funds.

The PALRF, PCLRF, and TDAA3F report the following fund balance classification as of June 30, 2017:

- Restricted – Amounts that are constrained for specific purposes, which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation. The use of the Funds’ remaining fund balances are restricted for projects approved by LACMTA.

Information regarding the fund balance reporting policy adopted by the City is described in Note 1 of 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, and TDAA3F and their compliance with the Proposition A and Proposition C 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.

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.

NOTE 4 – 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.

CITY OF LONG BEACH

NOTES TO FINANCIAL STATEMENTS
For the Nine Months Ended June 30, 2017
(Continued)

NOTE 5 – CASH AND INVESTMENTS

The PALRF, PCLRF, and TDAA3F cash balances were pooled with various other City funds for deposit and investment purposes. The share of each fund in the pooled cash 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 6 – APPORTIONMENT TO LONG BEACH PUBLIC TRANSIT PROJECT - PALRF

In fiscal year 2016-17, payments made from PALRF to Long Beach Public Transportation for the services provided to the City of Long Beach in the amount of \$4,503,626 was charged to Project Code 110-03, Apportionment to Long Beach Transit.

NOTE 7 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION

The revenue allocation for the nine months ended June 30, 2017 consisted of the following:

	2017
FY 2016-17 allocation	\$ <u>313,181</u>
Total	\$ <u><u>313,181</u></u>

NOTE 8 – 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, 2017, the City has no funds on reserve.

NOTE 9 – SUBSEQUENT EVENTS

The City has evaluated events or transactions that occurred subsequent to June 30, 2017 through November 24, 2017, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined no subsequent matters require disclosure or adjustment to the accompanying financial statements.



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Honorable Members of the City Council of the
City of Long 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 (PALRF), Proposition C Local Return Fund (PCLRF), and Transportation Development Act Article 3 Fund (TDAA3F) of the City of Long Beach, California (City), as of and for the nine months ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated November 24, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the 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 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 City’s local return funds and TDAA3F 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 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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is 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". The signature is written in a cursive, flowing style.

Los Angeles, California
November 24, 2017

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 Long Beach, California and the
Los Angeles County Metropolitan Transit Authority

Report on Compliance

We have audited the compliance of the City of Long Beach, California (City) with the Proposition A and Proposition C 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 nine months ended June 30, 2017.

Management's Responsibility

Management is responsible for the City's compliance with those 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 a local return program and the Transportation Development Act Article 3 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. Our audit does not provide a legal determination of the City's compliance with those requirements.

Opinion on Each Local Return Program and Transportation Development Act Article 3

In our opinion, the City of Long Beach complied, in all material respects, with the compliance requirements referred to above that apply to Proposition A Local Return Fund, Proposition C Local Return Fund, and Transportation Development Act Article 3 Fund (TDAA3F) for the nine months ended June 30, 2017.





Report on Internal Control Over Compliance

Management of the City of Long Beach is responsible for establishing and maintaining effective internal control over compliance with the Requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the Requirements that could have a direct and material effect on the Local Return programs and the TDAA3F to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Requirements, 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 under the Requirements 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 Requirements 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 Requirements 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 we consider to be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weakness may exist that have not been identified.

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 cursive script that reads "Simpson & Simpson".

Los Angeles, California
November 24, 2017

CITY OF LONG BEACH
COMPLIANCE MATRIX
 Nime Monts Ended June 30, 2017

Compliance Requirement	In Compliance		Questioned Costs	If no, provide details and management response.	
	Yes	No			
A. Proposition A and Proposition C Local Return Funds					
1.	Timely use of funds.	X		None	
2.	Expenditures were approved before being incurred.	X		None	
3.	Funds were used on approved projects only and expenditures were supported and allowable per Guidelines.	X		None	
4.	Expenditures did not exceed 25% of Metro's approved budget.	X		None	
5.	Administrative expenses were within the 20% cap.	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) and listing of Recreational Transit Services, if applicable, were submitted on time.	X		None	
9.	Cash or cash equivalents were maintained.	X		None	
10.	Accounting procedures, record keeping and documentation were adequate.	X		None	

CITY OF LONG BEACH
COMPLIANCE MATRIX
 Nine Months Ended June 30, 2017
 (Continued)

Compliance Requirement		In Compliance		Questioned Costs	If no, provide details and management response.
		Yes	No		
11.	Revenues received including allocations, project generated revenues, and interest income were properly credited to the PALRF and PCLRF accounts.	X		None	
B. 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 LONG BEACH

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

June 30, 2017

No findings were noted.

EXIT CONFERENCE

CITY OF LONG BEACH

PROPOSITION A LOCAL RETURN FUND, PROPOSITION C LOCAL RETURN FUND, AND
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
EXIT CONFERENCE

June 30, 2017

An exit conference was held on December 18, 2017 via telephone conference. Those in attendance were:

Simpson & Simpson Representative:

Yung Dang, Auditor

City's Representative:

Stephen W. Hannah, City Controller

Georgia Will, Accountant

Matters Discussed:

Results of the audit disclosed no significant control deficiencies or non-compliance issues with LACMTA's 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:

Stephen W. Hannah, City Controller

Georgia Will, Accountant

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

RE: CITY OF LONG BEACH ANNUAL FINANCIAL REPORT OF THE PROPOSITION A LOCAL RETURN FUND, PROPOSITION C LOCAL RETURN FUND, AND TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND FOR THE NINE MONTHS ENDED JUNE 30, 2017.

I have received the annual financial report of the Proposition A Local Return Fund, Proposition C Local Return Fund, and Transportation Development Act Article 3 Fund for the nine months ended June 30, 2017 and the Measure R Local Return Fund for the nine months ended June 30, 2017 for the City of Long Beach and agree with the contents of the report except as indicated below:

(Attach additional pages if necessary)

Very truly yours,

Name

Title

Date