

***CITY OF LOS ANGELES
ANNUAL FINANCIAL REPORT OF THE***

***MEASURE R LOCAL RETURN FUND
FOR THE FISCAL YEARS ENDED
JUNE 30, 2018 AND 2017***

***AND MEASURE M LOCAL RETURN FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018***



Metro[®]



Simpson & Simpson, LLP
Certified Public Accountants

CITY OF LOS ANGELES
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FINANCIAL SECTION



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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure R Local Return Fund (MRLRF), of the City of Los Angeles, California (the City) as of and for the years ended June 30, 2018 and 2017, and Measure M Local Return Fund (MMLRF) (the Fund) of the City of Los Angeles, California (the City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 MRLRF of the City of Los Angeles, California, as of June 30, 2018 and 2017, and MMLRF of the City of Los Angeles, California, as of June 30, 2018, and the respective changes in their financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the MRLRF and MMLRF of the City and do not purport to, and do not, present fairly the financial position of the City of Los Angeles, California, as of June 30, 2018 and 2017, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated December 31, 2018, on our consideration of the City's internal control over the Funds' financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over the Funds' financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over the Funds' financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over the Funds' financial reporting and compliance.

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

Los Angeles, California
December 31, 2018

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

	2018	2017
ASSETS		
Cash and investments	\$ 42,666,829	\$ 54,704,111
Accounts receivable	38,864	257,075
Investment income receivable	174,895	129,413
Due from government agencies (Note 7)	7,736,787	11,838,786
Due from other funds (Note 8)	18,653,075	10,274,683
Total assets	\$ 69,270,450	\$ 77,204,068
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 605,138	\$ 1,109,309
Due to other funds (Note 8)	841,663	2,444,233
Obligations under securities lending transactions	768,521	406,531
Other liabilities	233,575	3,224,418
Total liabilities	2,448,897	7,184,491
 Deferred Inflows of Resources		
Revenue from other government agencies (Note 9)	3,713,095	4,893,582
Total deferred inflows of resources	3,713,095	4,893,582
 Fund Balance		
Restricted	63,108,458	65,125,995
Total fund balance	63,108,458	65,125,995
Total liabilities, deferred inflows of resources and fund balance	\$ 69,270,450	\$ 77,204,068

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

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

	2018	2017
REVENUES		
Measure R	\$ 44,018,551	\$ 47,629,285
Unrealized gain (loss) on investments	103,244	(63,469)
Total revenues	44,121,795	47,565,816
 EXPENDITURES		
Various projects	46,583,408	49,333,461
Total expenditures	46,583,408	49,333,461
 Deficiency of revenues under expenditures	(2,461,613)	(1,767,645)
 OTHER FINANCING SOURCE		
Transfer in - Bureau of Engineering (Note 10)	444,076	-
 Deficiency of revenues under expenditures and other financing uses	(2,017,537)	(1,767,645)
 Fund balance at beginning of year	65,125,995	66,893,640
 Fund balance at end of year	\$ 63,108,458	\$ 65,125,995

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

CITY OF LOS ANGELES
MEASURE R LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2018
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2017)

Project Code	Project Name	2018			2017 Actual
		Metro Budget	Actual	Variance (Unfavorable)	
01-003	Transportation	\$ 6,325,501	\$ 5,437,565	\$ 887,936	\$ 4,487,082
01-005	Wilshire Blvd Mixed Flow Lane	1,000,000	-	1,000,000	-
01-006	Transportation Grant Fund Work Program	1,000,000	-	1,000,000	1,118,302
01-008	SAFETEA - LU Program Shortfall	1,290,000	(40,716)	1,330,716	41,308
01-009	Bridge Program	2,142,272	1,539	2,140,733	406,517
01-010	Street Services	25,508,159	18,335,601	7,172,558	23,695,370
01-011	General Services	3,995,531	1,627,698	2,367,833	1,561,014
01-012	Engineering	462,763	422,763	40,000	199,287
01-013	Matching Funds - Measure R Projects LRTP/30-10	3,760,000	-	3,760,000	-
01-015	Colorado Blvd. Near Figueroa Street Sinkhole	45	-	45	-
01-017	2nd Street Retaining Wall (420 W 2nd)	326,545	-	326,545	222,972
01-025	Montecito Retaining Wall Replacement Ph 4 (1039 Montecito)	234,726	-	234,726	10,613
01-027	Pavement Preservation Overtime	950,000	-	950,000	165,000
01-028	Median Island Maintenance	1,818,064	-	1,818,064	-
01-030	Sherman Way Tunnel under Van Nuys Airport	1,755,000	-	1,755,000	60,861
01-032	Wilshire Resurfacing San Vicente to Western	241,766	-	241,766	-
01-033	SFV - EDA Sun Valley Economic Development	1,173,846	-	1,173,846	-
01-036	Paint and Sign Maintenance	3,602,103	1,797,850	1,804,253	2,383,897
01-039	Project Match Funds	7,166,559	(720,732)	7,887,291	-

(Continued)

See accompanying independent auditor's report.

CITY OF LOS ANGELES
MEASURE R LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2018
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2017)

Project Code	Project Name	2018			2017 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
01-040	Pacific Bridge over Ballona	\$ 50,000	\$ -	\$ 50,000	\$ -
01-041	City Administrative Officer	233,334	-	233,334	-
01-042	Information Technology Agency	1,362	-	1,362	-
01-043	Special Gas Tax Street Improvement	500,000	-	500,000	-
01-044	Vision Zero	1,208,941	613,191	595,750	80,287
01-045	Great Streets	3,990,538	955,769	3,034,769	399,255
01-046	Vision Zero Contracts, Speed Surveys, Outreach Campaign	550,000	240,973	309,027	-
02-003	ARRA Transit Priority System	6,647	-	6,647	-
02-005	Roxford Street and Foothill Blvd on/off Ramp	40,000	31,077	8,923	82,169
02-007	Signal Improvement	2,054,205	(10,943)	2,065,148	263,553
02-008	ATSAC - Replacement Hub	355,858	-	355,858	-
02-009	Mohawk Bend Traffic Signal	60,000	-	60,000	-
02-010	Traffic Signal Supplies	2,921,983	1,980,224	941,759	318,083
02-011	ATSAC System Maintenance	5,864,309	674,954	5,189,355	135,691
02-012	Vision Zero Traffic Signal	1,300,000	-	1,300,000	-
03-002	Bicycle Plan/Program Projects	5,567,197	803,303	4,763,894	606,177
03-004	Implementation of Bicycle and Pedestrian Projects	12,672	-	12,672	10,527
03-007	Bicycle Parking/Racks	142,687	5,403	137,284	18,799
03-009	Stamped Crosswalks (South LA)	400	-	400	-

(Continued)

See accompanying independent auditor's report.

CITY OF LOS ANGELES
MEASURE R LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2018
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2017)

Project Code	Project Name	2018			2017 Actual
		Metro Budget	Actual	Variance (Unfavorable)	
03-010	Pedestrian Safety Devices/Plan/Programs	\$ 8,049,818	\$ 3,047,761	\$ 5,002,057	\$ 1,946,782
03-012	Bicycle Friendly Streets	29,283	29,200	83	-
03-013	Sharrows Pavement Markings	360	-	360	-
03-014	Street Lighting	1,447,833	280,153	1,167,680	175,794
03-015	Broadway Street Scape Project	643,575	115,268	528,307	67,054
03-017	East Rose Hill @ Galena Stairway	98,055	60,885	37,170	392,608
03-017	Stairway and Walkway Lighting Unit	162,250	3,677	158,573	122,243
03-018	Active Transportation	506,667	90,668	415,999	-
03-018	Bus Stop Security Lighting - SLA	1,153,473	-	1,153,473	-
03-019	Exposition Bikeway	380,000	-	380,000	18,663
03-020	Bus Stop Security Lighting Unit	94,146	-	94,146	-
03-021	Bikeshare Operations and Maintenance	588,881	-	588,881	579,388
03-022	Laguna Ave Pedestrian Activities Crosswalk	75,000	-	75,000	-
03-023	Main and Spring Forward Improvements Project	620,461	-	620,461	-
04-001	Downtown LA Street Car Project	1,750,000	215,546	1,534,454	523,719
04-002	Railroad Grade Panel - ARRA	175,000	-	175,000	-
04-003	Los Angeles Neighborhood Initiative (LANI)	550,000	348,913	201,087	-
05-004	National/Palms Station Area	400,000	-	400,000	-
05-005	5th/Flower Transition to 2nd/Hope Station Area	400,000	-	400,000	-

(Continued)

See accompanying independent auditor's report.

CITY OF LOS ANGELES
MEASURE R LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2018
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2017)

Project Code	Project Name	2018			2017 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
05-006	Crenshaw/Slauson Station Area	\$ 400,000	\$ -	\$ 400,000	\$ -
05-007	Westwood/Exposition Station Area	400,000	-	400,000	-
07-001	Regional Transit Consulting Services	2,000	1,920	80	-
07-002	Transportation Element Plan Update	371	-	371	-
07-003	Safe Routes to School Study	338,250	71,934	266,316	127,902
07-005	Planning	785,230	296,482	488,748	831,267
07-006	Strategic Plan Study	50,000	-	50,000	-
07-007	Advance Planning	245,596	16,456	229,140	99,559
07-008	Via De Las Olas Landslide Study	400,000	-	400,000	172,146
07-009	Engineering Special Services	120,000	-	120,000	-
08-002	DOT Related Costs	30,850,000	9,919,090	20,930,910	7,888,151
08-004	Grant Reimbursement to General Fund	121,421	43,186	78,235	121,421
08-005	Consulting Services	40,000	-	40,000	-
N/A	Cultural Affairs (Not MTA project)	-	(113,250)	113,250	-
Total expenditures		\$ 138,490,683	\$ 46,583,408	\$ 91,907,275	\$ 49,333,461

See accompanying independent auditor's report.

CITY OF LOS ANGELES
MEASURE R LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2018

<u>Date</u> <u>Acquired</u>	<u>Description</u>	<u>Balance</u> <u>7/1/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2018</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report.

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

		2018
ASSETS		
Cash and investments	\$	37,655,317
Investment income receivable		118,799
Due from other funds (Note 8)		841,922
Due from other government agencies (Note 7)		8,984,311
Total assets	\$	47,600,349
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
Liabilities		
Accounts payable	\$	3,897,335
Due to other funds (Note 8)		598,813
Due to government agencies		1,626
Obligations under securities lending		678,253
Other liabilities		206,140
Total liabilities		5,382,167
 Deferred Inflows of Resources		
Revenue from other government agencies (Note 9)		28,457
Total fund balance		28,457
 Fund Balance		
Restricted		42,189,725
Total fund balance		42,189,725
Total liabilities, deferred inflows of resources and fund balance	\$	47,600,349

See accompanying independent auditor's report.

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

	2018
REVENUES	
Measure M	\$ 51,316,757
Unrealized (loss) on investments	(450,815)
Total revenues	50,865,942
 EXPENDITURES	
Various projects	8,676,217
Total expenditures	8,676,217
 Excess of revenues over expenditures	42,189,725
 Fund balance at beginning of year	-
 Fund balance at end of year	\$ 42,189,725

See accompanying independent auditor's report.

CITY OF LOS ANGELES
MEASURE M LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2018

Project Code	Project Name	2018		Variance Favorable (Unfavorable)
		Metro Budget	Actual	
01-001	Alley Paving	\$ 1,000,000	\$ -	\$ 1,000,000
01-002	Median Island Maintenance	1,100,000	258,078	841,922
01-003	Concrete Streets	1,000,000	-	1,000,000
01-004	Concrete Street Repair Hancock Park	800,000	-	800,000
01-005	Maxella Ave/Lincoln Blvd	432,000	113,135	318,865
01-006	35th Street Between Gramercy & Cimarron	430,000	-	430,000
01-007	Sheldon Arleta Sidewalk Improvement- Wicks Str	1,420,270	-	1,420,270
01-008	BOE Contractual Services - SR/VZ Projects	4,423,616	2,514,420	1,909,196
01-009	Dot Equipment - SR/VZ Projects	2,290,000	-	2,290,000
01-010	BSS Equipment	5,160,000	1,148,303	4,011,697
01-011	Street Reconstruction - 15% VZ-M	2,989,780	850,777	2,139,003
01-012	Dot Equipment - Traffic Signals	430,000	-	430,000
01-013	Vision Zero Corridor Projects - M	1,278,844	1,055,091	223,753
01-014	Oakdale/Redwing/Ventura Stormdrain/Flooding	2,083,000	-	2,083,000
01-015	Sunset blvd Slope Mitigation - Coronado to Wates	785,489	-	785,489
01-016	Gage Street Public Safety Median Improvements	450,000	13,417	436,583
01-017	Boeing Ave And 78th Street Subsidence	232,000	2,513	229,487
01-018	Glider Ave And Wiley Post Street Subsidence	300,000	2,513	297,487
01-019	Cazador Street (3825) Bulkhead - Loveland/Brillia	689,000	99,410	589,590
01-020	Castellammare Drive (17434)	771,000	-	771,000

(Continued)

See accompanying independent auditor's report.

CITY OF LOS ANGELES
MEASURE M LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2018

Project Code	Project Name	2018		Variance Favorable (Unfavorable)
		Metro Budget	Actual	
01-021	Eucalyptus Lane (6006) Bulkhead	\$ 571,000	\$ 100,458	\$ 470,542
01-022	Gould Ave (8250) Bulkhead	867,000	383,463	483,537
01-023	Verdugo Crestline Drive (7675)	52,000	-	52,000
01-024	Vista Crest Drive (3006)	85,000	-	85,000
01-025	Alvarado Street Bulkhead	27,000	-	27,000
01-026	Soto Street (2446) Rockfall Mitigation	71,000	-	71,000
01-027	Descanso Drive, Larissa Drive to Robinson Street	500,000	212,437	287,563
01-028	Davies Way (2044) Bulkhead	516,250	85,977	430,273
01-029	Speed Hump Program	1,000,000	418,452	581,548
01-030	Vision Zero Traffic Signals	1,530,001	-	1,530,001
03-001	Street Lighting at Existing Pedestrian Crosswalk	493,000	269,953	223,047
03-002	Pacoima Wash Vision Plan	1,500,000	-	1,500,000
03-003	Elysian Valley Bike Path	1,000,000	-	1,000,000
06-001	Vision Zero Contracts, Speed Surveys, Outreach	150,000	-	150,000
06-002	Traffic Surveys	200,000	-	200,000
06-003	Vision Zero Education	500,000	309,093	190,907
08-001	Related Costs	1,500,000	838,727	661,273
Total expenditures \$		<u>38,627,250</u>	<u>\$ 8,676,217</u>	<u>\$ 29,951,033</u>

See accompanying independent auditor's report.

CITY OF LOS ANGELES
MEASURE M LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2018

Date Acquired	Description	Balance 7/1/2017	Additions	Deletions	Balance 6/30/2018
4/9/2018	Paver	\$ -	\$ 548,040	\$ -	\$ 548,040
4/9/2018	Paver	-	548,040	-	548,040
Total		\$ -	\$ 1,096,080	\$ -	\$ 1,096,080

See accompanying independent auditor's report.

CITY OF LOS ANGELES
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

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

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

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

Basis of Accounting and Measurement Focus

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

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

Budgets and Budgetary Accounting

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

Fair Value Measurement

In accordance with Government Accounting Standard Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, which became effective for the fiscal year ended June 30, 2016, the City categorizes its fair value measurement within the fair value hierarchy that is based on the valuation inputs used to measure the fair value of the investment. Level 1 inputs are quoted prices in active markets for identical investments; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Accordingly, the City reports its investment at fair value and recognizes unrealized gain (loss) on investments.

CITY OF LOS ANGELES
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2018 and 2017
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Refer to City's 2018 Comprehensive Annual Financial Report for detailed disclosures regarding the City's investments policy and fair value measurement.

Fund Balance Reporting

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

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

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

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

NOTE 2 – ANNUAL FINANCIAL STATEMENTS

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

NOTE 3 – MEASURE R LOCAL RETURN COMPLIANCE REQUIREMENTS

In accordance with Measure R Local Return Program Guidelines, funds received pursuant to these guidelines may only be used for Measure R Local Return approved programs. See accompanying Compliance Matrix.

NOTE 4 – MEASURE M LOCAL RETURN COMPLIANCE REQUIREMENTS

On June 23, 2016, the Metro Board of Directors approved the Los Angeles County Traffic Improvement Plan Ordinance, known as Measure M. In accordance with Measure M Local Return Program Guidelines, funds received pursuant to these guidelines may only be used for Measure M Local Return approved programs. The first revenue allocation was received in the current period. See accompanying Compliance Matrix.

CITY OF LOS ANGELES
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2018 and 2017
(Continued)

NOTE 5 – CASH AND INVESTMENTS

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

NOTE 6 – SECURITIES LENDING TRANSACTIONS

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

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

NOTE 7 – DUE FROM OTHER GOVERNMENT AGENCIES

Due from government agencies as of June 30, 2018 and 2017 consisted of the following:

MRLRF

	<u>2018</u>	<u>2017</u>
Los Angeles County Metropolitan Transit Authority (LACMTA)	\$ 7,736,787	\$ 11,749,878
Federal Grant	-	88,908
Total	<u>\$ 7,736,787</u>	<u>\$ 11,838,786</u>

MMLRF

	<u>2018</u>	<u>2017</u>
Los Angeles County Metropolitan Transit Authority (LACMTA)	\$ 8,984,311	\$ -
Total	<u>\$ 8,984,311</u>	<u>\$ -</u>

CITY OF LOS ANGELES
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2018 and 2017
(Continued)

NOTE 8 – DUE FROM/TO OTHER FUNDS

Inter-fund due to/from amounts as of June 30, 2018 and 2017 consisted of the following:

MRLRF

	2018		2017	
	Due from Other Funds	Due to Other Funds	Due from Other Funds	Due to Other Funds
Reserve Fund	\$ -	\$ -	\$ -	\$ 171,899
General Fund	9,697,586	838,700	996,194	2,123,274
Transportation Grant Funds	8,955,489	2,963	9,278,489	149,060
Total	\$ 18,653,075	\$ 841,663	\$ 10,274,683	\$ 2,444,233

MMLRF

	2018		2017	
	Due from Other Funds	Due to Other Funds	Due from Other Funds	Due to Other Funds
Reserve Fund	\$ -	\$ 209,079	\$ -	\$ -
General Fund	841,922	389,734	-	-
Transportation Grant Funds	-	-	-	-
Total	\$ 841,922	\$ 598,813	\$ -	\$ -

NOTE 9 – DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources as of June 30, 2018 and 2017 consisted of the following:

MRLRF

	2018	2017
Los Angeles County Metropolitan Transit Authority (LACMTA)	\$ 3,680,351	\$ 4,619,935
Others	32,744	273,647
Total	\$ 3,713,095	\$ 4,893,582

MMLRF

	2018	2017
Los Angeles County Metropolitan Transit Authority (LACMTA)	\$ 28,457	\$ -
Total	\$ 28,457	\$ -

CITY OF LOS ANGELES
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2018 and 2017
(Continued)

NOTE 10 – OTHER FINANCING SOURCE

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

NOTE 11 – SUBSEQUENT EVENTS

The City has evaluated events or transactions that occurred subsequent to June 30, 2018 through December 31, 2018, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined no subsequent matters require disclosure or adjustment to the accompanying financial statements.



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Measure R Local Return Fund and Measure M Local Return Fund (collectively, the Funds) of the City of Los Angeles, California (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated December 31, 2018.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 Measure R Local Return Fund and Measure M Local Return Fund financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

Los Angeles, California
December 31, 2018

COMPLIANCE SECTION



SIMPSON & SIMPSON

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FOUNDING PARTNERS
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Independent Auditor's Report on Compliance

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

Report on Compliance

We have audited the compliance of the City of Los Angeles, California (the City) with the Measure R Local Return Guidelines and Measure M Local Return Guidelines (collectively, the Guidelines) for the year ended June 30, 2018.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Guidelines referred to in the preceding paragraph. Those standards and the Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on Measure R Local Return Program and Measure M Local Return Program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the Guidelines. However, our audit does not provide a legal determination of the City's compliance with the Guidelines.

Opinion on Each Local Return Program

In our opinion, the City complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2018.



Report on Internal Control Over Compliance

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

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

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

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

A handwritten signature in cursive script that reads "Simpson & Simpson". The ink is dark and the signature is fluid and legible.

Los Angeles, California
December 31, 2018

CITY OF LOS ANGELES
COMPLIANCE MATRIX
Year Ended June 30, 2018

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
A. Measure R Local Return Fund						
1.	Funds were expended for transportation purposes	X			None	
2.	Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	X			None	
3.	Signed Assurances and Understandings was on file.	X			None	
4.	Separate Measure R Local Return Account was established.	X			None	
5.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X			None	
6.	Funds were expended with Metro's approval.	X			None	
7.	Expenditure Plan (Form One) was submitted on time.	X			None	
8.	Expenditure Report (Form Two) was submitted on time.	X			None	
9.	Timely use of funds.	X			None	
10.	Administrative expenditures are within the 20% cap.	X			None	
11.	Fund exchanges were approved by Metro.			X	None	There were no fund exchanges in FY 2017/18.
12.	A separate account was established for capital reserve funds and capital reserve was approved by Metro.			X	None	There was no capital reserve in FY2017/18.
13.	Recreational transit form was submitted on time.			X	None	There was no recreational transit in FY 2017/18.

CITY OF LOS ANGELES
COMPLIANCE MATRIX
Year Ended June 30, 2018

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
B. Measure M Local Return Fund						
1.	Funds were expended for transportation purposes.	X			None	
2.	Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.	X			None	
3.	Signed Assurances and Understandings was on file.	X			None	
4.	Separate Measure M Local Return Account was established.	X			None	
5.	Revenue received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account	X			None	
6.	Funds were expended with Metro's approval.	X			None	
7.	Expenditure Plan (Form One) was submitted on time.	X			None	
8.	Expenditure Report (Form Two) was submitted on time.	X			None	
9.	Timely use of funds.	X			None	
10.	Administrative expenses are within the 20% cap.	X			None	
11.	Fund exchanges were approved by Metro.			X	None	There were no fund exchanges in FY 2017/18.
12.	A separate account was established for capital reserve funds and capital reserve was approved by Metro.			X	None	There was no capital reserve in FY2017/18.
13.	Recreational transit form was submitted timely.			X	None	There was no recreational transit in FY 2017/18.

CITY OF LOS ANGELES
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
June 30, 2018

No findings were noted.

EXIT CONFERENCE

CITY OF LOS ANGELES
MEASURE R AND MEASURE M LOCAL RETURN FUNDS
EXIT CONFERENCE
June 30, 2018

An exit conference was held on December 31, 2018 with the City of Los Angeles. Those in attendance were:

Simpson & Simpson Representative:

Mark Frishwasser, Senior Auditor

City's Representative:

Sue Chen, Department Chief Accountant IV
May Ly, Principal Accountant II
Bernie Apolonio, Fiscal Systems Specialist
Tery Pitugnarongphor, Senior Accountant II
Jonathan Lintag, Senior Accountant I
Michelle Cho Ma, Senior Accountant II

Matters Discussed:

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

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

Sue Chen, Department Chief Accountant IV
May Ly, Principal Accountant II
Bernie Apolonio, Fiscal Systems Specialist
Tery Pitugnarongphor, Senior Accountant II
Jonathan Lintag, Senior Accountant I
Michelle Cho Ma, Senior Accountant II

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

RE: CITY OF LOS ANGELES ANNUAL FINANCIAL REPORT OF THE MEASURE R LOCAL
RETURN FUND AND MEASURE M LOCAL RETURN FUND FOR THE FISCAL YEARS
ENDED JUNE 30, 2018 AND 2017

I have received the annual financial report of the Measure R Local Return Fund and Measure M Local Return Fund for the fiscal years ended June 30, 2018 and 2017 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