



MetroTM

**City of West Hollywood
Annual Financial Report of its**

**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**

**As of and for the Years Ended June 30, 2019 and 2018
with Report of Independent Auditors**

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FINANCIAL SECTION

Report of Independent Auditors

To the Honorable Members of the City Council of the City of West Hollywood, 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, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of West Hollywood, California (the City) which comprise the Funds' balance sheets as of June 30, 2019 and 2018, and the related statements of revenues, expenditures and changes in fund balances for the years then ended, and the related notes to the financial statements.

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.

Auditors' 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 audits 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 City'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 City'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 Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund of the City of West Hollywood, California, as of June 30, 2019 and 2018, 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.

Other Matter

As discussed in Note 14, the fiscal year 2018 financial statements of Proposition A Local Return Fund and Measure R Local Return Fund have been restated to remove certain administration expenditures from the Proposition A Local Return Fund that were funded by the General Fund and to report in Measure R Local Return Fund an invoice from LA County Department of Public Works for the Storm Drain Cleaning and Repair project. Our opinion is not modified with respect to this matter.

Emphasis of Matters

As discussed in Note 2, the financial statements present only the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund of the City of West Hollywood, California, and do not purport to, and do not present fairly the financial position of the City as of June 30, 2019 and 2018, 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 as a whole. The supplementary information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information identified in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the Funds' basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the Funds' basic 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' basic financial statements or to the Funds' basic 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' basic 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 December 9, 2019 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 black ink that reads "Vasquez & Company LLP". The signature is written in a cursive, flowing style.

**Glendale, California
December 9, 2019**

**City of West Hollywood
Proposition A Local Return Fund
Balance Sheets**

		June 30	
		2019	(as restated) 2018
ASSETS			
Cash and investments	\$	700,094	\$ 2,048,589
Due from LACMTA		284,307	375,778
Receivables from other governmental agencies		480,000	-
Interest receivable		1,898	5,030
Total assets	\$	1,466,299	\$ 2,429,397
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	688,546	\$ 554,740
Total liabilities		688,546	554,740
Fund balance			
Restricted		777,753	1,874,657
Total fund balance		777,753	1,874,657
Total liabilities and fund balance	\$	1,466,299	\$ 2,429,397

See notes to Funds financial statements.

City of West Hollywood
Proposition A Local Return Fund
Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2019	(as restated) 2018
Revenues		
Proposition A	\$ 720,371	\$ 670,081
Proposition A fund exchange	2,400,000	2,250,000
Investment income	41,798	20,381
Proposition A Discretionary Incentive Grant	317,793	375,778
Bus pass sales	28,428	30,269
Gain on sale of capital assets	2,045	11,450
Total revenues	3,510,435	3,357,959
Expenditures		
Expenditures funded by PALRF	4,367,257	3,570,590
Reimbursement to City of Beverly Hills (Note 10)	240,082	377,819
Total expenditures	4,607,339	3,948,409
Deficiency of revenues over expenditures	(1,096,904)	(590,450)
Fund balance at beginning of year	1,874,657	2,465,107
Fund balance at end of year	\$ 777,753	\$ 1,874,657

See notes to Funds financial statements.

City of West Hollywood
Proposition A Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2019
(With Comparative Actuals for 2018)

Project Code	Project Name	2019			(as restated)
		LACMTA Budget	Actual	Variance Positive (Negative)	2018 Actual
110-01	City Line Fixed Route	\$ 2,007,200	\$ 1,849,390	\$ 157,810	\$ 1,739,195
110-02	PickUp Line Shuttle	1,150,000	1,113,857	36,143	782,759
120-02	Door to Door Paratransit	62,145	66,444	(4,299)	56,329
130-01	Taxi Coupon and Lift Van Subsidy Program	430,000	350,451	79,549	299,038
140-01	Recreation Trips	20,000	19,563	437	20,450
140-02	Preschool Age Trips	16,000	15,592	408	16,191
140-03	Senior Recreation Trips	30,000	27,852	2,148	23,996
200-01	Vehicle Acquisition	273,758	273,758	-	-
250-010	Bus Pass Subsidy	90,000	70,688	19,312	75,733
280-01	Transit Publications	40,000	33,997	6,003	21,196
480-01	Direct Administration of Prop A and C Projects	579,795	545,665	34,130	535,703
	Total expenditures	\$ 4,698,898	\$ 4,367,257	\$ 331,641	\$ 3,570,590

See report of independent auditors.

City of West Hollywood
Proposition A Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2019

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
Dec-08	5 Dial-A-Ride Buses	\$ 121,090	\$ -	\$ -	\$ 121,090
Mar-10	5 Shuttle Buses	480,570	-	192,228	288,342
Jun-17	5 Mini Buses	27,771 ^a	-	-	27,771
Jun-17	1 Dial-A-Ride Bus	14,000 ^b	-	-	14,000
Sep-18	5 Cityline Buses	-	273,758 ^c	-	273,758
	Total	\$ 643,431	\$ 273,758	\$ 192,228	\$ 724,961

^a PALRF partly funded the total cost of \$244,555.

^b PALRF partly funded the total cost of \$139,216.

^c PALRF partly funded the total cost of \$928,512.

See report of independent auditors.

City of West Hollywood
Proposition C Local Return Fund
Balance Sheets

		June 30	
		2019	2018
ASSETS			
Cash and investments	\$	1,360,114	\$ 1,024,367
Interest receivable		3,694	2,514
Total assets	\$	<u>1,363,808</u>	<u>\$ 1,026,881</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	11,260	\$ 70,526
Total liabilities		<u>11,260</u>	<u>70,526</u>
Fund balance			
Restricted		<u>1,352,548</u>	<u>956,355</u>
Total fund balance		<u>1,352,548</u>	<u>956,355</u>
Total liabilities and fund balance	\$	<u>1,363,808</u>	<u>\$ 1,026,881</u>

See notes to Funds financial statements.

City of West Hollywood
Proposition C Local Return Fund
Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2019	2018
Revenues		
Proposition C	\$ 597,527	\$ 553,739
Investment income	33,428	6,505
Gain on sale of capital assets	2,045	-
Total revenues	633,000	560,244
Expenditures		
Various projects	236,807	370,059
Total expenditures	236,807	370,059
Excess of revenues over expenditures	396,193	190,185
Fund balance at beginning of year	956,355	766,170
Fund balance at end of year	\$ 1,352,548	\$ 956,355

See notes to Funds financial statements.

City of West Hollywood
Proposition C Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2019
(With Comparative Actuals for 2018)

Project Code	Project Name	2019			2018 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
270-01	Citywide Traffic and Mobility Study	\$ 70,000	\$ 74,989	\$ (4,989)	\$ 143,335
310-01	Commuter Center	20,000	19,800	200	19,800
410-01	Employee Bus Passes	44,000	44,791	(791)	42,645
420-01	Transportation Planning for Congestion Management Process and Bikeway Projects Admin	120,000	96,261	23,739	120,757
420-02	Neighborhood Traffic Control	-	-	-	41,526
480-01	Direct Administration of Prop A and C Projects	14,000	966	13,034	1,996
Total expenditures		\$ 268,000	\$ 236,807	\$ 31,193	\$ 370,059

See report of independent auditors.

City of West Hollywood
Proposition C Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2019

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
Jun-03	5 Shuttle Buses	\$ 131,829	\$ -	\$ 131,829	\$ -
	Total	\$ 131,829	\$ -	\$ 131,829	\$ -

See report of independent auditors.

**City of West Hollywood
Measure R Local Return Fund
Balance Sheets**

		June 30	
		2019	(as restated) 2018
ASSETS			
Cash and investments	\$	570,223	\$ 458,306
Interest receivable		1,272	1,126
Due from other funds		-	10,000
Total assets	\$	<u>571,495</u>	<u>\$ 469,432</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	105,412	\$ 106,586
Total liabilities		<u>105,412</u>	<u>106,586</u>
Fund balance			
Restricted		<u>466,083</u>	<u>362,846</u>
Total fund balance		<u>466,083</u>	<u>362,846</u>
Total liabilities and fund balance	\$	<u>571,495</u>	<u>\$ 469,432</u>

See notes to Funds financial statements.

**City of West Hollywood
Measure R Local Return Fund**

Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2019	(as restated) 2018
Revenues		
Measure R	\$ 448,274	\$ 416,299
Investment income	13,607	5,465
Total revenues	461,881	421,764
Expenditures		
Various projects	358,644	651,458
Total expenditures	358,644	651,458
Excess (deficiency) of revenues over expenditures	103,237	(229,694)
Other funding source		
Transfer from other funds	-	10,000
Total other funding source	-	10,000
Excess (deficiency) of revenues over expenditures and other funding source	103,237	(219,694)
Fund balance at beginning of year	362,846	582,540
Fund balance at end of year	\$ 466,083	\$ 362,846

See notes to Funds financial statements.

City of West Hollywood
Measure R Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2019
(With Comparative Actuals for 2018)

Project Code	Project Name	2019			(as restated)
		LACMTA Budget	Actual	Variance Positive (Negative)	2018 Actual
01-001	Street Repair and Maintenance - Storm Drain	\$ 36,500	\$ 14,230	\$ 22,270	\$ 30,716
01-002	Street Repair and Maintenance - Street and Alley Maintenance	-	-	-	125,163
03-001	TDA Pedestrian and Bike Improvements	90,000	22,825	67,175	33,826
03-002	Bike Sharing	-	-	-	161,707
03-003	Bike Sharing	344,750	318,492	26,258	287,292
07-001	Other Planning, Engineering or CMP Traffic Engineer Consultant	25,000	3,097	21,903	12,754
	Total expenditures	\$ 496,250	\$ 358,644	\$ 137,606	\$ 651,458

See report of independent auditors.

City of West Hollywood
Measure R Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2019

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See report of independent auditors.

City of West Hollywood
Measure M Local Return Fund
Balance Sheets

		June 30	
		2019	2018
ASSETS			
Cash and investments	\$	593,303	\$ 375,481
Interest receivable		1,798	923
Total assets	\$	595,101	\$ 376,404
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	40,070	\$ -
Total liabilities		40,070	-
Fund balance			
Restricted		555,031	376,404
Total fund balance		555,031	376,404
Total liabilities and fund balance	\$	595,101	\$ 376,404

See notes to Funds financial statements.

City of West Hollywood
Measure M Local Return Fund

Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2019	2018
Revenues		
Measure M	\$ 504,887	\$ 377,262
Investment income (loss)	15,740	(858)
Total revenues	520,627	376,404
Expenditures		
Various projects	342,000	-
Total expenditures	342,000	-
Excess of revenues over expenditures	178,627	376,404
Fund balance at beginning of year	376,404	-
Fund balance at end of year	\$ 555,031	\$ 376,404

See notes to Funds financial statements.

City of West Hollywood
Measure M Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2019
(With Comparative Actuals for 2018)

Project Code	Project Name	2019			2018 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
10.10	Metro Division 7 Joint Development - Santa Monica Street Frontag	\$ 15,000	\$ -	\$ 15,000	\$ -
7.10	Outreach/Advocacy - Northern Extension of Crenshaw/LAX Line	60,000	60,000	-	-
7.90	Early Project Delivery Strategy (Funding Studies) - Northern Extension Crenshaw	611,000	143,456	467,544	-
7.90	Light Rail Integration Planning and Technical Studies - Northern Extension Crenshaw	35,000	8,640	26,360	-
7.90	Tranportation Policy and Strategy - Northern Extension of Crenshaw/LAX Line	140,000	129,904	10,096	-
	Total expenditures	\$ 861,000	\$ 342,000	\$ 519,000	\$ -

See report of independent auditors.

City of West Hollywood
Measure M Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2019

Date Acquired	Description	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
None		\$ -	\$ -	\$ -	\$ -
	Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See report of independent auditors.

City of West Hollywood
 Transportation Development Act Article 3 Fund
 Pursuant to Public Utilities Code Section 99234
 Balance Sheets

		June 30	
		2019	2018
ASSETS			
Cash		\$ -	\$ -
	Total assets	\$ -	\$ -
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable		\$ -	\$ -
	Total liabilities	-	-
Fund balance			
Restricted		-	-
	Total fund balance	-	-
	Total liabilities and fund balance	\$ -	\$ -

See notes to Funds financial statements

City of West Hollywood
Transportation Development Act Article 3 Fund
Pursuant to Public Utilities Code Section 99234
Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2019	2018
Revenues		
Intergovernmental Allocations:		
Article 3	\$ -	\$ 11,903
Total revenues	-	11,903
Expenditures		
Construction/Maintenance	-	4,430
Total expenditures	-	4,430
Excess of revenues over expenditures	-	7,473
Fund balance (deficit) at beginning of year	-	(7,473)
Fund balance at end of year	\$ -	\$ -

See notes to Funds financial statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The operations of the Proposition A Local Return Fund (PALRF), the Proposition C Local Return Fund (PCLRF), the Measure R Local Return Fund (MRLRF), the Measure M Local Return Fund (MMLRF) and the 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 the county-wide ½ cent Measure R 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 the county-wide ½ cent Measure M 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

The PALRF, PCLRF, MRLRF, MMLRF and TDAA3F are reported as Special Revenue Funds of the City and are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become "susceptible to accrual", that is, measurable and available to finance expenditures of the current period. Expenditures are recorded when the liability is 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 based on budgets approved by LACMTA and are presented in accordance with accounting principles generally accepted in the United States of America.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, 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 investments at fair value and recognizes unrealized gain (loss) on investments.

Refer to the City's Comprehensive Annual Financial Report for detailed disclosures regarding the City's investments policy and fair value measurement disclosures.

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, MRLRF, MMLRF and TDAA3F report the following fund balance classification as of June 30, 2019 and 2018:

- 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 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 do not purport to, and do not, present fairly the City's financial position as of June 30, 2019 and 2018, 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.

NOTE 3 PROPOSITION A AND PROPOSITION C LOCAL RETURN COMPLIANCE REQUIREMENTS

The Proposition A Ordinance requires that Local Return (LR) funds be used exclusively to benefit public transit. Expenditures related to fixed route and paratransit services, Transportation Demand Management, Transportation Systems Management and fare subsidy programs that exclusively benefit transit are all eligible uses of Proposition A LR funds. Proposition A LR funds may also be traded with other Jurisdictions in exchange for general or other funds.

The Proposition C Ordinance directs that LR funds also be used to benefit public transit, as described above, but provides an expanded list of eligible project expenditures including Congestion Management Programs, bikeways and bike lanes, street improvements supporting public transit service, and Pavement Management System projects. Proposition C LR funds cannot be traded.

Proposition A and Proposition C LR funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated.

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

The Measure R Ordinance specifies that LR funds be used exclusively for transportation purposes.

Measure R LR funds must be expended within five years of the first day of the fiscal year in which funds were originally allocated or received.

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

Measure M was approved by the voters of Los Angeles County on November 8, 2016 to improve transportation and ease traffic congestion consistent with the Los Angeles County Traffic Improvement Plan Ordinance approved by the Metro Board of Directors on June 23, 2016. The Measure M Ordinance specifies that LR funds be used exclusively for transportation purposes.

Measure M LR funds must be expended within five years of the first day of the fiscal year in which funds were originally allocated or received.

NOTE 5 MEASURE M LOCAL RETURN COMPLIANCE REQUIREMENTS (CONTINUED)

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 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 quarterly balances to the total of the pooled cash and investments.

Please refer to the City's Comprehensive Annual Financial Report (CAFR) for a full description of risks relating to cash and investments.

NOTE 8 RECEIVABLES FROM OTHER AGENCIES – PALRF

Receivables from other agencies as of June 30, 2019 consisted of the following:

City of Malibu – Fund exchange	\$	450,000
MV Transit Plus, Inc.		30,000
		<u>480,000</u>

NOTE 9 PROPOSITION A FUND EXCHANGE

As permitted by the Local Return Guidelines and as approved by LACMTA, the City entered into agreements with various cities to exchange the City's general fund monies with other cities' uncommitted Proposition A monies. The amounts received were recorded under PALRF.

Those exchanges are listed below:

- In April 2019, the City entered into an agreement with the City of Malibu to exchange general fund monies amounting to \$337,500 for \$450,000 or \$0.75 general fund per \$1 of PALRF monies.

NOTE 9 PROPOSITION A FUND EXCHANGE (CONTINUED)

- In March 2019, the City entered into an agreement with the City of Lakewood to exchange general fund monies amounting to \$750,000 for \$1,000,000 or \$0.75 general fund per \$1 of PALRF monies.
- In November 2018, the City entered into an agreement with the City of Maywood to (i) exchange general fund monies amounting to \$461,500 for \$650,000 or \$0.71 general fund per \$1 of PALRF monies and (ii) exchange general fund monies amounting to \$211,500 for \$300,000 or \$0.705 general fund per \$1 of PALRF monies.
- In February 2018, the City entered into an agreement with the City of Lakewood to exchange general fund monies amounting to \$750,000 for \$1,000,000 or \$0.75 general fund per \$1 of PALRF monies.
- In October 2017, the City entered into an agreement with the City of Maywood to exchange general fund monies amounting to \$875,000 for \$1,250,000 or \$0.70 general fund per \$1 of PALRF monies.

NOTE 10 PROPOSITION A DISCRETIONARY INCENTIVE GRANTS

Proposition A Discretionary Incentive Grants represent additional funds received from LACMTA for providing transportation services and participating in the Voluntary NTD Program.

Grants received for the years ended June 30, 2019 and 2018 were recorded under PALRF where the corresponding project expenditures were recorded.

	2019	2018
Sub-regional paratransit services – Taxi	\$ -	\$ 89,235
Sub-regional paratransit services – Dial-A-Ride*	284,307	286,543
Voluntary NTD Program for FY 2015 and 2014 reporting year, respectively	33,486	-
	\$ 317,793	\$ 375,778

* On March 17, 2005, the City entered into a Memorandum of Understanding (MOU) with the City of Beverly Hills (Joint Agency) to operate coordinated specialized fixed route and dial-a-ride transportation services to eligible recipients of the program. The City received all incentive funds from LACMTA and reimburse City of Beverly Hills for services it provided to the dial-a-ride program.

NOTE 10 PROPOSITION A DISCRETIONARY INCENTIVE GRANTS (CONTINUED)

For fiscal year ended June 30, 2019 and 2018, a payment to City of Beverly Hills was made covering the following period:

	2019	2018
Year ended June 30		
2014	\$ -	\$ 118,402
2015	-	128,157
2016	-	131,260
2017	114,003	-
2018	126,079	-
	\$ 240,082	\$ 377,819

NOTE 11 GAIN ON SALE OF CAPITAL ASSETS

For the year ended June 30, 2019, the City recognized gain on sale of shuttle buses purchased using Proposition A Local Return Fund and Proposition C Local Return Fund. The gain of \$2,045 each was recorded under PALRF and PCLRF.

For the year ended June 30, 2018, the City recognized gain on sale of \$11,450 of Dial-A-Ride buses purchased using Proposition A Local Return Fund and shuttle buses purchased using Proposition C Local Return Fund. The gain was recorded under PALRF.

NOTE 12 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND REVENUE ALLOCATION

The revenue allocations for the years ended June 30, 2019 and 2018 consisted of the following:

	2019	2018
FY 2014/15 reserve	\$ -	\$ 1,820
FY 2015/16 reserve	-	10,083
	\$ -	\$ 11,903

NOTE 13 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUNDS RESERVED

In accordance with TDA Article 3 (SB821) Guidelines, funds which will not be 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 LACMTA. As of June 30, 2019 and 2018, the City has funds on reserve as follows:

		<u>2019</u>		<u>2018</u>
FY 2015/16 reserve	\$	12,275	\$	12,275
FY 2016/17 reserve		23,746		23,746
FY 2017/18 reserve		23,404		23,404
FY 2018/19 allocation		24,333		-
	\$	<u>83,758</u>	\$	<u>59,425</u>

For FY 2018/19, any TDA Article 3 funds left on reserve for FY 2014/15 or prior, are subject to lapse if not claimed by the City by June 30, 2019. There were no funds that lapsed in FY 2018/19.

NOTE 14 RESTATEMENT OF 2018 PALRF AND MRLRF FINANCIAL STATEMENTS

The 2018 financial statements of PALRF and MRLRF were restated to reflect the adjustments on the following accounts:

PALRF

		<u>Balance, as previously reported</u>		<u>Adjustment</u>		<u>Balance, as adjusted</u>
Cash and investments	\$	2,045,570	\$	3,019	\$	2,048,589
Fund balance		1,871,638		3,019		1,874,657
Expenditures		3,951,428		(3,019)		3,948,409

MRLRF

		<u>Balance, as previously reported</u>		<u>Adjustment</u>		<u>Balance, as adjusted</u>
Accounts payable	\$	90,100	\$	16,486	\$	106,586
Fund balance		379,332		(16,486)		362,846
Expenditures		634,972		16,486		651,458

**NOTE 14 RESTATEMENT OF 2018 PALRF AND MRLRF FINANCIAL STATEMENTS
(CONTINUED)**

The restatement of the Proposition A Local Return Fund financial statements is to remove certain administration expenditures from Proposition A Local Return Fund that were funded by the General Fund.

The restatement of the Measure R Local Return Fund financial statements is to accrue in Fiscal Year 2018 an invoice from LA County Department of Public Works for the Storm Drain Cleaning and Repair project.

NOTE 15 SUBSEQUENT EVENTS

The City has evaluated subsequent events through December 9, 2019, the date the financial statements were available to be issued, and concluded no events have occurred that require disclosure or adjustments to the financial statements.

**Report of Independent Auditors 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 West Hollywood, California and the
Los Angeles County Metropolitan Transportation Authority**

We have audited, in accordance with the 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, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of West Hollywood, California (the City) as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated December 9, 2019.

Internal Control over Financial Reporting

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

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

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



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, Measure M Local Return Fund and Transportation Development Act Article 3 Fund financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, 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 results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Glendale, California
December 9, 2019**

COMPLIANCE SECTION

Report of Independent Auditors on Compliance

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

Report on Compliance

We have audited the compliance of the City of West Hollywood, 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 Transportation Development Act Article 3 Bicycle and Pedestrian Funds (collectively, the Guidelines) for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for the City's compliance with the Guidelines.

Auditors' Responsibility

Our responsibility is to express an opinion on the City's compliance with the Guidelines based on our audit. We conducted our audit of compliance in accordance with the 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. Those standards and the Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the 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

In our opinion, the City of West Hollywood, California complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2019.



Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the requirements, such that there is a reasonable possibility that material noncompliance will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the 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 might 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 weaknesses 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 requirements of the Guidelines. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Vaqueria & Company LLP".

Glendale, California
December 9, 2019

**City of West Hollywood
Compliance Matrix
Year ended June 30, 2019**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
A. Proposition A and Proposition C Local Return Funds					
1. Uses the State Controller's Uniform System of Accounts and Records.	X				
2. Timely use of funds.	X				
3. Funds expended were approved and have not been substituted for property tax.	X				
4. Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A)	X				
5. Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	X				
6. All on-going and carryover projects were reported in Form B.	X				
7. Annual Project Summary Report (Form B) was submitted timely.	X				
8. Annual Expenditure Report (Form C) was submitted timely.	X				
9. Cash or cash equivalents are maintained.	X				
10. Accounting procedures, record keeping and documentation are adequate.	X				
11. Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	X				
12. Local Return Account is credited for reimbursable expenditures.			X		
13. Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.			X		
14. Assurances and Understandings form was on file.	X				
15. Recreational Transit Form was submitted timely.	X				

See report of independent auditors on compliance.

**City of West Hollywood
Compliance Matrix
Year ended June 30, 2019**

Compliance Requirements	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. Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	X				
3. Signed Assurances and Understandings on file.	X				
4. Separate Measure R Local Return Account was established.	X				
5. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X				
6. Funds were expended with LACMTA's approval.	X				
7. Expenditure Plan (Form One) was submitted timely.	X				
8. Expenditure Report (Form Two) was submitted timely.	X				
9. Timely use of funds.	X				
10. Administrative expenses are within the 20% cap.	X				
11. Fund exchanges were approved by LACMTA.			X		
12. A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.			X		
13. Recreational transit form was submitted timely.			X		

See report of independent auditors on compliance.

**City of West Hollywood
Compliance Matrix
Year ended June 30, 2019**

Compliance Requirements	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				
2. Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a fund shortfall.	X				
3. Signed Assurances and Understandings on file.	X				
4. Separate Measure M Local Return Account was established.	X				
5. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	X				
6. Funds were expended with LACMTA's approval.	X				
7. Expenditure Plan (Form M-One) was submitted timely.	X				
8. Expenditure Report (Form M-Two) was submitted timely.	X				
9. Timely use of funds.	X				
10. Administrative expenses are within the 20% cap.	X				
11. Fund exchanges were approved by LACMTA.			X		
12. A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.			X		
13. Recreational transit form was submitted timely.			X		

See report of independent auditors on compliance.

**City of West Hollywood
Compliance Matrix
Year ended June 30, 2019**

Compliance Requirements	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				
2. Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.			X		There were no expenditures incurred in FY 2018/19.

See report of independent auditors on compliance.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**City of West Hollywood
Schedule of Findings and Questioned Costs
Year ended June 30, 2019**

There were no findings noted.

EXIT CONFERENCE

An exit conference was held on November 7, 2019 with the City of West Hollywood representative. Those in attendance were:

Vasquez and Company LLP representative:
Marialyn Salvador – Audit Senior Manager

City of West Hollywood representative:
Claudia Duncan – Senior Financial Management Analyst

Matters discussed:

Results of the audit disclosed no significant compliance or financial statement issue.

A copy of this report was forwarded to the following City of West Hollywood representatives for comments prior to the issuance of the final report:

Lorena Quijano – Director of Finance and Technology Services
Carlos Corrales – Accounting Manager
Annie Ruiz – Revenue Manager
Claudia Duncan – Senior Financial Management Analyst
Perri Sloane Goodman – Transit Administrator
Karen Bareng – Senior Accountant



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