



MetroTM

**City of Hawthorne
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, 2023 and 2022
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 Hawthorne, California and the
Los Angeles County Metropolitan Transportation Authority**

Report on the Audit of the Financial Statements

Opinions

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 Hawthorne, California (the City) which comprise the Funds' balance sheets as of June 30, 2023 and 2022, the related statements of revenues, expenditures and changes in fund balances for the years then ended, and the related notes to the Funds financial statements, as listed in the table of contents.

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 Hawthorne, California as of June 30, 2023 and 2022, 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.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



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 Hawthorne, California, and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2023 and 2022, 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with *GAAS and Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.



- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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. Such 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' basic financial statements. The 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 GAAS. 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 October 17, 2023 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.

Glendale, California
October 17, 2023

**City of Hawthorne
Proposition A Local Return Fund
Balance Sheets**

		June 30	
		2023	2022
ASSETS			
Cash and investments	\$	4,105,637	\$ 3,058,421
Interest receivable		16,508	3,610
Total assets	\$	<u>4,122,145</u>	<u>\$ 3,062,031</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	191,022	\$ 62,779
Accrued payroll		1,008	3,686
Total liabilities		<u>192,030</u>	<u>66,465</u>
Fund balance			
Restricted		<u>3,930,115</u>	<u>2,995,566</u>
Total fund balance		<u>3,930,115</u>	<u>2,995,566</u>
Total liabilities and fund balance	\$	<u>4,122,145</u>	<u>\$ 3,062,031</u>

See notes to Funds financial statements.

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

	Years ended June 30	
	2023	2022
Revenues		
Proposition A	\$ 2,286,742	\$ 2,194,563
Investment income	76,887	7,041
Project generated revenues (Note 8)	3,094	1,096
Total revenues	2,366,723	2,202,700
Expenditures		
Various projects	1,432,174	1,246,367
Total expenditures	1,432,174	1,246,367
Excess of revenues over expenditures	934,549	956,333
Fund balance at beginning of year	2,995,566	2,039,233
Fund balance at end of year	\$ 3,930,115	\$ 2,995,566

See notes to Funds financial statements.

City of Hawthorne
Proposition A Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and Metro Approved Project Budget
Year ended June 30, 2023
(With Comparative Actuals for 2022)

Project Code	Project Name	2023			2022 Actual
		Metro Budget	Actual	Variance Positive	
107	Dial-A-Ride	\$ 450,000	\$ 306,790	\$ 143,210	\$ 313,957
135	Bus Pass Subsidy	30,000	1,899	28,101	520
150	Transit Safety Police	1,000,000	1,000,000	-	800,000
155	Recreational Transit	9,000	6,325	2,675	-
215	Transit Improvements - Senior Center Amenities for Accessibility	3,000,000	-	3,000,000	-
302	Traffic Signal Transit Improvements	248,857	107,212	141,645	121,978
610	Administration	9,950	9,948	2	9,912
Total expenditures		\$ 4,747,807	\$ 1,432,174	\$ 3,315,633	\$ 1,246,367

See independent auditor's report.

City of Hawthorne
Proposition A Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2023

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2023</u>
N/A	None	\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See independent auditor's report.

**City of Hawthorne
Proposition C Local Return Fund
Balance Sheets**

		June 30	
		2023	2022
ASSETS			
Cash and investments	\$	3,664,386	\$ 2,753,003
Interest receivable		14,460	3,188
Total assets	\$	<u>3,678,846</u>	<u>\$ 2,756,191</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	164,674	\$ 11,867
Accrued payroll		4,872	4,419
Total liabilities		<u>169,546</u>	<u>16,286</u>
Fund balance			
Restricted		<u>3,509,300</u>	<u>2,739,905</u>
Total fund balance		<u>3,509,300</u>	<u>2,739,905</u>
Total liabilities and fund balance	\$	<u>3,678,846</u>	<u>\$ 2,756,191</u>

See notes to Funds financial statements.

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

	Years ended June 30	
	2023	2022
Revenues		
Proposition C	\$ 1,896,787	\$ 1,820,345
Investment income	<u>69,453</u>	<u>6,225</u>
Total revenues	<u>1,966,240</u>	<u>1,826,570</u>
 Expenditures		
Various projects	<u>1,196,845</u>	<u>1,320,839</u>
Total expenditures	<u>1,196,845</u>	<u>1,320,839</u>
 Excess of revenues over expenditures	 769,395	 505,731
 Fund balance at beginning of year	 <u>2,739,905</u>	 <u>2,234,174</u>
 Fund balance at end of year	 <u>\$ 3,509,300</u>	 <u>\$ 2,739,905</u>

See notes to Funds financial statements.

City of Hawthorne
Proposition C Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and Metro Approved Project Budget
Year ended June 30, 2023
(With Comparative Actuals for 2022)

Project Code	Project Name	2023			2022 Actual
		Metro Budget	Actual	Variance Positive (Negative)	
135	Bus Pass Subsidy	\$ 10,000	\$ -	\$ 10,000	\$ -
170	Bus Stop Maintenance	40,000	41,411	(1,411)	-
180	Bus Routes Streets	230,000	6,041	223,959	-
180	Prairie Ave Improvement Project Phase II	-	-	-	49,553
620	Administration	155,968	108,567	47,401	136,872
620	Administration	18,725	18,720	5	15,872
715	Truck Purchase	230,000	-	230,000	-
715	Street Improvement Projects	1,100,000	950,106	149,894	1,046,542
715	Bus Routes Street Lighting	80,000	72,000	8,000	72,000
Total expenditures		\$ 1,864,693	\$ 1,196,845	\$ 667,848	\$ 1,320,839

See independent auditor's report.

City of Hawthorne
Proposition C Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2023

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2023</u>
2007	2008 Ford Truck	\$ 64,936	\$ -	\$ -	\$ 64,936
2011	2011 Ford 450	52,131	-	-	52,131
2013	2013 Ford 550	60,000	-	-	60,000
2015	2015 Ford 450	55,000	-	-	55,000
2017	Ford 5F550 Landscape	126,441	-	-	126,441
2019	Roadline Stencil Truck	107,066	-	-	107,066
2019	580 SN 4 Wheel Loader / Backhoe	111,783	-	-	111,783
Total		\$ 577,357	\$ -	\$ -	\$ 577,357

See independent auditor's report.

**City of Hawthorne
Measure R Local Return Fund
Balance Sheets**

		June 30	
		2023	2022
ASSETS			
Cash and investments	\$	2,508,796	\$ 2,103,432
Interest receivable		9,918	2,932
Total assets	\$	<u>2,518,714</u>	<u>\$ 2,106,364</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	-	\$ -
Accrued payroll		349	511
Total liabilities		<u>349</u>	<u>511</u>
Fund balance			
Restricted		<u>2,518,365</u>	<u>2,105,853</u>
Total fund balance		<u>2,518,365</u>	<u>2,105,853</u>
Total liabilities and fund balance	\$	<u>2,518,714</u>	<u>\$ 2,106,364</u>

See notes to Funds financial statements.

City of Hawthorne
Measure R Local Return Fund

Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2023	2022
Revenues		
Measure R	\$ 1,422,181	\$ 1,365,038
Investment income	47,027	5,821
Total revenues	1,469,208	1,370,859
Expenditures		
Various projects	1,056,696	985,901
Total expenditures	1,056,696	985,901
Excess of revenues over expenditures	412,512	384,958
Fund balance at beginning of year	2,105,853	1,720,895
Fund balance at end of year	\$ 2,518,365	\$ 2,105,853

See notes to Funds financial statements.

City of Hawthorne
Measure R Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and Metro Approved Project Budget
Year ended June 30, 2023
(With Comparative Actuals for 2022)

Project Code	Project Name	2023			2022 Actual
		Metro Budget	Actual	Variance Positive (Negative)	
630	Administration	\$ 8,658	\$ 8,664	\$ (6)	\$ 9,078
705	Construction Engineering for Prairie Blvd	150,000	5,050	144,950	27,429
715	Street Improvement Projects	900,000	935,934	(35,934)	813,173
715	Street Lighting Annual Maintenance	65,000	60,000	5,000	60,000
765	In-house Pavement Management/Inspection	283,287	47,048	236,239	76,221
	Total expenditures	<u>\$ 1,406,945</u>	<u>\$ 1,056,696</u>	<u>\$ 350,249</u>	<u>\$ 985,901</u>

See independent auditor's report.

City of Hawthorne
Measure R Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2023

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2023</u>
N/A	None	\$ -	\$ -	\$ -	\$ -
	Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report.

**City of Hawthorne
Measure M Local Return Fund
Balance Sheets**

		June 30	
		2023	2022
ASSETS			
Cash and investments	\$	1,836,530	\$ 1,270,607
Interest receivable		6,619	1,511
Total assets	\$	<u>1,843,149</u>	<u>\$ 1,272,118</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	100,691	\$ 2,446
Accrued payroll		1,630	2,392
Total liabilities		<u>102,321</u>	<u>4,838</u>
Fund balance			
Restricted		<u>1,740,828</u>	1,267,280
Total fund balance		<u>1,740,828</u>	<u>1,267,280</u>
Total liabilities and fund balance	\$	<u>1,843,149</u>	<u>\$ 1,272,118</u>

See notes to Funds financial statements.

City of Hawthorne
Measure M Local Return Fund
Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2023	2022
Revenues		
Measure M	\$ 1,608,790	\$ 1,544,698
Investment income	31,602	2,870
Total revenues	1,640,392	1,547,568
 Expenditures		
Various projects	1,166,844	1,109,909
Total expenditures	1,166,844	1,109,909
 Excess of revenues over expenditures	 473,548	 437,659
 Fund balance at beginning of year	 1,267,280	 829,621
 Fund balance at end of year	 \$ 1,740,828	 \$ 1,267,280

See notes to Funds financial statements.

City of Hawthorne
Measure M Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and Metro Approved Project Budget
Year ended June 30, 2023
(With Comparative Actuals for 2022)

Project Code	Project Name	2023			2022 Actual
		Metro Budget	Actual	Variance Positive	
640	Administration	\$ 10,175	\$ 10,176	\$ (1)	10,571
715	Street Improvement Projects	700,000	934,603	(234,603)	851,905
715	Construction and Engineering for El Segundo Boulevard	150,000	113,107	36,893	101,705
780	Planning and Design - Various Projects	290,282	108,958	181,324	145,728
	Total expenditures	<u>\$ 1,150,457</u>	<u>\$ 1,166,844</u>	<u>\$ (16,387)</u>	<u>\$ 1,109,909</u>

See independent auditor's report.

City of Hawthorne
Measure M Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2023

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2023</u>
N/A	None	\$ -	\$ -	\$ -	\$ -
	Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report.

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

		June 30	
		2023	2022
ASSET			
Cash		\$ -	\$ -
	Total asset	\$ -	\$ -
LIABILITY AND DEFICIT			
Liability			
Due to other funds		\$ 25,065	\$ 25,065
	Total liability	25,065	25,065
Deficit			
Restricted		(25,065)	(25,065)
	Total deficit	(25,065)	(25,065)
	Total liability and deficit	\$ -	\$ -
		-	-

See notes to Funds financial statements.

City of Hawthorne
 Transportation Development Act Article 3 Fund
 Pursuant to Public Utilities Code Section 99234
Statement of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2023	2022
Revenues		
Intergovernmental Allocations:		
Article 3	\$ 66,000	\$ 57,000
Total revenues	66,000	57,000
Expenditures		
General Maintenance Project	66,000	57,000
Total expenditures	66,000	57,000
Deficiency of revenues over expenditures	-	-
Deficit at beginning of year	(25,065)	(25,065)
Deficit at end of year	\$ (25,065)	\$ (25,065)

See notes to Funds financial statements.

City of Hawthorne
 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, 2023

Project Description	Program Year	Totals to Date		Unexpended Allocations	Project Status
		Allocations	Expenditures		
Local Allocations:					
General Maintenance Project	2023	\$ 66,000	\$ 66,000	\$ -	Completed
		<u>\$ 66,000</u>	<u>\$ 66,000</u>	-	
Fund deficit at beginning of year				<u>(25,065)</u>	
Fund deficit at end of year				<u>\$ (25,065)</u>	

See independent auditor's report.

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, 2023 and 2022:

- 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.

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, 2023 and 2022, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

NOTE 3 PROPOSITION A AND PROPOSITION C LOCAL RETURN COMPLIANCE REQUIREMENTS

The Proposition A Ordinance requires that Local Return (LR) funds be used exclusively to benefit public transit. Expenditures related to fixed route and paratransit services, Transportation Demand Management, Transportation Systems Management and fare subsidy programs that exclusively benefit transit are all eligible uses of Proposition A LR funds. Proposition A LR funds may also be traded with other Jurisdictions in exchange for general or other funds.

The Proposition C Ordinance directs that LR funds also be used to benefit public transit, as described above, but provides an expanded list of eligible project expenditures including Congestion Management Programs, bikeways and bike lanes, street improvements supporting public transit service, and Pavement Management System projects. Proposition C LR funds cannot be traded.

Proposition A and Proposition C LR funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated.

In accordance with *Proposition A and Proposition C Local Return Program Guidelines*, funds received pursuant to these guidelines may only be used for Proposition A and Proposition C Local Return approved programs. See accompanying Compliance Matrix.

NOTE 4 MEASURE R LOCAL RETURN COMPLIANCE REQUIREMENTS

The Measure R Ordinance specifies that LR funds be used exclusively for transportation purposes.

Measure R LR funds must be expended within five years of the first day of the fiscal year in which funds were originally allocated or received.

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

NOTE 5 MEASURE M LOCAL RETURN COMPLIANCE REQUIREMENTS

Measure M was approved by the voters of Los Angeles County on November 8, 2016 to improve transportation and ease traffic congestion consistent with the Los Angeles County Traffic Improvement Plan Ordinance approved by the Metro Board of Directors on June 23, 2016. The Measure M Ordinance specifies that LR funds be used exclusively for transportation purposes.

Measure M LR funds must be expended within five years of the first day of the fiscal year in which funds were originally allocated or received.

NOTE 5 MEASURE M LOCAL RETURN COMPLIANCE REQUIREMENTS (CONTINUED)

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

NOTE 6 TRANSPORTATION DEVELOPMENT ACT COMPLIANCE REQUIREMENTS

In accordance with *Public Utilities Code Section 99234*, funds received pursuant to this Code's section may only be used for activities relating to pedestrians and bicycle facilities. See accompanying Compliance Matrix.

NOTE 7 CASH AND INVESTMENTS

The PALRF, PCLRF, MRLRF, MMLRF and TDAA3F cash balances were pooled with various other City funds for deposit and investment purposes. The share of each fund in the pooled cash account was separately maintained and interest income was apportioned to the participating funds based on the relationship of their average quarterly balances to the total of the pooled cash and investments.

Please refer to the City's ACFR for a full description of risks relating to cash and investments.

NOTE 8 PROJECT GENERATED REVENUES

Project generated revenues under PALRF for the years ended June 30, 2023 and 2022 consisted of the following:

	2023	2022
Dial-A-Ride fares	\$ 1,526	\$ 551
MTA bus pass sales	1,568	545
	\$ 3,094	\$ 1,096

NOTE 9 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND REVENUE ALLOCATION

The revenue allocations for the years ended June 30, 2023 and 2022 consisted of the following:

	2023	2022
FY 2020/21 allocation	\$ -	\$ 18,305
FY 2021/22 allocation	6,653	38,695
FY 2022/23 allocation	59,347	-
	\$ 66,000	\$ 57,000

NOTE 10 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, 2023 and 2022, the City has funds on reserve as follows:

	<u>2023</u>	<u>2022</u>
FY 2021/22 allocation	\$ -	\$ 6,653
FY 2022/23 allocation	<u>22,558</u>	<u>-</u>
	<u>\$ 22,558</u>	<u>\$ 6,653</u>

For FY 2022/23, any TDA Article 3 funds left on reserve for FY 2018/19 or prior, are subject to lapse if not claimed by the City by June 30, 2023. There were no funds that lapsed in FY 2022/23.

NOTE 11 SUBSEQUENT EVENTS

The City has evaluated events subsequent to June 30, 2023 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through October 17, 2023, 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 Hawthorne, 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 Hawthorne, California (the City) as of and for the year ended June 30, 2023, and the related notes to the Funds financial statements, and have issued our report thereon dated October 17, 2023.

Report on 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 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 or significant deficiencies may exist that were not identified.



Report on 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
October 17, 2023**

COMPLIANCE SECTION



Independent Auditor's Report on Compliance and on Internal Control Over Compliance Required by the Guidelines

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

Report on Compliance

Opinion

We have audited the City of Hawthorne, 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, 2023.

In our opinion, the City of Hawthorne, California complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the Guidelines. Our responsibilities under those standards and the Guidelines are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance with the Guidelines. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.



Responsibilities of Management for Compliance

Management is responsible for the City's compliance with the Guidelines and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or agreements applicable to 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.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Guidelines will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the Guidelines as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Guidelines, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guidelines, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



Report on 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 with the Guidelines 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, such that there is a reasonable possibility that material noncompliance with 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Glendale, California
October 17, 2023

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				
4. Timely use of funds.	X				
5. Administrative expenses are within the 20% cap.	X				
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		
12. Self-Certification was completed and submitted for Intelligent Transportation Systems projects and elements.			X		

See independent auditor's report on compliance.

**City of Hawthorne
Compliance Matrix
Year ended June 30, 2023**

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					
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				
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 Hawthorne
Compliance Matrix
Year ended June 30, 2023**

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 M 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.	X				
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.			X		
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.			X		
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 Hawthorne
Compliance Matrix
Year ended June 30, 2023

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 Hawthorne
Compliance Matrix
Year ended June 30, 2023**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
C. Measure M Local Return Fund					
1. Funds were expended for transportation purposes.	X				
2. 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				
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				
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		
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 Hawthorne
Compliance Matrix
Year ended June 30, 2023**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
C. Measure M 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 Hawthorne
Compliance Matrix
Year ended June 30, 2023**

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				
3. Annual Claim Form was submitted timely.	X				

See independent auditors report on compliance.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**City of Hawthorne
Schedule of Findings and Questioned Costs
Year ended June 30, 2023**

There were no findings and questioned costs.

EXIT CONFERENCE

An exit conference was held on October 11, 2023 with the City of Hawthorne representatives. Those in attendance were:

Vasquez and Company LLP representatives:

Marialyn Labastilla – Audit Director
Erica Ong – Audit Manager

City of Hawthorne representatives:

Von Norris – City Manager
Felice Lopez – Finance Director
Shuntell Dixon – Revenue and AP Manager
Akbar Farokhi – Public Works Director/City Engineer
Selena Acuna – Assistant Engineer

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 Hawthorne representatives for comments prior to the issuance of the final report:

Felice Lopez – Finance Director
Shuntell Dixon – Revenue and AP Manager



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