

***CITY OF LOS ANGELES
ANNUAL FINANCIAL REPORT OF THE
PROPOSITION A GROWTH OVER INFLATION FUNDS
FOR THE FISCAL YEARS ENDED
JUNE 30, 2021 AND 2020***



Metro[®]



Simpson & Simpson, LLP
Certified Public Accountants

CITY OF LOS ANGELES
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FINANCIAL SECTION



SIMPSON & SIMPSON

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Proposition A Growth Over Inflation (GOI) Funds, which are accounted for in the Proposition A Local Return Fund (PALRF), of the City of Los Angeles (the City) as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Proposition A GOI Funds of the City of Los Angeles, California, as of June 30, 2021 and 2020, and the 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 GOI Funds and do not purport to, and do not, present fairly the financial position of the PALRF or the City of Los Angeles, California, 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 audit was conducted for the purpose of forming an opinion on the financial statements of the Proposition A GOI Funds, which are accounted for in the PALRF. The accompanying supplementary information as listed in the table of contents is presented for the purposes of additional analysis and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated January 14, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City's internal control over 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 Proposition A GOI Funds' financial reporting and compliance.

A handwritten signature in cursive script, reading "Simpson & Simpson".

Los Angeles, California
January 14, 2022

CITY OF LOS ANGELES
PROPOSITION A GROWTH OVER INFLATION
BALANCE SHEETS
June 30

	2021	2020
ASSETS		
Due from Metro	\$ -	\$ 4,824,381
Total assets	\$ -	\$ 4,824,381
 LIABILITIES AND FUND BALANCE		
Liabilities		
Due to PALRF	\$ -	\$ 4,824,381
Total liabilities	-	4,824,381
 Fund Balance		
Restricted	-	-
Total fund balance	-	-
Total liabilities and fund balance	\$ -	\$ 4,824,381

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

CITY OF LOS ANGELES
PROPOSITION A GROWTH OVER INFLATION
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Fiscal Years Ended June 30

	2021	2020
REVENUES		
Proposition A Growth Over Inflation	\$ 7,169,913	\$ 4,824,381
Total revenues	7,169,913	4,824,381
EXPENDITURES		
Fixed Route Transit Services	7,169,913	4,824,381
Total expenditures	7,169,913	4,824,381
Excess of revenues over expenditures	-	-
Fund balance at beginning of year	-	-
Fund balance at end of year	\$ -	\$ -

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

CITY OF LOS ANGELES
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2021 and 2020
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The operations of the Proposition A Growth Over Inflation (GOI) Funds are accounted for in the Proposition A Local Return Fund (PALRF), which is a separate set of self-balancing accounts that comprise their assets, liabilities, Fund balance, revenues, and expenditures.

On April 22, 2010, the Los Angeles County Metropolitan Transportation Authority (Metro) elected to designate a portion of the Proposition A 40% Discretionary Funds to non-municipal, Tier II operators, to assist in the growth and development of those operators' fixed route transit services. The funds are awarded based on Metro's formula allocation procedures, which is based on the Transit Performance Measurement Data that is reported by the operators at the end of each fiscal year.

On June 23, 2016, the Metro Board authorized an allocation of \$6,000,000 for the continuation of the Tier II Operator Funding Program.

Basis of Accounting

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

Fund Balance Reporting

GASB Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes the fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds.

The Proposition A Growth Over Inflation Funds report the following fund balance classifications as of June 30, 2021:

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

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

CITY OF LOS ANGELES
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2021 and 2020
(Continued)

NOTE 2 – ANNUAL FINANCIAL STATEMENTS

The financial statements reflect only the financial position and results of the Proposition A GOI Funds' operations, and do not purport to, and do not present fairly the PALRF or the City's financial position as of June 30, 2021 and 2020, and the changes in fund balance for the years then ended in conformity with accounting principles generally accepted in the United States of America.

NOTE 3 - PROPOSITION A GROWTH OVER INFLATION COMPLIANCE REQUIREMENTS

In accordance with the Proposition A GOI Memorandum of Understanding (MOU) and the Proposition A 40% Discretionary Guidelines, these funds are to be used exclusively for fixed route transit services. Expenditures to expand fixed route transit services or to maintain current level of effort are eligible uses of Proposition A GOI Funds. Any funds that were not expended during the fiscal year shall be returned to Metro. Such unexpended funds will be treated as carryover funds and held by Metro on behalf of the operator for a period of two years. The City may carryover for two years, one hundred percent (100%) of its annual funding mark minus any portion expended during the fiscal year.

NOTE 4 – 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 Fund's financial statement.

NOTE 5 – SUBSEQUENT EVENTS

The City has evaluated subsequent events through January 14, 2022, the date the financial statements were available to be issued and concluded no other events have occurred that require disclosure or adjustments to the financial statements.



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Proposition A Growth Over Inflation (GOI) Funds, which are accounted for in the Proposition A Local Return Fund (PALRF) of the City of Los Angeles, California (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 January 14, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the Funds’ financial statements, we considered the City’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's Proposition A Growth Over Inflation (GOI) Funds' financial statements are free of 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Los Angeles, California
January 14, 2022

COMPLIANCE SECTION



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Independent Auditor's Report on Compliance

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

Report on Compliance

We have audited the compliance of the City of Los Angeles, California (City) with the Proposition A Growth Over Inflation (GOI) Memorandum of Understanding (the MOU) and the Proposition A 40% Discretionary Guidelines (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 based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Guidelines referred to in the preceding paragraph. Those standards and the Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on Proposition A GOI Program occurred. An audit includes examining, on a test basis, evidence about 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 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 Guidelines referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guidelines. Accordingly, this report is not suitable for any other purpose.

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

Los Angeles, California
January 14, 2022

CITY OF LOS ANGELES
PROPOSITION A GROWTH OVER INFLATION
COMPLIANCE MATRIX
Year Ended June 30, 2021

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
1.	Timely uses of funds.	X			None	
2.	Expenditures for capital assets and capital projects were approved before being incurred.			X	None	No expenditures occurred for capital assets and capital projects in FY20/21.
3.	Expenditures were supported and allowable per the Guidelines.	X			None	
4.	Accounting procedures, record keeping, and documentation were adequate.	X			None	
5.	Only expenditures for Fixed Route Services were included in the Transit Performance Measurement (TPM).	X			None	
6.	By November 1 of each year, report TPM data to Metro.			X	None	TPM data is due on 1/31/2022.
7.	Did not participate in any of the non-allowable funding programs (Section 4.1 of the MOU).	X			None	
8.	Maintained existing local commitment of Proposition A, Proposition C and Measure R for current transportation services.	X			None	
9.	Used Proposition A Growth Over Inflation (GOI) Funds to augment, not supplant existing local revenues used for transportation services.	X			None	
10.	Complied with all National Transit Database (NTD) reporting requirements.	X			None	
11.	Committed all NTD subsidiaries prior to committing Proposition A GOI Funds.	X			None	
12.	For each fiscal year, submit to Metro a Short-Range Transportation Plan (SRTP).	X			None	
13.	No later than 90 days after each fiscal year, submit to Metro a completed State Controller's Report.			X	None	State Controller's Report is due on 1/31/2022.
14.	Secured local support equivalent to the lesser of: 5% of the current fiscal year gross operating expenses, or 25% of the current fiscal year Local Return Funds received.	X			None	

CITY OF LOS ANGELES
PROPOSITION A GROWTH OVER INFLATION
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
June 30, 2021

No findings were noted.

SUPPLEMENTARY INFORMATION

CITY OF LOS ANGELES
PROPOSITION A GROWTH OVER INFLATION
SUPPLEMENTARY INFORMATION
EXHIBIT A - PROPOSITION A GROWTH OVER INFLATION WORKSHEET
For the Fiscal Year Ended June 30, 2021

Claimant: City of Los Angeles
Mode: Community DASH (Non FAP)
(Bus, DAR, or System Total)

Date: 1/14/2022
Contact: Nora Chin

SOURCE OF OPERATING FUNDS:

Maximum Annual Allocation	Estimated Monthly Payment
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FEDERAL CASH GRANTS AND REIMBURSEMENTS

FTA Sec. 5307 Operating	\$ -	\$ -
CMAQ (Operating)	\$ -	\$ -

STATE CASH GRANTS AND REIMBURSEMENTS

Other State (Specify)	\$ -	\$ -
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LOCAL CASH GRANTS AND REIMBURSEMENTS

Passenger Fares	\$ 299,112	\$ -
Special Transit Service	\$ -	\$ -
Charter Service Revenues	\$ -	\$ -
Auxiliary Transportation Revenues	\$ 925,391	\$ -
Non-transportation Revenues	\$ 227,159	\$ -
Prop. A Growth Over Inflation	\$ 7,169,913	\$ -
Prop. A 25% Local Return	\$ 56,988,117	\$ -
Prop. A Incentive fund	\$ 3,486,434	\$ -
Prop. C 20% Local Return	\$ -	\$ -
Measure R 15% Local Return	\$ -	\$ -
Measure M Local Return	\$ -	\$ -
Other Local (FTA & Local reimbursement grant)	\$ 20,007,184	\$ -

TOTAL OPERATING REVENUES	\$ 89,103,310
TOTAL OPERATING EXPENSES	\$ 89,103,310

Cost per VSH Calculation

Vehicle Service Hours (VSH)	782,604
Costs per VSH	\$ 114
% Change/VSH	-7.3%

Maintenance of Effort

5% of Operating Expenses	\$ 4,455,166
25% of Local Return Funds	\$ 14,247,029

EXIT CONFERENCE

CITY OF LOS ANGELES
PROPOSITION A GROWTH OVER INFLATION
EXIT CONFERENCE
June 30, 2021

An exit conference was held on January 14, 2022 with the City of Los Angeles. Those in attendance were:

Simpson & Simpson Representative:

Terry Bian, Senior Auditor

City's Representative:

Robert Rosenwald, Management Analyst II

Matters Discussed:

Results of the audit disclosed no significant control deficiencies and non-compliance issues with Metro Guidelines.

A copy of this report was forwarded to the following City representative(s) for their comments prior to the issuance of the final report:

Robert Rosenwald, Management Analyst II

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

RE: CITY OF LOS ANGELES ANNUAL FINANCIAL REPORT OF THE PROPOSITION A GROWTH
OVER INFLATION FUNDS FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020.

I have received the annual financial report of the Proposition A Growth Over Inflation Funds for the years ended June 30, 2021 and 2020, for the City of Los Angeles and agree with the contents of the report except as indicated below:

(Attach additional pages if necessary)

Very truly yours,

Name

Title

Date