



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, 2020 and 2019
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, 2020 and 2019, 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, 2020 and 2019, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of 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, 2020 and 2019, 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 November 12, 2020 on our consideration of the City's internal control over the Funds' financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

Vaquero & Company LLP

Glendale, California

November 12, 2020

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

		June 30	
		2020	2019
ASSETS			
Cash and investments	\$	605,525	\$ 700,094
Due from LACMTA		284,123	284,307
Receivables from other agencies		276,027	480,000
Accounts receivable		400	-
Interest receivable		1,186	1,898
Total assets	\$	1,167,261	\$ 1,466,299
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	414,918	\$ 688,546
Total liabilities		414,918	688,546
Fund balance			
Restricted		752,343	777,753
Total fund balance		752,343	777,753
Total liabilities and fund balance	\$	1,167,261	\$ 1,466,299

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	
	2020	2019
Revenues		
Proposition A	\$ 695,585	\$ 720,371
Proposition A fund exchange	2,776,027	2,400,000
Investment income	15,278	41,798
Proposition A Discretionary Incentive Grants	291,793	317,793
Bus pass sales	14,832	28,428
Gain on sale of capital assets	1,340	2,045
Total revenues	3,794,855	3,510,435
Expenditures		
Expenditures funded by PALRF	3,820,265	4,367,257
Reimbursement to City of Beverly Hills (Note 10)	-	240,082
Total expenditures	3,820,265	4,607,339
Deficiency of revenues over expenditures	(25,410)	(1,096,904)
Fund balance at beginning of year	777,753	1,874,657
Fund balance at end of year	\$ 752,343	\$ 777,753

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, 2020
(With Comparative Actuals for 2019)

Project Code	Project Name	2020			2019 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
110-01	City Line Fixed Route	\$ 2,007,200	\$ 1,798,913	\$ 208,287	\$ 1,849,390
110-02	PickUp Line Shuttle	1,075,000	859,343	215,657	1,113,857
110-03	Vehicle Lease	19,000	14,746	4,254	-
120-02	Door to Door Paratransit	50,000	45,179	4,821	66,444
130-01	Taxi Coupon and Lift Van Subsidy Program	500,000	409,327	90,673	350,451
140-01	Recreation Trips	20,000	17,237	2,763	19,563
140-02	Preschool Age Trips	9,000	8,506	494	15,592
140-03	Senior Recreation Trips	20,000	18,076	1,924	27,852
200-01	Vehicle Acquisition	-	-	-	273,758
250-010	Bus Pass Subsidy	90,000	84,004	5,996	70,688
280-01	Transit Publications	30,000	30,387	(387)	33,997
480-01	Direct Administration of Prop A and C Projects	546,752	534,547	12,205	545,665
	Total expenditures	\$ 4,366,952	\$ 3,820,265	\$ 546,687	\$ 4,367,257

See report of independent auditors.

**City of West Hollywood
Proposition A Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2020**

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>
Dec-08	5 Dial-A-Ride Buses	\$ 121,090	\$ -	\$ 40,364	\$ 80,726
Mar-10	5 Shuttle Buses	288,342	-	-	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	-	-	273,758
	Total	\$ 724,961	\$ -	\$ 40,364	\$ 684,597

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

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

See report of independent auditors.

City of West Hollywood
Proposition C Local Return Fund
Balance Sheets

		June 30	
		2020	2019
ASSETS			
Cash and investments	\$	1,482,804	\$ 1,360,114
Interest receivable		2,901	3,694
Total assets	\$	<u>1,485,705</u>	<u>\$ 1,363,808</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	5,624	\$ 11,260
Total liabilities		<u>5,624</u>	<u>11,260</u>
Fund balance			
Restricted		<u>1,480,081</u>	<u>1,352,548</u>
Total fund balance		<u>1,480,081</u>	<u>1,352,548</u>
Total liabilities and fund balance	\$	<u>1,485,705</u>	<u>\$ 1,363,808</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	
		2020	2019
Revenues			
Proposition C	\$	576,989	\$ 597,527
Investment income		31,805	33,428
Gain on sale of capital assets		-	2,045
Total revenues		608,794	633,000
Expenditures			
Various projects		481,261	236,807
Total expenditures		481,261	236,807
Excess of revenues over expenditures		127,533	396,193
Fund balance at beginning of year		1,352,548	956,355
Fund balance at end of year	\$	1,480,081	\$ 1,352,548

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, 2020
(With Comparative Actuals for 2019)

Project Code	Project Name	2020			2019 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
270-01	Citywide Traffic and Mobility Study	\$ 113,000	\$ 36,170	\$ 76,830	\$ 74,989
310-01	Commuter Center	20,000	14,850	5,150	19,800
400-01	Travel Time Monitoring System	160,000	-	160,000	-
410-01	Employee Bus Passes	44,000	47,091	(3,091)	44,791
420-01	Transportation Planning for Congestion Management Process and Bikeway Projects Admin	120,000	108,936	11,064	96,261
420-02	Neighborhood Traffic Control	-	-	-	-
440-01	Street Paving	300,000	273,683	26,317	-
480-01	Direct Administration of Prop A and C Projects	119,400	531	118,869	966
Total expenditures		\$ 876,400	\$ 481,261	\$ 395,139	\$ 236,807

See report of independent auditors.

City of West Hollywood
Proposition C Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2020

Date Acquired	Description	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
N/A	None	\$ -	\$ -	\$ -	\$ -
	Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See report of independent auditors.

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

		June 30	
		2020	2019
ASSETS			
Cash and investments	\$	666,215	\$ 570,223
Interest receivable		1,305	1,272
Total assets	\$	<u>667,520</u>	<u>\$ 571,495</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	8,361	\$ 105,412
Total liabilities		<u>8,361</u>	<u>105,412</u>
Fund balance			
Restricted		<u>659,159</u>	<u>466,083</u>
Total fund balance		<u>659,159</u>	<u>466,083</u>
Total liabilities and fund balance	\$	<u>667,520</u>	<u>\$ 571,495</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	
	2020	2019
Revenues		
Measure R	\$ 432,123	\$ 448,274
Investment income	11,454	13,607
Total revenues	443,577	461,881
Expenditures		
Various projects	250,501	358,644
Total expenditures	250,501	358,644
Excess of revenues over expenditures	193,076	103,237
Fund balance at beginning of year	466,083	362,846
Fund balance at end of year	\$ 659,159	\$ 466,083

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, 2020
(With Comparative Actuals for 2019)

Project Code	Project Name	2020			2019 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
01-001	Street Repair and Maintenance - Storm Drain	\$ 36,500	\$ 18,778	\$ 17,722	\$ 14,230
01-002	Street Repair and Maintenance - Street and Alley Maintenance	303,834	135,054	168,780	-
03-001	Bike Sharing	133,000	18,240	114,760	-
03-002	Bike Sharing	57,458	57,458	-	318,492
03-003	TDA Pedestrian and Bike Improvements	43,314	20,971	22,343	22,825
07-001	Other Planning, Engineering or CMP Traffic Engineer Consultant	25,000	-	25,000	3,097
Total expenditures		\$ 599,106	\$ 250,501	\$ 348,605	\$ 358,644

See report of independent auditors.

City of West Hollywood
Measure R Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2020

Date Acquired	Description	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
N/A	None	\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See report of independent auditors.

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

		June 30	
		2020	2019
ASSETS			
Cash and investments	\$	562,512	\$ 593,303
Interest receivable		1,380	1,798
Total assets	\$	563,892	\$ 595,101
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	44,391	\$ 40,070
Total liabilities		44,391	40,070
Fund balance			
Restricted		519,501	555,031
Total fund balance		519,501	555,031
Total liabilities and fund balance	\$	563,892	\$ 595,101

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	
	2020	2019
Revenues		
Measure M	\$ 486,408	\$ 504,887
Investment income	14,060	15,740
Total revenues	500,468	520,627
Expenditures		
Various projects	535,998	342,000
Total expenditures	535,998	342,000
Excess (deficiency) of revenues over expenditures	(35,530)	178,627
Fund balance at beginning of year	555,031	376,404
Fund balance at end of year	\$ 519,501	\$ 555,031

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, 2020
(With Comparative Actuals for 2019)

Project Code	Project Name	2020			2019 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
7.10	Outreach/Advocacy - Northern Extension of Crenshaw/LAX Line	\$ 120,000	\$ 24,801	\$ 95,199	\$ 60,000
7.90	Early Project Delivery Strategy (Funding Studies) - Northern Extension Crenshaw	-	281,596 *	(281,596)	143,456
7.90	Light Rail Integration Planning and Technical Studies - Northern Extension Crenshaw	150,000	20,760	129,240	8,640
7.90	Transportation Policy and Strategy - Northern Extension of Crenshaw/LAX Line	170,000	208,841	(38,841)	129,904
10.10	Metro Division 7 Joint Development - Santa Monica Street Frontage	50,000	-	50,000	-
	Total expenditures	\$ 490,000	\$ 535,998	\$ (45,998)	\$ 342,000

* See Compliance Matrix and Schedule of Findings and Questioned Costs.

See report of independent auditors.

City of West Hollywood
Measure M Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2020

Date Acquired	Description	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
N/A	None	\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

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	
		2020	2019
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	
		2020	2019
Revenues			
Intergovernmental Allocations:			
Article 3	\$	56,320	\$ -
Total revenues		56,320	-
Expenditures			
Construction/Maintenance			
		56,320	-
Total expenditures		56,320	-
Excess of revenues over expenditures		-	-
Fund balance at beginning of year		-	-
Fund balance at end of year		\$ -	\$ -

See notes to Funds financial statements

City of West Hollywood
Transportation Development Act Article 3 Fund
Pursuant to Public Utilities Code Section 99234
Supplementary Information
Schedule of Transportation Development Act Allocation for Specific Projects
Year ended June 30, 2020

Project Description	Program Year	Totals to Date		Unexpended Allocations	Project Status
		Allocations	Expenditures		
Local Allocations:					
Pedestrian & Bike Improvements	2020	\$ 56,320	\$ 56,320	\$ -	Completed
	Totals	<u>\$ 56,320</u>	<u>\$ 56,320</u>	-	
Fund balance at beginning of year				-	
Fund balance at end of year				<u>\$ -</u>	

See report of independent auditors.

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, 2020 and 2019:

- 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, 2020 and 2019, 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, 2020 and 2019 consisted of the following:

	2020	2019
City of Maywood – Fund exchange	\$ 276,027	\$ -
City of Malibu – Fund exchange	-	450,000
MV Transit Plus, Inc.	-	30,000
	\$ 276,027	\$ 480,000

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 June 2020, the City entered into an agreement with the City of Maywood to exchange general fund monies amounting to \$195,979 for \$276,027 or \$0.71 general fund per \$1 of PALRF monies.

NOTE 9 PROPOSITION A FUND EXCHANGE (CONTINUED)

- In March 2020, the City entered into an agreement with the City of Walnut to exchange general fund monies amounting to \$350,000 for \$500,000 or \$0.70 general fund per \$1 of PALRF monies.
- In March 2020, the City entered into an agreement with the City of Lakewood to exchange general fund monies amounting to \$700,000 for \$1,000,000 or \$0.70 general fund per \$1 of PALRF monies.
- In July 2019, the City entered into an agreement with the City of Hermosa Beach to exchange general fund monies amounting to \$700,000 for \$1,000,000 or \$0.70 general fund per \$1 of PALRF monies.
- 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.
- 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.

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, 2020 and 2019 were recorded under PALRF where the corresponding project expenditures were recorded.

	2020	2019
Sub-regional paratransit services –		
Dial-A-Ride*	\$ 253,524	\$ 284,307
Voluntary NTD Program	38,269	33,486
	\$ 291,793	\$ 317,793

* 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 years ended June 30, 2020 and 2019, a payment to City of Beverly Hills was made covering the following period:

<u>Year ended June 30</u>	2020	2019
2017	\$ -	\$ 114,003
2018	-	126,079
	\$ -	\$ 240,082

NOTE 11 GAIN ON SALE OF CAPITAL ASSETS

For the year ended June 30, 2020, the City recognized gain on sale of shuttle buses purchased using Proposition A Local Return Fund. The gain of \$1,340 was recorded under PALRF.

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.

NOTE 12 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND REVENUE ALLOCATION

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

	2020	2019
FY 2015/16 allocation	\$ 12,275	\$ -
FY 2016/17 allocation	23,746	-
FY 2017/18 allocation	20,299	-
Total revenue	\$ 56,320	\$ -

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, 2020 and 2019, the City has funds on reserve as follows:

**NOTE 13 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUNDS RESERVED
(CONTINUED)**

	2020	2019
FY 2015/16 allocation	\$ -	\$ 12,275
FY 2016/17 allocation	-	23,746
FY 2017/18 allocation	3,105	23,404
FY 2018/19 allocation	24,333	24,333
FY 2019/20 allocation	25,897	-
Total reserve	\$ 53,335	\$ 83,758

For FY 2019/20, any TDA Article 3 funds left on reserve for FY 2015/16 or prior, are subject to lapse if not claimed by the City by June 30, 2020. There were no funds that lapsed in FY 2019/20.

NOTE 14 SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries. It is unknown how long these conditions will last and what the complete financial effect will be to businesses and other affected organizations, including local governmental entities.

The City has evaluated events subsequent to June 30, 2020 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through November 12, 2020, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no other subsequent events occurred that require recognition or additional disclosure in 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, 2020, and the related notes to the financial statements, and have issued our report thereon dated November 12, 2020.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 financial statements. 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.

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

**Glendale, California
November 12, 2020**

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, 2020.

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, 2020.



Other Matters

The results of our auditing procedures disclosed instances of noncompliance with the requirements, which are described in the accompanying Schedule of Findings and Questioned Costs as Findings #2020-001 and #2020-002. Our opinion is not modified with respect to these matters.

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

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the 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
November 12, 2020**

**City of West Hollywood
Compliance Matrix
Year ended June 30, 2020**

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, 2020**

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		There were no administrative expenses charged to MRLRF.
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, 2020**

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			See Finding #2020-001
7. Expenditure Plan (Form M-One) was submitted timely.		X			See Finding #2020-002
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		There were no administrative expenses charged to MMLRF.
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, 2020**

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				

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, 2020

MMLRF: Finding #2020-001

<p>Compliance Reference</p>	<p>Measure M Local Return Program Guidelines, Section XXV, Local Return, Administrative Reporting Requirements, Expenditure Plan (Form M-One) states that, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form M-One), annually, by August 1st of each year.</p> <p>Expenditure Plan (Form M-One) provides a listing of projects funded with Measure M LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. Part II is to be filled out for capital projects (projects over \$250,000). LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.</p>
<p>Condition</p>	<p>The City claimed expenditures for MMLRF Project code 7.90 Early Project Delivery Strategy (Funding Studies) – Northern Extension Crenshaw, totaling \$281,596, with no prior approval from LACMTA.</p> <p>This project was previously approved in the prior year, however, the City is still required to submit Form M-One every year, carry over the budget, and have it approved by LACMTA.</p>
<p>Cause</p>	<p>The finding was caused by staff turnover. The above project was not included as a carryover project in the Expenditure Plan (Form M-One) submitted to LACMTA for approval for the projects that will be funded with Measure M.</p>
<p>Effect</p>	<p>The City claimed expenditures totaling \$281,596 without prior approval from LACMTA. Lack of prior approval results in noncompliance which could impact future funding or result in questioned costs that require funding to be returned to LACMTA; the \$281,596 does not need to be returned.</p> <p>This project was previously approved in prior year and the City submitted a revised Expenditure Plan (Form M-One) to the LACMTA Program Manager and obtained a retroactive approval of the said project on September 22, 2020.</p>
<p>Recommendation</p>	<p>We recommend the City establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on Measure M-funded projects.</p>

City of West Hollywood
Schedule of Findings and Questioned Costs
Year ended June 30, 2020

MMLRF: Finding #2020-001 (Continued)

Management's Response	The City will obtain LACMTA approval prior to spending LACMTA funded projects. The City submitted a revised Expenditure Plan (Form M-One) to the LACMTA Program Manager and obtained a retroactive approval of the said project on September 22, 2020.
Finding Corrected During the Audit	LACMTA Program Manager granted retroactive approval of the said project on September 22, 2020. No additional follow up is required and the \$281,596 does not need to be returned.

City of West Hollywood
Schedule of Findings and Questioned Costs
Year ended June 30, 2020

MMLRF: Finding #2020-002

Compliance Reference	<p>Measure M Local Return Program Guidelines, Section XXV, Local Return, Administrative Reporting Requirements, Expenditure Plan (Form M-One) states that, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form M-One), annually, by August 1st of each year.</p> <p>Expenditure Plan (Form M-One) provides a listing of projects funded with Measure M LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. Part II is to be filled out for capital projects (projects over \$250,000). LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.</p>
Condition	The City submitted its Expenditure Plan (Form M-One) on October 9, 2019, 69 days after the due date of August 1, 2019.
Cause	The Form M-One report was submitted late due to staff turnover.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and controls to ensure that the Expenditure Plan (Form M-One) is submitted by August 1 st as required by the Guidelines.
Management's Response	City staff assigned to complete the Form M-One has been advised of the August 1 st deadline to submit the report. In addition, an outlook calendar reminder will be set up on the calendar of all program managers to ensure that all reports are completed and submitted to the LACMTA in a timely fashion.
Finding Corrected During the Audit	The City subsequently submitted the form. No follow up is required.

EXIT CONFERENCE

An exit conference was held on November 9, 2020 with the City of West Hollywood representatives. Those in attendance were:

Vasquez and Company LLP representatives:
 Marialyn Salvador – Audit Senior Manager
 Erica Ong – Senior Auditor

City of West Hollywood representatives:
 Lorena Quijano – Director of Finance and Technology Services
 Carlos Corrales – Accounting Manager
 Annie Ruiz – Revenue Manager
 Claudia Duncan – Senior Financial Management Analyst
 Karen Bareng – Senior Accountant

Matters discussed:

Results of the audit disclosed issues of noncompliance with the Local Return Guidelines.

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
Karen Bareng – Senior Accountant



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