



MetroTM

**City of Beverly Hills
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, 2021 and 2020
with Independent Auditor's Report**

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FINANCIAL SECTION

Independent Auditor's Report

**To the Honorable Members of the City Council of the
City of Beverly Hills, 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 Beverly Hills, California (the City) which comprise the Funds' balance sheets as of June 30, 2021 and 2020, 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.

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 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 Beverly Hills, California, as of June 30, 2021 and 2020, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the 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 Beverly Hills, California, and do not purport to, and do not present fairly the financial position of the City as of June 30, 2021 and 2020, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on each of the Funds' financial statements 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 2, 2021 on our consideration of the City's internal control over the Funds' financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over the Funds' financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over the Funds' financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over the Funds' financial reporting and compliance.

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

**Glendale, California
November 2, 2021**

**City of Beverly Hills
Proposition A Local Return Fund
Balance Sheets**

		June 30	
		2021	2020
ASSETS			
Cash and investments	\$	3,568,127	\$ 2,074,670
Due from the City of Bradbury		60,000	-
Interest receivable		19,616	18,797
Total assets	\$	3,647,743	\$ 2,093,467
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	72,000	\$ 120,268
Accrued expenses		3,639	17,966
Total liabilities		75,639	138,234
Deferred inflows of resources			
Unavailable revenue, other		10,660	8,493
Total deferred inflows of resources		10,660	8,493
Fund balance			
Restricted - Capital Reserve		1,839,438	-
Restricted - Other		1,722,006	1,946,740
Total fund balance		3,561,444	1,946,740
Total liabilities, deferred inflows of resources and fund balance	\$	3,647,743	\$ 2,093,467

See notes to Funds financial statements.

City of Beverly Hills
Proposition A Local Return Fund
Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2021	2020
Revenues		
Proposition A	\$ 696,699	\$ 668,883
Proposition A fund exchange (Note 10)	1,360,000	-
Interest income	50,345	68,900
Unrealized gain (loss) on investments	(33,815)	2,311
Project generated revenues (Note 9)	3,672	9,502
Reimbursement from City of West Hollywood, net (Note 11)	231,268	188,074
Total revenues	2,308,169	937,670
Expenditures		
Various projects	693,465	1,391,318
Total expenditures	693,465	1,391,318
Excess (deficiency) of revenues over expenditures	1,614,704	(453,648)
Fund balance at beginning of year	1,946,740	2,400,388
Fund balance at end of year	\$ 3,561,444	\$ 1,946,740

See notes to Funds financial statements.

City of Beverly Hills
Proposition A Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and Metro Approved Project Budget
Year ended June 30, 2021
(With Comparative Actuals for 2020)

Project Code	Project Name	2021			2020 Actual
		Metro Budget	Actual	Variance Positive (Negative)	
106	Trolley	\$ 5,000	-	\$ 5,000	\$ 67,984
106	Senior Shuttle	475,000	466,256	8,744	474,289
107	Senior On-Demand Transportation Program	70,000	66,647	3,353	70,729
135	MTA Bus Pass Subsidy	5,000	-	5,000	7,260
281	Purple Line Extension Wilshire/Rodeo Station North Portal Environmental Impact Report - Capital Reserve	951,100	160,562	790,538	771,056
	Total expenditures	\$ 1,506,100	\$ 693,465	\$ 812,635	\$ 1,391,318

See independent auditor's report.

City of Beverly Hills
Proposition A Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2021

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>
2009	Trolley	\$ 164,000	\$ -	\$ -	\$ 164,000
	Total	\$ 164,000	\$ -	\$ -	\$ 164,000

See independent auditor's report.

City of Beverly Hills
Proposition C Local Return Fund
Balance Sheets

		June 30	
		2021	2020
ASSETS			
Cash and investments	\$	3,191,491	\$ 2,596,741
Interest receivable		17,373	14,877
Total assets	\$	<u>3,208,864</u>	<u>\$ 2,611,618</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	-	\$ -
Total liabilities		<u>-</u>	<u>-</u>
Deferred inflows of resources			
Unavailable revenue		9,355	3,865
Total deferred inflows of resources		<u>9,355</u>	<u>3,865</u>
Fund balance			
Restricted - Capital Reserve		2,761,381	-
Restricted - Other		438,128	2,607,753
Total fund balance		<u>3,199,509</u>	<u>2,607,753</u>
Total liabilities, deferred inflows of resources and fund balance	\$	<u>3,208,864</u>	<u>\$ 2,611,618</u>

See notes to Funds financial statements.

City of Beverly Hills
Proposition C Local Return Fund
Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2021	2020
Revenues		
Proposition C	\$ 577,887	\$ 554,840
Interest income	45,487	52,662
Unrealized gain (loss) on investments	(31,618)	1,727
Total revenues	591,756	609,229
Expenditures		
Various projects	-	7,339
Total expenditures	-	7,339
Excess of revenues over expenditures	591,756	601,890
Fund balance at beginning of year	2,607,753	2,005,863
Fund balance at end of year	\$ 3,199,509	\$ 2,607,753

See notes to Funds financial statements.

City of Beverly Hills
Proposition C Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and Metro Approved Project Budget
Year ended June 30, 2021
(With Comparative Actuals for 2020)

Project Code	Project Name	2021			2020 Actual
		Metro Budget	Actual	Variance Positive (Negative)	
715	NSMB Reconstruction	\$ -	\$ -	\$ -	7,339
781	Wilshire Blvd Subway Streetscape Improvements - Capital Reserve	10,000	-	10,000	-
	Total expenditures	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 7,339</u>

See independent auditor's report.

City of Beverly Hills
Proposition C Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2021

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>
N/A	None	\$ -	\$ -	\$ -	\$ -
	Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report.

**City of Beverly Hills
Measure R Local Return Fund
Balance Sheets**

		June 30	
		2021	2020
ASSETS			
Cash and investments	\$	1,903,283	\$ 2,088,814
Accounts receivable		4,742	941
Interest receivable		10,393	13,309
Total assets	\$	1,918,418	\$ 2,103,064
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	115,318	\$ 165,591
Total liabilities		115,318	165,591
Deferred inflows of resources			
Unavailable revenue		5,766	3,933
Total deferred inflows of resources		5,766	3,933
Fund balance			
Restricted - Capital Reserve		517,460	-
Restricted - Other		1,279,874	1,933,540
Total fund balance		1,797,334	1,933,540
Total liabilities, deferred inflows of resources and fund balance	\$	1,918,418	\$ 2,103,064

See notes to Funds financial statements.

City of Beverly Hills
Measure R Local Return Fund

Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2021	2020
Revenues		
Measure R	\$ 434,016	\$ 415,534
Bike Share program revenues	6,400	12,199
Interest income	29,578	50,810
Unrealized gain (loss) on investments	(21,708)	1,485
Total revenues	448,286	480,028
Expenditures		
Various projects	584,492	424,002
Total expenditures	584,492	424,002
Excess (deficiency) of revenues over expenditures	(136,206)	56,026
Fund balance at beginning of year	1,933,540	1,877,514
Fund balance at end of year	\$ 1,797,334	\$ 1,933,540

See notes to Funds financial statements.

City of Beverly Hills
Measure R Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and Metro Approved Project Budget
Year ended June 30, 2021
(With Comparative Actuals for 2020)

Project Code	Project Name	2021			2020 Actual
		Metro Budget	Actual	Variance Positive (Negative)	
730	Complete Streets	\$ 1,250,000	\$ 300	\$ 1,249,700	\$ 314,502
781	Wilshire Blvd Subway Streetscape Improvements - Capital Reserve	100,000	482,540	(382,540)	-
825	Bicycle Share: Operation of Beverly Hills Bikeshare System	109,500	101,652	7,848	109,500
	Total expenditures	\$ <u>1,459,500</u>	\$ <u>584,492</u>	\$ <u>875,008</u>	\$ <u>424,002</u>

See independent auditor's report.

City of Beverly Hills
Measure R Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2021

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>
N/A	None	\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See independent auditor's report.

**City of Beverly Hills
Measure M Local Return Fund
Balance Sheets**

		June 30	
		2021	2020
ASSETS			
Cash and investments	\$	1,864,661	\$ 1,363,483
Interest receivable		9,832	8,440
Total assets	\$	<u>1,874,493</u>	<u>\$ 1,371,923</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	-	\$ -
Total liabilities		<u>-</u>	<u>-</u>
Deferred inflows of resources			
Unavailable revenue		5,120	2,205
Total deferred inflows of resources		<u>5,120</u>	<u>2,205</u>
Fund balance			
Restricted		1,869,373	1,369,718
Total fund balance		<u>1,869,373</u>	<u>1,369,718</u>
Total liabilities, deferred inflows of resources and fund balance	\$	<u>1,874,493</u>	<u>\$ 1,371,923</u>

See notes to Funds financial statements.

City of Beverly Hills
Measure M Local Return Fund

Statements of Revenues, Expenditures and Changes in Fund Balance

		Years ended June 30	
		2021	2020
Revenues			
Measure M	\$	491,756	\$ 467,630
Interest income		25,504	32,857
Unrealized gain (loss) on investments		(17,605)	819
Total revenues		499,655	501,306
Expenditures			
Various projects		-	-
Total expenditures		-	-
Excess of revenues over expenditures		499,655	501,306
Fund balance at beginning of year		1,369,718	868,412
Fund balance at end of year	\$	1,869,373	\$ 1,369,718

See notes to Funds financial statements.

City of Beverly Hills
Measure M Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and Metro Approved Project Budget
Year ended June 30, 2021
(With Comparative Actuals for 2020)

Project Code	Project Name	2021			2020 Actual
		Metro Budget	Actual	Variance Positive (Negative)	
730	Complete Streets	\$ 1,000,000	-	\$ 1,000,000	-
	Total expenditures	<u>\$ 1,000,000</u>	<u>-</u>	<u>\$ 1,000,000</u>	<u>-</u>

See independent auditor's report.

City of Beverly Hills
Measure M Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2021

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>
N/A	None	\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See independent auditor's report.

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

		June 30	
		2021	2020
ASSETS			
Cash		\$ -	\$ -
	Total assets	\$ -	\$ -
LIABILITIES AND FUND DEFICIT			
Liabilities			
Due to other funds		\$ 1,989	\$ 1,989
	Total liabilities	1,989	1,989
Fund deficit			
Restricted		(1,989)	(1,989)
	Total fund deficit	(1,989)	(1,989)
	Total liabilities and fund deficit	\$ -	\$ -

See notes to Funds financial statements.

City of Beverly Hills
 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	
	2021	2020
Revenues		
Intergovernmental Allocations:		
Article 3	\$ 54,429	\$ 31,116
Total revenues	54,429	31,116
Expenditures		
Various projects	54,429	31,116
Total expenditures	54,429	31,116
Excess of revenues over expenditures	-	-
Fund deficit at beginning of year	(1,989)	(1,989)
Fund deficit at end of year	\$ (1,989)	\$ (1,989)

See notes to Funds financial statements.

City of Beverly Hills
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, 2021

Project Description	Program Year	Totals to Date		Unexpended	Project Status
		Allocations	Expenditures	Allocations	
Local Allocations:					
Purchase of Bicycle Racks	2021	\$ 23,340	\$ 23,340	\$ -	Completed
Pedestrian Signal System	2021	31,089	31,089	-	Completed
Totals		\$ 54,429	\$ 54,429	-	
Unassigned fund deficit at beginning of year				(1,989)	
Unassigned fund deficit at end of year				\$ (1,989)	

See notes to Funds financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The operations of the Proposition A Local Return Fund (PALRF), the Proposition C Local Return Fund (PCLRF), the Measure R Local Return Fund (MRLRF), the Measure M Local Return Fund (MMLRF) and the Transportation Development Act Article 3 Fund (TDAA3F) (collectively, the Funds) are accounted for in separate sets of self-balancing accounts that comprise their assets, liabilities, fund balance, revenues and expenditures.

PALRF and PCLRF represent 25% and 20%, respectively, of the ½ cent Proposition A and ½ cent Proposition C sales taxes which are distributed to the jurisdictions within Los Angeles County based on population and must be used exclusively for transportation related programs and projects.

MRLRF is derived from 15% of the county-wide ½ cent Measure R sales tax which is distributed to the jurisdictions within Los Angeles County based on a per capita basis and must be used exclusively for transportation purposes.

MMLRF is derived from 17% of the county-wide ½ cent Measure M sales tax which is distributed to the jurisdictions within Los Angeles County based on a per capita basis and must be used exclusively for transportation purposes.

TDAA3F is a Special Revenue Fund that accounts for the City's share of the Transportation Development Act Article 3 allocations which are legally restricted for specific purposes.

Basis of Accounting and Measurement Focus

The PALRF, PCLRF, MRLRF, MMLRF and TDAA3F are reported as Special Revenue Funds of the City and are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become "susceptible to accrual", that is, measurable and available to finance expenditures of the current period. Expenditures are recorded when the liability is incurred.

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

Budgets and Budgetary Accounting

The budgeted amounts presented in this report for comparison to the actual amounts are based on budgets approved by Metro 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 Annual Comprehensive Financial Report (ACFR) 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, 2021 and 2020:

- 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 is restricted for projects approved by Metro.

Information regarding the fund balance reporting policy adopted by the City is described in the City's ACFR.

Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the City recognizes deferred outflows and deferred inflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period.

Deferred inflows of resources reported by the City represent unavailable resources that are not available for spending as of June 30, 2021 and 2020.

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, 2021 and 2020, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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.

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 ACFR for a full description of risks relating to cash and investments.

NOTE 8 CAPITAL RESERVE AGREEMENT

PALRF

On June 16, 2021, Metro and the City entered into a capital reserve agreement to establish a capital reserve account (Account) of \$2,000,000 for the Wilshire/Rodeo Station Project.

The account is funded with the Proposition A Local Return funds allocated to the City. All interest is accrued in the Account for use exclusively for the said project. If the project is not completed by June 30, 2026, any unexpended funds shall lapse and be returned to Metro.

NOTE 8 CAPITAL RESERVE AGREEMENT (CONTINUED)

PALRF (Continued)

Following are the transactions and the balances reported for the capital reserve account as of and for the year ended June 30, 2021:

Set-up of capital reserve account	\$	2,000,000
Expenditures during the year		(160,562)
Capital reserve balance at June 30, 2021	\$	<u>1,839,438</u>

PCLRF

On March 9, 2020, Metro and the City entered into a capital reserve agreement (Agreement) to establish a capital reserve account (Account) of \$2,000,000 for streetscapes enhancements adjacent to the Purple Line Extension subway stations of La Cienega and Rodeo/Beverly, including bicycle, pedestrian and drop-off zones.

The Account is funded with the Proposition C Local Return funds allocated to the City. All interest is accrued in the Account to be used exclusively for the said project. If the said project is not completed by June 30, 2025, any unexpended funds shall lapse and be returned to Metro. The Agreement was approved by Metro Board of Directors on September 24, 2020.

On June 16, 2021, Metro and the City amended the agreement to increase the capital reserve to \$2,750,000.

Following are the transactions and the balances reported for the capital reserve account as of and for the year ended June 30, 2021:

Set-up of capital reserve account	\$	2,750,000
Investment income allocated during the year		11,381
Expenditures during the year		-
Capital reserve balance at June 30, 2021	\$	<u>2,761,381</u>

MRLRF

On June 16, 2021, Metro and the City entered into a capital reserve agreement (Agreement) to establish a capital reserve account (Account) of \$1,000,000 for streetscapes enhancements adjacent to the Purple Line Extension subway stations of La Cienega and Rodeo/Beverly, including bicycle, pedestrian and drop-off zones.

The Account is funded with the Measure R Local Return funds allocated to the City. All interest is accrued in the Account to be used exclusively for the said project. If the said project is not completed by June 30, 2026, any unexpended funds shall lapse and be returned to Metro.

NOTE 8 CAPITAL RESERVE AGREEMENT (CONTINUED)

MRLRF (Continued)

Following are the transactions and the balances reported for the capital reserve account as of and for the year ended June 30, 2021:

Set-up of capital reserve account	\$	1,000,000
Expenditures during the year		<u>(482,540)</u>
Capital reserve balance at June 30, 2021	\$	<u><u>517,460</u></u>

NOTE 9 PROJECT GENERATED REVENUES

Project generated revenues under PALRF for the years ended June 30, 2021 and 2020 consisted of the following:

		<u>2021</u>		<u>2020</u>
Taxi coupons	\$	<u>3,672</u>	\$	<u>6,618</u>
MTA bus pass sales		<u>-</u>		<u>2,884</u>
	\$	<u><u>3,672</u></u>	\$	<u><u>9,502</u></u>

NOTE 10 PROPOSITION A FUND EXCHANGE

As permitted by the Local Return Guidelines and as approved by Metro, 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 May 2021, the City entered into an agreement with the City of Bradbury to exchange general fund monies amounting to \$48,000 for \$60,000 or \$0.80 general fund per \$1 of PALRF monies.
- In July 2020, the City entered into an agreement with the City of Covina to exchange general fund monies amounting to \$420,000 for \$600,000 or \$0.70 general fund per \$1 of PALRF monies.
- In July 2020, the City entered into an agreement with the City of Walnut to exchange general fund monies amounting to \$490,000 for \$700,000 or \$0.70 general fund per \$1 of PALRF monies.

NOTE 11 REIMBURSEMENT FROM CITY OF WEST HOLLYWOOD - PALRF

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

During the years ended June 30, 2021 and 2020, the City reimbursed a total of \$231,268 and \$188,074, respectively, from the City of West Hollywood, covering the following periods:

		<u>2021</u>		<u>2020</u>
FY 2016/17	\$	-	\$	114,003
FY 2017/18		-		126,079
FY 2018/19		123,043		-
FY 2019/20		108,225		-
		<u>231,268</u>		<u>240,082</u>
Less: Uncollectible funds		-		(52,008)
	\$	<u>231,268</u>	\$	<u>188,074</u>

NOTE 12 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUNDS REVENUE ALLOCATION

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

		<u>2021</u>		<u>2020</u>
FY 2015/16 allocation	\$	-	\$	22,106
FY 2016/17 allocation		14,079		9,010
FY 2017/18 allocation		22,649		-
FY 2018/19 allocation		17,701		-
	\$	<u>54,429</u>	\$	<u>31,116</u>

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 Metro. As of June 30, 2021 and 2020, the City has funds on reserve as follows:

	2021	2020
FY 2016/17 reserve	\$ -	\$ 14,079
FY 2017/18 reserve	-	22,649
FY 2018/19 reserve	5,794	23,495
FY 2019/20 reserve	24,903	24,903
FY 2020/21 allocation	19,312	-
	\$ 50,009	\$ 85,126

For FY 2020/21, any TDA Article 3 funds left on reserve for FY 2016/17 or prior, are subject to lapse if not claimed by the City by June 30, 2021. There were no funds that lapsed in FY 2020/21.

NOTE 14 IMPACT OF CORONAVIRUS

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the United States.

It is unknown how long these conditions will last and what the complete financial effect will be to businesses and other affected organizations, including local governmental entities. However, the City's management believes that the financial impact, if any, will not materially affect the June 30, 2021 funds financial statements.

NOTE 15 SUBSEQUENT EVENTS

The City has evaluated events subsequent to June 30, 2021 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through November 2, 2021, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

**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 Beverly Hills, 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 Beverly Hills, California (the City) as of and for the year ended June 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated November 2, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the Funds' financial statements, we considered the City's internal control over 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.

**Glendale, California
November 2, 2021**

COMPLIANCE SECTION

Independent Auditor's Report on Compliance

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

Report on Compliance

We have audited the City of Beverly Hills, California's (the City) compliance 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, 2021.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance 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 Beverly Hills, California complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2021.



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 "Vasquez & Company LLP".

**Glendale, California
November 2, 2021**

**City of Beverly Hills
Compliance Matrix
Year ended June 30, 2021**

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 or has established a separate Proposition A and Proposition C Local Transit Assistance Account for Local Return purposes.	X				
2. Revenues received including allocations, project generated revenues and interest income was properly credited to the Proposition A and/or Proposition C Local Return Account.	X				
3. Funds were expended with Metro's approval and were not substituted for property tax.	X				There were no expenses charged to PCLRF during FY 2020/21.
4. Timely use of funds.	X				
5. Administrative expenses are within the 20% cap.			X		There were no administrative expenses charged to PALRF and PCLRF during FY 2020/21.
6. Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.			X		
7. Annual Project Update Report (Form B) or electronic equivalent was submitted on time.	X				
8. Annual Expenditure Report (Form C) or electronic equivalent was submitted on time.	X				
9. Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.			X		
10. Local Return Account is credited for reimbursable expenditures.	X				
11. Where Proposition A funds were given, loaned or exchanged by one jurisdiction to another, the receiving jurisdiction has credited its Local Return Account with the funds received.	X				

See independent auditor's report on compliance.

**City of Beverly Hills
Compliance Matrix
Year ended June 30, 2021**

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					
12. Self-Certification was completed and submitted for Intelligent Transportation Systems projects and elements.			X		
13. A separate account was established for Capital reserve funds, Capital reserve was approved by Metro and current status is reported in the Annual Project Update (Form B) or electronic equivalent.	X				
14. Recreational transit form was submitted on time.			X		
15. Fund exchanges (trades, loans, or gifts) were approved by Metro.	X				
16. Proposition C Local Return Funds were used to augment, not supplant existing local revenues being used for road improvement purposes.			X		There were no expenses charged to PCLRF during FY 2020/21.
17. All on-going and carryover projects were reported on Form B or electronic equivalent.	X				
18. Cash or cash equivalents are maintained.	X				
19. Accounting procedures, record keeping, and documentation are adequate.	X				

See independent auditor's report on compliance.

**City of Beverly Hills
Compliance Matrix
Year ended June 30, 2021**

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. Separate Measure R Local Return Account was established.	X				
3. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X				
4. Funds were expended with Metro's approval.	X				
5. Funds were not substituted for property tax and are in compliance with the Maintenance of Effort.	X				
6. Timely use of funds.	X				
7. Administrative expenses are within the 20% cap.					There were no administrative expenses charged to MRLRF during FY 2020/21.
8. Expenditure Plan (Form One or electronic equivalent) was submitted timely.	X				
9. Annual Expenditure Report (Form Two or electronic equivalent) was submitted timely.	X				
10. Where funds expended were reimbursable by other grants or fund sources, the reimbursement was credited to the Local Return Account upon receipt of the reimbursement.					
11. Where Measure R funds were given, loaned or exchanged by one jurisdiction to another, the receiving jurisdiction has credited its Local Return Account with the funds received.					
12. A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.	X				
13. Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.	X				

See independent auditor's report on compliance.

**City of Beverly Hills
Compliance Matrix
Year ended June 30, 2021**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
B. Measure R Local Return Fund					
14. Recreational transit form was submitted on time.			X		
15. Fund exchanges (trades, loans, or gifts) were approved by Metro.			X		
16. Accounting procedures, record keeping, and documentation are adequate.	X				

See independent auditor's report on compliance.

**City of Beverly Hills
Compliance Matrix
Year ended June 30, 2021**

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		There were no expenses charged to MMLRF during FY 2020/21.
2. Separate Measure M Local Return Account was established.	X				
3. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	X				
4. Funds were expended with Metro's approval.			X		There were no expenses charged to MMLRF during FY 2020/21.
5. Funds were not substituted for property tax and are in compliance with the Maintenance of Effort.	X				
6. Timely use of funds.	X				
7. Administrative expenses are within the 20% cap.			X		There were no administrative expenses charged to MMLRF during FY 2020/21.
8. Expenditure Plan (Form M-One or electronic equivalent) was submitted timely.	X				
9. Expenditure Report (Form M-Two or electronic equivalent) was submitted timely.	X				
10. Where funds expended were reimbursable by other grants or fund sources, the reimbursement was credited to the Local Return Account upon receipt of the reimbursement.			X		
11. Where Measure M funds were given, loaned or exchanged by one jurisdiction to another, the receiving jurisdiction has credited its Local Return Account with the funds received.			X		
12. A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.			X		

See independent auditor's report on compliance.

**City of Beverly Hills
Compliance Matrix
Year ended June 30, 2021**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
C. Measure M Local Return Fund					
13. Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.			X		There were no expenses charged to MMLRF during FY 2020/21.
14. Recreational transit form was submitted on time.			X		
15. Fund exchanges (trades, loans, or gifts) were approved by Metro.			X		
16. Accounting procedures, record keeping, and documentation are adequate.	X				

See independent auditor's report on compliance.

**City of Beverly Hills
Compliance Matrix
Year ended June 30, 2021**

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 independent auditor's report on compliance.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**City of Beverly Hills
Schedule of Findings and Questioned Costs
Year ended June 30, 2021**

There were no findings noted.

EXIT CONFERENCE

An exit conference was held on October 25, 2021 with the City of Beverly Hills representatives. Those in attendance were:

Vasquez and Company LLP representatives:
 Marialyn Labastilla – Audit Senior Manager
 Erica Ong – Senior Auditor
 Francis Roque – Audit Supervisor

City of Beverly Hills representatives:
 James Bernier – Principal Accountant
 Martha Eros – Transportation Planner
 Lucy Quiralte – Senior Management Analyst

Matters discussed:

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

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

 Roza Jakabffy – Accounting Manager
 James Bernier – Principal Accountant
 Martha Eros – Transportation Planner
 Darren Grilley – Assistant Director of Public Works/City Engineer
 Lucy Quiralte – Senior Management Analyst



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