

***CITY OF LOS ANGELES  
ANNUAL FINANCIAL REPORT OF THE  
MEASURE R LOCAL RETURN FUND  
MEASURE M LOCAL RETURN FUND  
FOR THE FISCAL YEARS ENDED  
JUNE 30, 2019 AND 2018***



**Metro<sup>®</sup>**



Simpson & Simpson, LLP  
Certified Public Accountants

***CITY OF LOS ANGELES***  
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***FINANCIAL SECTION***

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SIMPSON & SIMPSON

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## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the Measure R Local Return Fund (MRLRF), and Measure M Local Return Fund (MMLRF), of the City of Los Angeles, California (the City) as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about 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 MRLRF and MMLRF of the City of Los Angeles California, as of June 30, 2019 and 2018, and the respective changes in their financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 2, the financial statements present only the MRLRF, MMLRF, of the City and do not purport to, and do not, present fairly the financial position of the City of Los Angeles, California, as of June 30, 2019 and 2018, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Supplementary Information***

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

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have issued our report dated December 23, 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 to describe the scope of our testing of internal control over the Funds' financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over the Funds' financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over the Funds' financial reporting and compliance.

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

Los Angeles, California  
December 23, 2019

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

	2019	2018
<b>ASSETS</b>		
Cash and investments	\$ 40,632,855	\$ 42,666,829
Accounts receivable	183,784	38,864
Investment income receivable	178,108	174,895
Due from other government agencies (Note 7)	8,563,600	7,736,787
Due from other funds (Note 8)	11,524,883	18,653,075
Total assets	\$ 61,083,230	\$ 69,270,450
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 1,899,922	\$ 605,138
Due to other funds (Note 8)	3,137	841,663
Obligations under securities lending transactions (Note 6)	418,265	768,521
Other liabilities	3,071	233,575
Total liabilities	2,324,395	2,448,897
 <b>Deferred Inflows of Resources</b>		
Revenue from other government agencies (Note 9)	135,865	3,713,095
Total deferred inflows of resources	135,865	3,713,095
 <b>Fund Balance</b>		
Restricted	58,622,970	63,108,458
Total fund balance	58,622,970	63,108,458
Total liabilities, deferred inflows of resources, and fund balance	\$ 61,083,230	\$ 69,270,450

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

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

	2019	2018
<b>REVENUES</b>		
Measure R	\$ 54,992,412	\$ 44,018,551
Interest and investment income	714,574	700,798
Unrealized gain (loss) on investments	964,878	(597,554)
Reimbursement from Los Angeles Streetcar Inc. (Note 11)	290,264	-
Total revenues	56,962,128	44,121,795
 <b>EXPENDITURES</b>		
Various projects	61,447,616	46,583,408
Total expenditures	61,447,616	46,583,408
 Deficiency of revenues under expenditures	(4,485,488)	(2,461,613)
 <b>OTHER FINANCING SOURCES</b>		
Transfer in - Bureau of Engineering (Note 10)	-	444,076
 Deficiency of revenues under expenditures and other financing sources	(4,485,488)	(2,017,537)
 Fund balance at beginning of year	63,108,458	65,125,995
 Fund balance at end of year	\$ 58,622,970	\$ 63,108,458

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

**CITY OF LOS ANGELES**  
**MEASURE R LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES**  
**ACTUAL AND METRO APPROVED PROJECT BUDGET**  
**For the Fiscal Year Ended June 30, 2019**  
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2018)  
(Continued)

Project Code	Project Name	2019		Variance	2018
		Metro Budget	Actual	Favorable (Unfavorable)	Actual
01-003	Transportation	\$ 7,438,545	\$ 7,079,988	\$ 1,747,290	\$ 5,437,565
01-005	Wilshire Blvd Mixed Flow Lane	1,000,000	-	1,000,000	-
01-006	Transportation Grant Fund Work Program	1,000,000	-	(388,733)	-
01-008	SAFETEA - LU Program Shortfall	1,290,000	518,947	771,053	(40,716)
01-009	Bridge Program	2,142,272	681,736	1,460,536	1,539
01-010	Street Services	25,508,159	32,853,283	(7,345,124)	18,335,601
01-011	General Services	3,995,531	2,096,759	1,898,772	1,627,698
01-012	Engineering	462,763	236,209	226,554	422,763
01-013	Matching Funds - Measure R Projects LRTP/30-10	3,760,000	-	3,760,000	-
01-015	Colorado Blvd. Near Figueroa Street Sinkhole	45	-	45	-
01-017	2nd Street Retaining Wall (420 W 2nd)	326,545	-	326,545	-
01-025	Montecito Retaining Wall Replacement Ph 4 (1039 Montecito)	234,726	-	234,726	-
01-027	Pavement Preservation Overtime	725,000	-	725,000	-
01-028	Median Island Maintenance	1,818,064	-	1,818,064	-
01-030	Sherman Way Tunnel under Van Nuys Airport	1,755,000	-	1,755,000	-
01-032	Wilshire Resurfacing San Vicente to Western	241,766	-	241,766	-
01-033	SFV - EDA Sun Valley Economic Development	1,173,846	-	1,173,846	-
01-036	Paint and Sign Maintenance	3,602,103	2,611,883	990,220	1,797,850
01-039	Project Match Funds	7,166,559	(11,404)	7,177,963	(720,732)
01-040	Pacific Bridge over Ballona	50,000	-	50,000	-
01-041	City Administrative Officer	233,334	-	233,334	-
01-042	Information Technology Agency	1,362	-	1,362	-
01-043	Special Gas Tax Street Improvement	500,000	-	500,000	-
01-044	Vision Zero	1,208,941	68,113	1,140,828	613,191
01-045	Great Streets	3,990,538	241,176	3,749,362	955,769
01-046	Vision Zero Contracts, Speed Surveys, Outreach Campaign	413,568	330,481	83,087	240,973
02-003	ARRA Transit Priority System	6,647	156,863	(150,216)	-
02-005	Roxford Street and Foothill Blvd on/off Ramp	40,000	(31,077)	71,077	31,077
02-007	Signal Improvement	2,054,205	(21,949)	2,076,154	(10,943)
02-008	ATSAC - Replacement Hub	355,858	-	355,858	-
02-009	Mohawk Bend Traffic Signal	60,000	-	60,000	-
02-010	Traffic Signal Supplies	2,921,983	777,461	2,144,522	1,980,224
02-011	ATSAC System Maintenance	5,864,309	476,723	5,387,586	674,954
02-012	Vision Zero Traffic Signal	1,300,000	-	1,300,000	-
03-002	Bicycle Plan/Program Projects	5,567,197	1,195,304	4,371,893	803,303
03-004	Implementation of Bicycle and Pedestrian Projects	12,672	-	12,672	-
03-007	Bicycle Parking/Racks	142,687	19,231	123,456	5,403
03-009	Stamped Crosswalks (South LA)	400	-	400	-
	Subtotal	<u>88,364,625</u>	<u>49,279,727</u>	<u>39,084,898</u>	<u>32,157,537</u>

(Continued)

See accompanying independent auditor's report.



**CITY OF LOS ANGELES**  
**MEASURE R LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES**  
**ACTUAL AND METRO APPROVED PROJECT BUDGET**  
For the Fiscal Year Ended June 30, 2019  
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2018)  
(Continued)

Project Code	Project Name	2019			2018 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
03-010	Pedestrian Safety Devices/Plan/Programs	\$ 6,761,285	\$ 1,647,081	\$ 5,114,204	\$ 3,047,761
03-012	Bicycle Friendly Streets	29,283	-	29,283	29,200
03-013	Sharrows Pavement Markings	360	-	360	-
03-014	Street Lighting	1,447,833	166,115	1,281,718	280,153
03-015	Broadway Street Scape Project	643,575	211,066	432,509	115,268
03-017	East Rose Hill @ Galena Stairway	98,055	-	98,055	60,885
03-017	Stairway and Walkway Lighting Unit	162,250	-	162,250	3,677
03-018	Active Transportation	506,667	184,332	322,335	90,668
03-018	Bus Stop Security Lighting - SLA	1,153,473	-	1,153,473	-
03-019	Exposition Bikeway	380,000	-	380,000	-
03-020	Bus Stop Security Lighting Unit	94,146	-	94,146	-
03-021	Bikeshare Operations and Maintenance	588,881	4,266	584,615	-
03-022	Laguna Ave Pedestrian Activities Crosswalk	75,000	-	75,000	-
03-023	Main and Spring Forward Improvements Project	620,461	19,805	600,656	-
04-001	Downtown LA Street Car Project	1,750,000	338,112	1,411,888	215,546
04-002	Railroad Grade Panel - ARRA	175,000	-	175,000	-
04-003	Los Angeles Neighborhood Initiative (LANI)	250,000	201,087	48,913	348,913
05-004	National/Palms Station Area	400,000	-	400,000	-
05-005	5th/Flower Transition to 2nd/Hope Station Area	400,000	-	400,000	-
05-006	Crenshaw/Slauson Station Area	400,000	-	400,000	-
05-007	Westwood/Exposition Station Area	400,000	-	400,000	-
07-001	Regional Transit Consulting Services	2,000	-	2,000	1,920
07-002	Transportation Element Plan Update	371	-	371	-
07-003	Safe Routes to School Study	338,250	96,469	241,781	71,934
07-005	Planning	785,230	61,217	724,013	296,482
	Subtotal	<u>17,462,120</u>	<u>2,929,550</u>	<u>14,532,570</u>	<u>4,562,407</u>

(Continued)

See accompanying independent auditor's report.

**CITY OF LOS ANGELES**  
**MEASURE R LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES**  
**ACTUAL AND METRO APPROVED PROJECT BUDGET**  
For the Fiscal Year Ended June 30, 2019  
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2018)  
(Continued)

Project Code	Project Name	2019			2018 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
07-006	Strategic Plan Study	\$ 50,000	\$ -	\$ 50,000	\$ -
07-007	Advance Planning	245,596	-	245,596	16,456
07-008	Via De Las Olas Landslide Study	400,000	-	400,000	-
07-009	Engineering Special Services	300,000	300,000	-	-
08-002	DOT Related Costs	11,170,504	8,911,374	2,259,130	9,919,090
08-004	Grant Reimbursement to General Fund	121,421	-	121,421	43,186
08-005	Consulting Services	200,000	140,215	59,785	-
N/A	Cultural Affairs (Not MTA project)	-	(113,250)	113,250	(113,250)
	Total expenditures	\$ <u>118,314,266</u>	\$ <u>61,447,616</u>	\$ <u>56,866,650</u>	\$ <u>46,583,408</u>

See accompanying independent auditor's report.

**CITY OF LOS ANGELES**  
**MEASURE R LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
 June 30, 2019

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 7/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2019</u>
	None	\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

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

	2019	2018
<b>ASSETS</b>		
Cash and investments	\$ 62,820,088	\$ 37,655,317
Interest receivable	272,207	118,799
Due from other funds (Note 8)	2,007,084	841,922
Due from other government agencies (Note 7)	9,612,183	8,984,311
Total assets	\$ 74,711,562	\$ 47,600,349
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 1,017,102	\$ 3,897,335
Due to other funds (Note 8)	5,965,489	598,813
Due to other government agencies	-	1,626
Obligations under securities lending (Note 6)	646,655	678,253
Other liabilities	4,748	206,140
Total liabilities	7,633,994	5,382,167
 <b>Deferred Inflows of Resources</b>		
Revenue from other government agencies (Note 9)	153,618	28,457
Total deferred inflows of resources	153,618	28,457
 <b>Fund Balance</b>		
Restricted	66,923,950	42,189,725
Total fund balance	66,923,950	42,189,725
Total liabilities, deferred inflows of resources and fund balance	\$ 74,711,562	\$ 47,600,349

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

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

	2019	2018
<b>REVENUES</b>		
Measure M	\$ 57,412,146	\$ 51,316,757
Interest and investment income	882,415	-
Unrealized gain (loss) on investments	1,034,978	(450,815)
Open Streets Grant Program Cycle Two (Note 12)	213,668	-
Total revenues	59,543,207	50,865,942
<b>EXPENDITURES</b>		
Various projects	34,822,482	8,676,217
Total expenditures	34,822,482	8,676,217
Excess of revenues over expenditures	24,720,725	42,189,725
<b>OTHER FINANCING SOURCE</b>		
Transfer in - Street Furniture Revenue Fund (Note 10)	13,500	-
Excess of revenues over expenditures and other financing sources	24,734,225	42,189,725
Fund balance at beginning of year	42,189,725	-
Fund balance at end of year	\$ 66,923,950	\$ 42,189,725

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

**CITY OF LOS ANGELES**  
**MEASURE M LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES**  
**ACTUAL AND METRO APPROVED PROJECT BUDGET**  
For the Fiscal Year Ended June 30, 2019  
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2018)

Project Code	Project Name	2019			2018 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
01-001	Street Reconstruction/Vision Zero Projects	\$ 8,911,007	\$ 465,760	\$ 8,445,247	\$ -
01-002	BSS Equipment	5,160,000	3,040,174	2,119,826	1,148,303
01-003	BOE Contractual Services - SR/VZ Projects	4,423,616	1,909,196	2,514,420	2,514,420
01-004	DOT Equipment - SR/VZ Projects	2,290,000	-	2,290,000	-
01-005	Sheldon Arleta Sidewalk Improvement Wicks St	1,420,270	-	1,420,270	-
01-006	Alley Paving	1,000,000	-	1,000,000	-
01-007	Concrete Streets	1,000,000	-	1,000,000	-
01-008	PW-Contract Administration	934,333	810,571	123,762	-
01-009	Maxella Ave/Lincoln Blvd	432,000	72,858	359,142	113,135
01-010	35th Street Between Gramercy & Cimarron	430,000	5,711	424,289	-
01-011	Dot Equipment - Traffic Signals	430,000	77,196	352,804	-
01-012	Concrete Street Repair Hancock Park	350,000	-	350,000	-
01-013	Street Reconstruction - 15% VZ-M	244,116	-	244,116	850,777
01-014	Board of Public Works	10,025	-	10,025	-
01-015	Vision Zero Corridor Projects - M	4,758,938	1,530,038	3,228,900	1,055,091
01-016	Oakdale/Redwing/Ventura Stormdrain/Flooding	2,083,000	1,615,060	467,940	-
01-017	Vision Zero Traffic Signals	1,530,001	3,255	1,526,746	-
01-018	LA Riverway (San Fernando Valley Completion)	1,500,000	-	1,500,000	-
01-019	Gage Street Public Safety Median Improvements	1,450,000	4,312	1,445,688	13,417
01-020	Speed Hump Program	1,013,500	574,743	438,757	418,452
01-021	Gould Ave (8250) Bulkhead	867,000	413,002	453,998	383,463
01-022	ATP 4 SRTS Project Expediting	852,625	-	852,625	-
01-023	Sunset blvd Slope Mitigation - Coronado to Wates	785,489	494,003	291,486	-
01-024	Castellammare Drive (17434)	771,000	453,080	317,920	-
01-025	Cazador Street (3825) Bulkhead - Loveland/Brillia	689,000	120,146	568,854	99,410
01-026	Eucalyptus Lane (6006) Bulkhead	571,000	97,749	473,251	100,458
01-027	Davies Way (2044) Bulkhead	516,250	430,273	85,977	85,977
01-028	Descanso Drive, Larissa Drive to Robinson Street	500,000	281,336	218,664	212,437
01-029	Western Ave Expo Line Station Linkage Project (South)	296,900	-	296,900	-
01-030	Boeing Ave And 78th Street Subsidence	270,071	-	270,071	2,513
01-031	Gilder Ave and Wiley Post Street Subsidence	261,929	-	261,929	2,513
01-032	Expanded Mission Hills Median Study	200,000	-	200,000	-
01-033	Vista Crest Drive (3006)	85,000	-	85,000	-
01-034	Cypress Park Pedestrian Bridge	74,000	-	74,000	-
01-035	Soto Street (2446) Rockfall Mitigation	71,000	-	71,000	-
01-036	Verdugo Crestline Drive (7675)	52,000	-	52,000	-
01-037	Alvarado Street Bulkhead	27,000	2,130	24,870	-
01-038	PW-Street Service	16,323,224	11,076,003	5,247,221	-
01-039	Reimbursement of General Fund Costs*	11,995,649	4,785,268	7,210,381	-
	Subtotal	<u>74,579,943</u>	<u>28,261,864</u>	<u>46,318,079</u>	<u>7,000,366</u>

\* Related labor cost for all Measure M projects that are paid by the City's General Fund and reimbursed by Measure M Local Return funds.

(Continued)

See accompanying independent auditor's report.

**CITY OF LOS ANGELES**  
**MEASURE M LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES**  
**ACTUAL AND METRO APPROVED PROJECT BUDGET**  
For the Fiscal Year Ended June 30, 2019  
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2018)  
(Continued)

Project Code	Project Name	2019			2018 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
01-040	Transportation	\$ 3,651,260	\$ 3,091,124	\$ 560,136	\$ -
01-041	Street Lighting at Existing Pedestrian Crosswalk	993,000	417,526	575,474	269,953
01-042	Burwood S/O Figueroa	746,000	-	746,000	-
01-043	General Services	128,616	52,232	76,384	-
01-044	Venice Boulevard Great Streets Enhancements	434,770	110,605	324,165	-
01-045	Camarillo Street Traffic Study	100,000	-	100,000	-
01-046	Arts and Cultrual Facil & Serv	17,284	17,284	-	-
01-047	PW-Engineering	1,625,459	933,180	692,279	-
03-001	North Atwater Multimodal Bridge Over Los Angeles River	693,314	693,313	1	-
03-002	PW-Street Lighting	462,518	332,314	130,204	-
03-003	Open Streets Program	851,604	128,800	722,804	-
03-004	Pacoima Wash Vision Plan	1,100,000	-	1,100,000	-
03-005	Elysian Valley Bike Path	1,000,000	-	1,000,000	-
03-006	Telfair Avenue Multimodal Bridge Over Pacoima Wash	400,000	-	400,000	-
03-007	General City Purposes	16,971	16,971	-	-
06-001	Vision Zero Contracts, Speed Surveys, Outreach	150,000	150,000	-	-
06-002	Traffic Surveys	200,000	41,709	158,291	-
06-003	Vision Zero Education	500,000	217,687	282,313	309,093
06-004	Vision Zero Education and Outreach	1,000,000	357,873	642,127	-
07-001	Autonomous Vehicles Program	1,000,000	-	1,000,000	-
07-002	Transportation Technology Strategy	500,000	-	500,000	-
07-003	Metro Rail Annual Work Program	3,000,000	-	3,000,000	-
08-001	Related Costs	-	-	-	838,727
Total expenditures		\$ 93,150,739	\$ 34,822,482	\$ 58,328,257	\$ 8,676,217

See accompanying independent auditor's report.

**CITY OF LOS ANGELES**  
**MEASURE M LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
June 30, 2019

Date Acquired	Description	Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019
4/9/2018	Paver	\$ 548,040	\$ -	\$ -	\$ 548,040
4/9/2018	Paver	548,040	-	-	548,040
	Total	\$ <u>1,096,080</u>	\$ <u>-</u>	<u>-</u>	\$ <u>1,096,080</u>

See accompanying independent auditor's report.



**CITY OF LOS ANGELES**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2019 and 2018

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Fund Accounting*

The operations of the Measure R Local Return Fund (MRLRF), Measure M Local Return Fund (MMLRF) (collectively, the Funds) are accounted for in separate sets of self-balancing accounts that comprise their assets, liabilities, fund balance, revenues and expenditures.

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.

*Basis of Accounting and Measurement Focus*

MRLRF and MMLRF are accounted for using the modified accrual basis of accounting whereby revenues are recognized when they become both measurable and available to finance expenditures of the current period and expenditures are generally recognized when the related fund liabilities are incurred.

Special Revenue Funds are reported on spending or “financial flow” measurement focus. This means that generally only current assets, current liabilities and deferred inflows and outflows of resources are included on their balance sheets. Statement of revenue, expenditures and changes in fund balances for Special Revenue Funds generally present increase (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

*Budgets and Budgetary Accounting*

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

*Fair Value Measurement*

In accordance with Governmental 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.

**CITY OF LOS ANGELES**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2019 and 2018  
(Continued)

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Fair Value Measurement (Continued)*

Refer to City's 2019 Comprehensive Annual Financial Report for detailed disclosures regarding the City's investments 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 MRLRF, MMLRF report the following fund balance classification as of June 30, 2019:

- Restricted – Amounts that are constrained for specific purpose, which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation. The uses of the funds' remaining fund balances are restricted for projects approved by Los Angeles County Metropolitan Transportation Authority (Metro).

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

*Reclassification*

Certain reclassifications have been made to fiscal year 2018 amounts in order to conform to the fiscal year 2019 presentation. Such reclassifications had no effect on the previously reported change in fund balance.

**NOTE 2 – ANNUAL FINANCIAL STATEMENTS**

The financial statements reflect only the financial position and results of operations of the MRLRF, MMLRF and their compliance with the Measure R Local Return Program Guidelines, Measure M Local Return Program Guidelines.

**NOTE 3 – 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.

**CITY OF LOS ANGELES**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2019 and 2018  
(Continued)

**NOTE 4 – 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 5 – CASH AND INVESTMENTS**

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

**NOTE 6 – SECURITIES LENDING TRANSACTIONS**

The MRLRF and MMLRF participate in the City’s securities lending program (SLP), through the pooled investment fund. Each fund recognizes its proportionate share of the cash collateral received for securities loaned and the related obligation for the general investment pool.

Please refer to the City’s CAFR for a full description of risk relating to securities lending transactions

**NOTE 7 – DUE FROM OTHER GOVERNMENT AGENCIES**

Due from government agencies as of June 30, 2019 and 2018 consisted of the following:

**MRLRF**

	2019	2018
Los Angeles County Metropolitan Transit Authority (LACMTA)	\$ 8,563,600	\$ 7,736,787
Total	\$ 8,563,600	\$ 7,736,787

**MMLRF**

	2019	2018
Los Angeles County Metropolitan Transit Authority (LACMTA)	\$ 9,547,381	\$ 8,984,311
City of Culver City	64,803	-
Total	\$ 9,612,184	\$ 8,984,311

**CITY OF LOS ANGELES**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2019 and 2018  
(Continued)

**NOTE 8 – DUE FROM/TO OTHER FUNDS**

Inter-fund due to/from amounts as of June 30, 2019 and 2018 consisted of the following:

**MRLRF**

	<u>2019</u>		<u>2018</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 2,591,394	\$ 1,641	\$ 9,697,586	\$ 838,700
Transportation Grant Funds	8,933,489	-	8,955,489	2,963
Other Funds	-	1,496	-	-
Total	<u>\$ 11,524,883</u>	<u>\$ 3,137</u>	<u>\$ 18,653,075</u>	<u>\$ 841,663</u>

**MMLRF**

	<u>2019</u>		<u>2018</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Reserve Fund	\$ -	\$ 3,628,458	\$ -	\$ 209,079
General Fund	2,007,084	2,337,032	841,922	389,734
Total	<u>\$ 2,007,084</u>	<u>\$ 5,965,490</u>	<u>\$ 841,922</u>	<u>\$ 598,813</u>

**NOTE 9 – DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources as of June 30, 2019 and 2018 consisted of the following:

**MRLRF**

	<u>2019</u>	<u>2018</u>
Los Angeles County Metropolitan Transit Authority (LACMTA)	\$ -	\$ 3,680,351
Others	135,865	32,744
Total	<u>\$ 135,865</u>	<u>\$ 3,713,095</u>

**MMLRF**

	<u>2019</u>	<u>2018</u>
Los Angeles County Metropolitan Transit Authority (LACMTA)	\$ -	\$ 28,457
City of Culver City	64,803	-
Others	88,816	-
Total	<u>\$ 153,619</u>	<u>\$ 28,457</u>

**CITY OF LOS ANGELES**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2019 and 2018  
(Continued)

**NOTE 10 – OTHER FINANCING SOURCE**

**MRLRF**

Council action dated June 14, 2017, instructed / authorized the Bureau of Engineering to deposit the \$444,076 amount into Fund no. 682 Department no. 50, Appropriation Unit No. 50LVBD and re-allocate to Measure R Fund 51Q, “Broadway Dress Rehearsal” account, for the maintenance of the streetscape dress rehearsal in conjunction with Business Improvement District Partners.

**MMLRF**

Council action dated July 3, 2018, moved / adopted the transfer of \$13,500 in the Council District Four portion of the Street Furniture Revenue Fund No. 43D Department No. 50 to the Measure M Local Return Special Fund No. 59C, Account No. 94PD11 “ Speed Hump Program”, for the services associated with the installation of two speed humps on Bronson Avenue (Franklin Avenue to Chula Vista Way) in Council District 4.

**NOTE 11 – REIMBURSEMENT FROM LOS ANGELES STREETCAR INC.**

Council action no. 11-0329-S10 dated February 4, 2014 authorized the City to seek reimbursement from Los Angeles Streetcar Inc. (LASI) for project management expenditures for the Downtown LA Streetcar Project Account no. 94311G , with the reimbursed funds being deposited into the Measure R Local Return Fund.

**NOTE 12 – OPEN STREETS GRANT PROGRAM CYCLE TWO**

On September 22, 2016, the LACMTA Board approved the award of \$312,800 to City of Los Angeles for the Open Street Event titled CicLAvia: Heart of Los Angeles (Open Street Grant Program ID# CYC16017). As of June 30, 2019, the City of Los Angeles has received \$213,668 from this grant.

**NOTE 13 – SUBSEQUENT EVENTS**

The City has evaluated events or transactions that occurred subsequent to June 30, 2019 through December 23, 2019, 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 Los Angeles, 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 Measure R Local Return Fund, and Measure M Local Return Fund, (collectively, the Funds) of the City of Los Angeles, 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 23, 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 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 City’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, Measure R Local Return Fund and Measure M Local Return Fund financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

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

Los Angeles, California  
December 23, 2019

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*COMPLIANCE SECTION*

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SIMPSON & SIMPSON

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FOUNDING PARTNERS  
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## **Independent Auditor's Report On Compliance**

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

### **Report on Compliance**

We have audited the compliance of the City of Los Angeles, California (the City) with the Measure R Local Return Guidelines and Measure M Local Return Guidelines (collectively, the Guidelines) for the year ended June 30, 2019.

#### ***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 Measure R Local Return Program and Measure M Local Return 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***

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that 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 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 requirement of the Guidelines. Accordingly, this report is not suitable for any other purpose.

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

Los Angeles, California  
December 23, 2019

**CITY OF LOS ANGELES**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2019

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
<b>A. Measure R Local Return Fund</b>						
1.	Funds were expended for transportation purposes.	X			None	
2.	Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	X			None	
3.	Signed Assurances and Understandings was on file.	X			None	
4.	Separate Measure R Local Return Account was established.	X			None	
5.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X			None	
6.	Funds were expended with Metro's approval.	X			None	
7.	Expenditure Plan (Form One) was submitted on time.	X			None	
8.	Expenditure Report (Form Two) was submitted on time.	X			None	
9.	Timely use of funds.	X			None	
10.	Administrative expenditures are within the 20% cap.	X			None	
11.	Fund exchanges were approved by Metro.			X	None	There were no fund exchanges in FY 2018/19.
12.	A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.			X	None	There was no capital reserve in FY 2018/19.
13.	Recreational transit form was submitted on time.			X	None	There was no recreational transit in FY 2018/19.

**CITY OF LOS ANGELES**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2019

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
<b>B. Measure M Local Return Fund</b>						
1.	Funds were expended for transportation purposes.	X			None	
2.	Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	X			None	
3.	Signed Assurances and Understandings was on file.	X			None	
4.	Separate Measure R Local Return Account was established.	X			None	
5.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X			None	
6.	Funds were expended with Metro's approval.	X			None	
7.	Expenditure Plan (Form One) was submitted on time.	X			None	
8.	Expenditure Report (Form Two) was submitted on time.	X			None	
9.	Timely use of funds.	X			None	
10.	Administrative expenditures are within the 20% cap.	X			None	
11.	Fund exchanges were approved by Metro.			X	None	There were no fund exchanges in FY 2018/19.
12.	A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.			X	None	There was no capital reserve in FY 2018/19.
13.	Recreational transit form was submitted on time.			X	None	There was no recreational transit in FY 2018/19.

***CITY OF LOS ANGELES***  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
June 30, 2019

No findings were noted.

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***EXIT CONFERENCE***

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**CITY OF LOS ANGELES**  
MEASURE R AND MEASURE M LOCAL RETURN FUNDS,  
EXIT CONFERENCE  
June 30, 2019

An exit conference was held on December 30, 2019 with the City of Los Angeles. Those in attendance were:

***Simpson & Simpson Representative:***

Mark Frishwasser, Audit Senior  
Terry Bian, Audit Senior

***City's Representative:***

Sue Chen, Department Chief Accountant IV  
Bernie Apolonio, Fiscal Systems Specialist  
Baljit Soni, Principal Accountant II

***Matters Discussed:***

Results of the audit disclosed no significant control deficiencies and no 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:

Sue Chen, Department Chief Accountant IV  
Bernie Apolonio, Fiscal Systems Specialist  
Baljit Soni, Principal Accountant II

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

RE: CITY OF LOS ANGELES ANNUAL FINANCIAL REPORT OF THE MEASURE R LOCAL  
RETURN FUND AND MEASURE M LOCAL RETURN FUND, FOR THE FISCAL YEARS  
ENDED JUNE 30, 2019 AND 2018

I have received the annual financial report of the Measure R Local Return Fund, Measure M Local Return Fund for the fiscal years ended June 30, 2019 and 2018 for the City of Los Angeles and agree with the contents of the report except as indicated below:

(Attach additional pages if necessary)

Very truly yours,

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Name

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Title

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Date