

**CITY OF LOS ANGELES, CALIFORNIA  
PROPOSITION HHH PROGRAM FUNDS  
(Special Revenue Fund and Debt Service Fund  
of the City of Los Angeles)**

Independent Auditor's Reports and Financial Statements

For the Year Ended June 30, 2023



**CITY OF LOS ANGELES, CALIFORNIA  
PROPOSITION HHH PROGRAM FUNDS**

For the Year Ended June 30, 2023

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## Independent Auditor's Report

To the Honorable Mayor and Members of the City Council  
City of Los Angeles, California

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of the Proposition HHH Special Revenue Fund and Debt Service Fund (collectively, the "Proposition HHH Program Funds") of the City of Los Angeles, California (the "City") as of and for the year ended June 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Proposition HHH Program Funds as of June 30, 2023, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audit 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 (*Government Auditing Standards*). 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Emphasis of Matter*

As discussed in Note 2, the financial statements present only the Proposition HHH Program Funds and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2023, the changes in its financial position, or, where applicable, its cash flows for the year 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*

The City's 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 opinion. 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 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.

### ***Required Supplementary Information***

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2024, on our consideration of the City's internal control over financial reporting as it relates to the Proposition HHH Program Funds 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 the City's internal control over the Proposition HHH Program 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 financial reporting or on compliance related to the Proposition HHH Program Funds. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance related to the Proposition HHH Program Funds.

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, slightly slanted style.

Los Angeles, California  
January 24, 2024

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**CITY OF LOS ANGELES, CALIFORNIA  
PROPOSITION HHH PROGRAM FUNDS**

Balance Sheet

For the Year Ended June 30, 2023

	<b>GOVERNMENTAL FUNDS</b>		
	<b>SPECIAL REVENUE FUND</b>	<b>DEBT SERVICE FUND</b>	<b>PROPOSITION HHH PROGRAM FUNDS TOTAL</b>
<b>ASSETS</b>			
Cash and Pooled Investments	\$ 226,033,226	\$ 86,630,886	\$ 312,664,112
Loans Receivable			
(Net of Allowance for Uncollectibles of \$238,751,023)	404,232,288	-	404,232,288
Accrued Interest on Loans Receivable			
(Net of Allowance for Uncollectibles of \$8,230,766)	13,429,145	-	13,429,145
Taxes Receivable			
(Net of Allowance for Uncollectibles of \$1,085,492)	-	10,742,664	10,742,664
Investment Income Receivable	1,098,822	320,627	1,419,449
Properties Held for Housing Development	80,837,831	-	80,837,831
<b>TOTAL ASSETS</b>	<b>\$ 725,631,312</b>	<b>\$ 97,694,177</b>	<b>\$ 823,325,489</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Obligations Under Securities Lending Transactions	\$ 927,640	\$ 355,533	\$ 1,283,173
Due to City Funds	5,088	-	5,088
Other Liabilities	2,248,266	861,684	3,109,950
<b>TOTAL LIABILITIES</b>	<b>3,180,994</b>	<b>1,217,217</b>	<b>4,398,211</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Taxes	-	8,397,391	8,397,391
Interest Receivable on Loans Receivable	13,148,601	43,530	13,192,131
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>13,148,601</b>	<b>8,440,921</b>	<b>21,589,522</b>
<b>FUND BALANCES</b>			
Restricted	709,301,717	88,036,039	797,337,756
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 725,631,312</b>	<b>\$ 97,694,177</b>	<b>\$ 823,325,489</b>

See accompanying notes to the financial statements.

**CITY OF LOS ANGELES, CALIFORNIA**  
**PROPOSITION HHH PROGRAM FUNDS**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2023

	<b>GOVERNMENTAL FUNDS</b>		
	<b>SPECIAL REVENUE FUND</b>	<b>DEBT SERVICE FUND</b>	<b>PROPOSITION HHH PROGRAM FUNDS TOTAL</b>
<b>REVENUES</b>			
Property Taxes	\$ -	\$ 83,992,773	\$ 83,992,773
Investment Earnings	6,526,428	1,102,614	7,629,042
Change in Fair Value of Investments	(5,534,523)	(2,854,374)	(8,388,897)
Other	4,338,365	-	4,338,365
<b>TOTAL REVENUES</b>	<b>5,330,270</b>	<b>82,241,013</b>	<b>87,571,283</b>
<b>EXPENDITURES</b>			
Community Development	103,404,223	-	103,404,223
Debt Service:			
Principal	-	28,735,000	28,735,000
Interest	-	17,036,215	17,036,215
Cost of Issuance	1,199,513	-	1,199,513
<b>TOTAL EXPENDITURES</b>	<b>104,603,736</b>	<b>45,771,215</b>	<b>150,374,951</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	<b>(99,273,466)</b>	<b>36,469,798</b>	<b>(62,803,668)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	4,401,327	4,401,327
Transfers Out	(4,401,327)	-	(4,401,327)
Issuance of Long-term Debt	389,435,000	-	389,435,000
Premium on Issuance of Long-term Debt	5,598,340	-	5,598,340
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>390,632,013</b>	<b>4,401,327</b>	<b>395,033,340</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>291,358,547</b>	<b>40,871,125</b>	<b>332,229,672</b>
<b>FUND BALANCES, JULY 1, 2022</b>	<b>417,943,170</b>	<b>47,164,914</b>	<b>465,108,084</b>
<b>FUND BALANCES, JUNE 30, 2023</b>	<b>\$ 709,301,717</b>	<b>\$ 88,036,039</b>	<b>\$ 797,337,756</b>

See accompanying notes to the financial statements.

**CITY OF LOS ANGELES, CALIFORNIA  
PROPOSITION HHH PROGRAM FUNDS**

Notes to the Financial Statements  
For the Year Ended June 30, 2023

**NOTE 1 – BACKGROUND**

In November 2016, registered voters of the City of Los Angeles, California (City) approved Proposition HHH, Homelessness Reduction and Prevention, Housing and Facilities Bond (Bond) authorizing the issuance and sale of taxable general obligation bonds not to exceed \$1,200,000,000 to be used to finance the acquisition or improvement of real property to provide: (a) supportive housing for extremely low income or very low income individuals and families who are homeless or chronically homeless, which includes facilities from which assistance and services, such as mental health treatment, health care, drug and alcohol treatment, education and job training, may be provided; (b) temporary shelter facilities, storage facilities, shower facilities and other facilities to be used to provide supportive services or goods to, or otherwise benefit, those who are homeless, chronically homeless or at risk of homelessness; (c) affordable housing, including veterans housing, for extremely low income, very low income and/or low income individuals and families, including those who are at risk of homelessness; and (d) associated infrastructure and landscaping, including utilities, sidewalks and streets to be used in connection with the aforementioned housing units and other facilities; any of which may be operated, managed, owned or used by the City, other public entities, nonprofit entities or private entities, as permitted by law.

The table below sets forth the amount of Bonds authorized and issued pursuant to Proposition HHH (Prop HHH) as of June 30, 2023:

	<b>Amount</b>	<b>Date</b>
Voter authorization	\$ 1,200,000,000	November 8, 2016
Bonds issued:		
Series 2017-A Bond	86,370,000	July 13, 2017
Series 2018-A Bond	276,240,000	July 12, 2018
Series 2021-A Bond	211,940,000	November 10, 2021
Series 2022-A Bond	389,435,000	September 28, 2022
<b>Authorized but unissued</b>	<b>\$ 236,015,000</b>	

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The accompanying financial statements present only the financial position and the changes in financial position of the Proposition HHH Program Funds (Funds) and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

The funds are currently comprised of the following governmental funds:

- The Special Revenue fund is used to account for financial resources for loans to developers for financing of permanent supportive housing, affordable housing and supportive facilities for the homeless.
- The Debt Service fund is used to account for the payment of the maturing principal and interest from property tax collections.

**CITY OF LOS ANGELES, CALIFORNIA**  
**PROPOSITION HHH PROGRAM FUNDS**  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2023

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation (Continued)**

The Funds' activities are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if collected within 60 days of the end of the current fiscal period. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

**Cash and Pooled Investments**

Cash and pooled investments represent the Funds' allocated portion of the City's pooled cash and investments. Cash and pooled investments are stated at fair value based on quoted market prices or values of comparable investments, except for money market investments that have remaining maturities of one year or less at the time of purchase, which are reported at amortized cost. Interest earned on such pooled investments is allocated to the City funds based on each fund's average daily cash balance during the allocation period.

As permitted by the California Government Code, the City engages in securities lending activities. The Funds' share of assets and liabilities arising from the reinvested cash collateral has been recognized in the financial statements.

**Loans Receivable**

Loans receivable includes two types of loan programs; the housing loan program, which is used for the acquisition, construction and permanent housing loans and the facilities loan program. The housing loans are recorded when a warrant is issued for an approved expenditure of the project. Interest at rates ranging from one (1%) to three percent (3%) per annum accrues on the principal amount outstanding from the date of the warrant, until the loan is repaid. Facility loans are recorded when a warrant is issued for an approved expenditure of the project. No interest is recorded for facility loans. Facility loans are in the form of service payback loans, whereby borrowers repay the loan by providing specified services in accordance with the loan agreement.

Loans receivable are reported net of the allowance for uncollectible loans. In estimating the allowance, similar type loans in the City's portfolio were considered such as: the composition of the loan portfolio, past write-off experience, past market valuation and the average year-end allowance balance as a percentage of the total portfolio. No allowance is recorded for facility loans as management expects that services will be rendered as stated in the loan agreement.

**Taxes Receivable**

Taxes receivable records the property taxes that are levied but not received as of June 30, 2023 and is reported net of allowance for uncollectible accounts. The allowance represents the delinquent unsecured property taxes that may not be collected in subsequent periods due to business closures.

**CITY OF LOS ANGELES, CALIFORNIA**  
**PROPOSITION HHH PROGRAM FUNDS**  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2023

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Deferred Inflows of Resources**

A deferred inflow of resources is defined as an acquisition of fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. Revenues and other governmental fund financial resources are recognized in the accounting period in which they become both measurable and available. Deferred inflows of resources reported on the balance sheet represent revenues that were not received within the City's 60-day availability period.

**Other Liabilities**

Other liabilities represent the Funds' share of the Pool's pending investments trade at year-end.

**Fund Balances**

The balance sheets of governmental funds classify fund balances based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which those funds can be spent. The Funds only have restricted fund balances as of June 30, 2023. Restricted fund balance represents amounts when constraints placed on use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributions, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

**NOTE 3 – CASH AND POOLED INVESTMENTS**

The Funds maintain their cash in the City's cash and pooled investments (the Pool). The City categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2023, the Funds' share of the Pool was \$312,664,112, which represents approximately 2.15% of the Pool. There are no specific investments belonging to the Funds. The City issues a publicly available financial report that includes complete disclosures related to the entire cash and investment pool. The report may be obtained by writing to the City of Los Angeles, Office of the Controller, 200 North Main Street, City Hall East Suite 300, Los Angeles, CA 90012, or at <https://controller.lacity.gov/>

**CITY OF LOS ANGELES, CALIFORNIA**  
**PROPOSITION HHH PROGRAM FUNDS**  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2023

**NOTE 3 – CASH AND POOLED INVESTMENTS (Continued)**

**City of Los Angeles Securities Lending Program**

The Securities Lending Program (SLP) is permitted and limited under provisions of California Government Code Section 53601. The City Treasurer is authorized to engage contractors to perform securities lending activities or to permit custodian banks to subcontract for securities lending services as delineated in the securities lending authorization agreement dated November 13, 2017. The objectives of the SLP in priority order are the safety of loaned securities and prudent investment of cash collateral to enhance revenue from the investment program. The SLP is governed by a separate policy and guidelines, with oversight responsibility by the Investment Advisory Committee of the City Council.

The City's custodial bank acts as the securities lending agent. In the event a counterparty defaults by reason of an act of insolvency, the bank shall take all actions which it deems necessary or appropriate to liquidate permitted investments and collateral in connection with such transaction and shall make a reasonable effort for two business days (Replacement Period) to apply the proceeds thereof to the purchase of securities identical to the loaned securities not returned. If during the Replacement Period the collateral liquidation proceeds are insufficient to replace any of the loaned securities not returned, the bank shall, subject to payment by the City of the amount of any losses on any permitted investments, pay such additional amounts as necessary to make such replacement.

Under the provisions of the SLP, and in accordance with the California Government Code, no more than 20% of the market value of the Pool is available for lending. The City receives cash, U.S. government securities, and federal agency issued securities as collateral on loaned securities. The cash collateral is reinvested in securities permitted under the investment policy. In accordance with the California Government Code, the securities lending agent marks to market the value of both the collateral and the reinvestments daily. Except for open loans where either party can terminate a lending contract on demand, term loans have a maximum life of 92 days.

Earnings from securities lending accrue to the Pool and are allocated on a pro-rata basis to all Pool participants. The Funds participate in the City's securities lending program through the pooled investment fund. The Funds recognize their proportionate share of the cash collateral received for securities loaned and the related obligation for the general investment pool. At June 30, 2023, the Funds' portion of the cash collateral and the related securities lending obligation was \$1,283,173. The Funds' portion of the securities purchased from the reinvested cash collateral as of June 30, 2023 was \$1,283,173. Such securities are reported at fair value. The Funds' portion of the noncash collateral as of June 30, 2023 was \$5,402,486.

During the fiscal year, collateralization on all loaned securities were within the required 102% of market value. The City can sell collateral securities only in the event of borrower default. The lending agent provides indemnification for borrower default. There were no violations of legal or contractual provisions and no borrower or lending agent default losses during the fiscal year. There was no credit risk exposure to the City as of June 30, 2023, because the amounts owed to the borrowers exceeded the amounts borrowed.

Loaned securities are held by the City's agents in the City's name and are not subject to custodial credit risk.

**CITY OF LOS ANGELES, CALIFORNIA**  
**PROPOSITION HHH PROGRAM FUNDS**  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2023

**NOTE 4 – LOANS AND INTEREST RECEIVABLE**

Loans receivable consists of two types of loan programs as follows:

Housing Loan Programs:

The Housing Loan Program provides funding commitments to project sponsors who meet specific criteria. This program is designed to leverage existing and future City, County, State and Federal funding streams to construct permanent supportive housing and affordable housing units. The loans receivable balance of housing loans consists of the following:

<b>Borrower</b>	<b>Date of Execution</b>	<b>Not to Exceed Amount<sup>1</sup></b>	<b>No. of Units</b>	<b>Interest Rate<sup>2</sup></b>	<b>Loan Term<sup>3</sup></b>	<b>Loan Receivable Balance at 6/30/2023</b>	<b>Interest Balance at 6/30/2023</b>
88th & Vermont, L.P.	March 2018	\$9,680,000	62	3%	55 years	\$9,680,000	\$802,926
Metro Villas Phase 2 Los Angeles, L.P.	December 2017	3,513,721	122	3%	55 years	3,513,721	227,759
649 Lofts, L.P.	December 2017	5,500,000	55	3%	57 years	5,500,000	644,307
McCadden Plaza TAY Housing, L.P.	September 2018	5,018,298	26	3%	57 years	5,018,298	311,515
Sun Valley Housing, L.P.(Casa Del Sol project)	September 2018	8,065,143	44	3%	55 years	8,065,143	655,603
FLOR 401 Lofts, L.P.	December 2018	11,980,000	98	1%	57 years	11,980,000	418,017
RISE Housing, L.P.	October 2018	9,500,000	57	3%	57 years	9,500,000	368,375
SP7 Apartments, L.P.	September 2018	12,000,000	80	3%	57 years	7,187,000	248,302
Pointe on Vermont, L.P.	June 2019	\$10,400,000 (\$7,900,000 funded by Prop HHH)	50	3%	57 years	7,601,641	236,257
McCadden Plaza, L.P.(McCadden Campus Senior Housing Project)	December 2018	5,500,000	97	3%	57 years	5,500,000	543,737

**CITY OF LOS ANGELES, CALIFORNIA**  
**PROPOSITION HHH PROGRAM FUNDS**  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2023

<b>Borrower</b>	<b>Date of Execution</b>	<b>Not to Exceed Amount<sup>1</sup></b>	<b>No. of Units</b>	<b>Interest Rate<sup>2</sup></b>	<b>Loan Term<sup>3</sup></b>	<b>Loan Receivable Balance at 6/30/2023</b>	<b>Interest Balance at 6/30/2023</b>
Hollywood Community Housing Corporation (Gramercy Place Apartments)	April 2019	\$13,920,000 (\$9,920,000 funded by Prop HHH)	64	3%	57 years	\$9,662,230	\$239,928
Casa de Rosa Campus, L.P.	March 2019	7,920,000	37	3%	57 years	3,919,585	258,674
Cambria PSH, L.P.(Aria Apartments)	December 2018	12,000,000	56	3%	57 years	11,556,426	827,294
Missouri & Bundy Housing (Missouri Place Apartments)	October 2019	11,520,000	74	3%	57 years	11,520,000	402,295
Hartford Villa Apartments, L.P.	November 2018	12,000,000	100	3%	57 years	12,000,000	408,728
Montclair LA, L.P.(PATH Villas Montclair project)	December 2019	9,900,000	46	3%	57 years	9,900,000	126,502
433 Vermont, L.P.	March 2019	\$8,700,000 (\$7,200,000 funded by Prop HHH)	72	3%	57 years	6,480,000	429,826
Residence on Main, L.P.	April 2019	10,780,000	50	3%	57 years	10,272,777	434,921
11681 Foothill, L.P.(Summit View Apartments)	December 2019	10,560,000	49	3%	57 years	3,874,168	213,096
Western Avenue Apartments Preservation, LLC.	November 2018	4,660,033	32	3%	57 years	4,660,033	632,743
Broadway Apartments Preservation, L.P.	March 2019	4,443,480	35	3%	57 years	4,443,480	547,826

**CITY OF LOS ANGELES, CALIFORNIA  
PROPOSITION HHH PROGRAM FUNDS**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2023

<b>Borrower</b>	<b>Date of Execution</b>	<b>Not to Exceed Amount<sup>1</sup></b>	<b>No. of Units</b>	<b>Interest Rate<sup>2</sup></b>	<b>Loan Term<sup>3</sup></b>	<b>Loan Receivable Balance at 6/30/2023</b>	<b>Interest Balance at 6/30/2023</b>
Metamorphosis on Foothill, L.P.	February 2019	\$10,340,000	47	3%	57 years	\$10,340,000	\$108,651
Melrose PSH, L.P.(Emerson Apartments)	November 2019	8,360,000	39	3%	57 years	8,360,000	346,974
Rosa de Castilla, L.P.	April 2019	12,000,000	85	3%	57 years	12,000,000	1,119,194
Florence Towne, L.P.	February 2020	7,000,000	51	3%	57 years	7,000,000	202,193
Adam's Terrace, L.P.	October 2021	12,000,000	38	1%	57 years	7,988,958	145,993
Sun Commons, L.P.	December 2020	12,000,000	103	3%	57 years	11,464,406	763,928
Isla de Los Angeles, L.P.	March 2020	11,660,000	54	1%	57 years	7,790,000	165,219
Firmin Court, L.P.	June 2020	11,700,000	64	3%	57 years	10,619,474	661,925
Ruth Teague Homes, L.P.(67th and Main Street	December 2020	7,180,000	52	3%	57 years	6,462,000	347,402
720 Rose, L.P.(Rose Apartments)	April 2020	6,888,468	35	3%	57 years	6,734,026	183,091
Washington View, L.P.	April 2020	12,000,000	121	3%	57 years	12,000,000	615,977
HiFi Collective, L.P.	June 2020	12,760,000	63	3%	57 years	12,760,000	133,353
S. Main PSH, L.P.	May 2020	12,000,000	56	3%	57 years	12,000,000	421,033
Chesterfield Apartments, L.P.	November 2020	7,484,199	42	3%	57 years	4,500,094	235,598
Watts Works, L.P.	June 2020	2,400,000	25	3%	57 years	2,171,455	122,225
LINC- Central, L.P.(Cadence)	October 2020	10,112,000	63	3%	57 years	10,112,000	180,743
Amani Apartments, L.P.	October 2020	11,410,000	54	3%	57 years	7,108,461	305,269
Sylmar II, L.P.	October 2020	9,100,000	56	3%	57 years	3,767,400	182,535

**CITY OF LOS ANGELES, CALIFORNIA  
PROPOSITION HHH PROGRAM FUNDS**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2023

<b>Borrower</b>	<b>Date of Execution</b>	<b>Not to Exceed Amount<sup>1</sup></b>	<b>No. of Units</b>	<b>Interest Rate<sup>2</sup></b>	<b>Loan Term<sup>3</sup></b>	<b>Loan Receivable Balance at 6/30/2023</b>	<b>Interest Balance at 6/30/2023</b>
Owensmouth 6940, L.P.	November 2020	\$6,226,546	80	3%	57 years	\$5,603,891	\$277,164
Harvard, L.P.	October 2020	6,440,000	47	3%	57 years	3,200,000	114,468
Depot at Hyde Park Partners, L.P.	April 2021	6,840,000	43	3%	57 years	6,156,000	248,684
PVH LA, L.P.	February 2021	12,320,000	60	3%	57 years	11,088,000	289,171
Marcella Gardens, L.P.	October 2020	12,000,000	60	3%	57 years	6,151,026	150,141
Bryson II Partners, L.P.	April 2021	10,060,000	63	3%	57 years	9,054,000	226,128
Berendo Sage, L.P.	October 2020	6,620,000	42	3%	57 years	5,958,000	84,582
Main 50 Housing, L.P.	June 2021	8,512,000	57	3%	57 years	7,168,397	198,430
La Veranda, L.P.	June 2021	9,120,000	77	3%	57 years	8,208,000	282,484
S. Broadway SH, L.P.	June 2021	10,816,454	55	3%	57 years	7,466,385	269,762
Mercy Housing California 94, L.P.	May 2021	10,505,254	54	3%	57 years	8,774,330	262,567
Colorado East, L.P.	August 2020	8,800,000	41	3%	57 years	7,899,322	245,267
Hope on Hyde Park, L.P.	January 2021	9,280,000	98	3%	57 years	8,352,000	344,253
Hope on Broadway, L.P.	January 2021	6,720,000	49	3%	57 years	6,720,000	293,403
Lake House, L.P.	June 2021	6,510,000	63	3%	57 years	5,859,000	122,714
11010 SMB, L.P.	June 2021	7,000,000	51	3%	57 years	5,190,215	149,365
16015 Sherman, L.P.	February 2021	6,300,000	46	3%	57 years	4,285,434	188,821
11604 Vanowen, L.P.	March 2020	4,900,000	49	3%	57 years	4,665,026	254,273
Reseda Theater Senior Housing, L.P.	October 2020	4,060,000	26	3%	57 years	2,474,074	57,995
Mercy Housing California 89, L.P.	July 2021	12,918,436	94	3%	57 years	11,280,694	306,772

**CITY OF LOS ANGELES, CALIFORNIA**  
**PROPOSITION HHH PROGRAM FUNDS**  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2023

<b>Borrower</b>	<b>Date of Execution</b>	<b>Not to Exceed Amount<sup>1</sup></b>	<b>No. of Units</b>	<b>Interest Rate<sup>2</sup></b>	<b>Loan Term<sup>3</sup></b>	<b>Loan Receivable Balance at 6/30/2023</b>	<b>Interest Balance at 6/30/2023</b>
Mariposa Lily, L.P.	March 2021	\$4,584,828	41	3%	57 years	\$4,126,345	\$154,662
Los Lirios Apartments, L.P.	December 2021	2,000,000	64	3%	57 years	1,800,000	67,338
Wakeland Wilcox, L.P.	October 2021	5,225,000	61	3%	57 years	4,702,500	107,952
7639 van Nuys	April 2022	17,695,502 (1,894,020 funded by prop HHH)		3%	57 years	1,771,744	-
1654 W Florence	April 2022	49,734,807 (5,427,080 funded by prop HHH)	128	3%	57 years	5,245,772	-
Oak Apartments, L.P.	June 2022	6,610,000	64	3%	57 years	2,980,982	17,966
Brine Residential, L.P.	October 2021	11,560,000	97	3%	55 years	4,992,994	64,112
Building 205 Preservation, L.P.	June 2020	11,622,000	67	3%	57 years	10,329,814	72,030
Building 208 Preservation, L.P.	June 2020	11,660,000	53	3%	57 years	10,318,193	50,900
VA Building 207, L.P.	November 2020	8,260,000	60	3%	57 years	7,408,566	144,432
923 Kenmore, L.P.	March 2021	10,562,521	75	3%	57 years	5,295,976	136,214
9502 Van Nuys, L.P.	March 2021	8,780,043	49	3%	57 years	6,028,898	137,308
6604 West PSH, L.P.	March 2021	5,710,309	64	3%	57 years	2,922,162	27,191
Sun King, L.P.	June 2021	5,500,000	26	3%	57 years	4,950,000	87,035
WAC, L.P. (Washington Arts Collective)	October 2021	2,097,200	56	3%	55 years	1,887,480	34,878
NoHo 5050, L.P.	October 2021	3,493,523	40	3%	57 years	386,498	2,541

**CITY OF LOS ANGELES, CALIFORNIA  
PROPOSITION HHH PROGRAM FUNDS**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2023

<b>Borrower</b>	<b>Date of Execution</b>	<b>Not to Exceed Amount<sup>1</sup></b>	<b>No. of Units</b>	<b>Interest Rate<sup>2</sup></b>	<b>Loan Term<sup>3</sup></b>	<b>Loan Receivable Balance at 6/30/2023</b>	<b>Interest Balance at 6/30/2023</b>
110 South Boyle, L.P. ( La Guadalupe)	December 2023	\$8,982,843	44	3%	57 years	\$1,386,117	\$1,015
1043 Harvard, L.P. (McDaniel House)	October 2021	6,440,000	47	3%	55 years	1,657,355	59,286
Thatcher Yard Housing, L.P.	October 2021	11,660,000	98	3%	57 years	9,125,820	114,849
CRCD 5th Street, L.P.	October 2021	15,120,000	95	3%	57 years	2,178,939	55,261
Arthur McLin III / Lorena Plaza, L.P.	November 2021	2,903,202	48	3%	57 years	1,000,095	1,050
Topanga Canyon SH, L.P.	December 2021	7,560,000	55	3%	57 years	5,292,000	74,614
Barry Family Housing, L.P.	February 2022	6,918,400	61	3%	57 years	4,481,840	72,567
Beacon Landing, L.P.	February 2022	8,555,556	89	3%	57 years	7,465,759	67,013
2471 Lincoln, L.P.	February 2022	5,460,000	39	3%	55 years	1,964,450	2,596
Montesquieu Manor Associates	February 2022	4,747,000	53	3%	57 years	837,835	563
Rousseau Residences Associates	February 2022	4,058,000	52	3%	57 years	106,465	131
The Angell 2018, L. P.	February 2022	5,565,000	54	3%	57 years	5,074,307	74,918
Central Avenue Housing, L.P.	February 2022	7,840,000	57	3%	57 years	913,332	4,494
SMV Housing	February 2022	24,000,000	187	1%	57 years	20,520,000	47,632
4507 Main St. EAH, L.P.	April 2022	6,000,000	61	3%	55 years	5,574,020	62,990
The Banning, L.P.	May 2022	8,000,000	64	3%	57 years	471,136	2,202
Mercy Housing California 100, L.P.	June 2022	6,125,000	64	3%	57 years	1,628,600	1,103
Ambrose Apartments, L.P.	April 2021	6,300,000	47	3%	57 years	5,670,000	132,429

**CITY OF LOS ANGELES, CALIFORNIA  
PROPOSITION HHH PROGRAM FUNDS**  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2023

<b>Borrower</b>	<b>Date of Execution</b>	<b>Not to Exceed Amount<sup>1</sup></b>	<b>No. of Units</b>	<b>Interest Rate<sup>2</sup></b>	<b>Loan Term<sup>3</sup></b>	<b>Loan Receivable Balance at 6/30/2023</b>	<b>Interest Balance at 6/30/2023</b>
Pointe on La Brea, L.P.	October 2021	\$7,567,686	50	3%	57 years	\$1,046,010	\$8,627
Ingraham Apartments, L.P.	August 2020	12,000,000	121	3%	57 years	179,165	206
EngAGE Inc.	December 2021	41,530	20	3%	1 years	8,392,982	87,201
1141 Crenshaw, L.P.	September 2021	9,240,000	43	3%	55 years	5,728,259	96,408
Southside LA Housing Partners, L.P.	June 2022	9,220,000	50	3%	57 years	433,556	1,819
					<b>Total:</b>	<b>\$616,842,536</b>	<b>\$21,659,911</b>

<sup>1</sup> The loan is secured initially by a Fee and Leasehold Deed of Trust recorded against certain fee and leasehold parcels of the property, and further by the Deed of Trust recorded against the remaining fee parcels of the property.

<sup>2</sup> The loan bears interest per annum on the principal amount outstanding from the date of the warrant for approved expenditures until paid. Interest is computed based upon a 365-day or 360-day year, and a 30-day month.

<sup>3</sup> The principal and accrued interest is due and payable on the earliest of (a) Loan term, (b) the date the property is sold, assigned, transferred, or refinanced, or (c) an Event of Default by the Borrower.

Facility Loan Programs:

The Facilities Loan Program provides funding for the development, acquisition or improvement of facilities used to provide supportive services or goods to or otherwise benefit those who are homeless, chronically homeless or at risk of homelessness. These loans are in the form of a service payback agreement with a term corresponding to the useful life of the facility. The provider is required to provide supportive services, goods, or other benefits to persons who are homeless for the periods ranging from 15 (fifteen) to 50 (fifty) years from the completion of the projects as specified in the agreement. As of June 30, 2023, the service payback amount totaled \$2,160,238.

The loans receivable balance of facility loans before the service payback consists of the following:

<b>Borrower</b>	<b>Date of Execution</b>	<b>Not to Exceed Amount<sup>1</sup></b>	<b>Project Title</b>	<b>Years of Service<sup>2</sup></b>	<b>Loan Receivable Balance at 6/30/2023</b>	<b>Service Payback Amount at 6/30/2023</b>
Community Build, Inc	March 2018	\$3,245,154	The 88th and Vermont Youth and Community Center	39	\$3,245,154	\$ 320,516
Los Angeles Christian Health Centers	December 2017	3,700,000	Joshua House Health Center	39	3,312,725	142,308

**CITY OF LOS ANGELES, CALIFORNIA  
PROPOSITION HHH PROGRAM FUNDS**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2023

<b>Borrower</b>	<b>Date of Execution</b>	<b>Not to Exceed Amount<sup>1</sup></b>	<b>Project Title</b>	<b>Years of Service<sup>2</sup></b>	<b>Loan Receivable Balance at 6/30/2023</b>	<b>Service Payback Amount at 6/30/2023</b>
St. Barnabas Senior Center of Los Angeles	March 2019	\$276,955	St. Barnabas Senior Center of Los Angeles	15	\$249,260	\$9,232
Jenessee Center	January 2019	750,800	Fannie Lou Hammer Emergency Shelter	50	604,845	-
House of Ruth	April 2019	1,219,185	Viki's House	42.5	1,125,558	-
New Economics for Women	May 2019	2,974,841	La Posada	20	2,974,841	148,742
Haven Hills	March 2019	100,000	Service Center Minor Rehabilitation Project	15	100,000	3,333
Haven Hills	March 2019	278,338	Haven Hills Crisis Shelter	15	39,793	-
Haven Hills	March 2019	599,824	Haven Hills Seismic Retrofit	15	539,842	-
Volunteers of America Los Angeles	October 2019	1,742,200	Wraparound Recuperative Care Center	10	1,567,980	-
St. John's Well Child and Family Center	January 2019	3,500,000	St. John's Well Child and Family Center	20	3,500,000	350,000
Coalition for Responsible Community Development	April 2019	3,500,000	Ruth's Place	27.5	2,343,093	-
Little Tokyo Service Center Community Development Corporation	April 2019	943,191	Little Tokyo Service Center	27.5	943,191	51,447
Midnight Mission	January 2019	3,100,000	Midnight Mission	15	3,100,000	516,665
The People Concern	February 2019	1,367,150	People Concern interim housing facility	15	1,367,150	227,860
Watts Labor Community Action Committee	April 2019	1,839,666	WLCAC Homeless and Housing Access Center	25	39,614	-
South Campus	March 2018	1,302,500	Los Angeles Family Housing South Campus	16	1,302,500	244,224
People Assisting the Homeless (PATH)	December 2019	1,945,468	People Assisting the Homeless Interim Facility	20	1,945,467	145,911
				<b>Total:</b>	<b>\$28,301,013</b>	<b>\$2,160,238</b>

<sup>1</sup> The loan is secured by, as applicable, a deed of trust with the power to sell the property in favor of the City, or, a collateral assignment of lessee's interest in lease, or any other instrument that the City deems appropriate.

<sup>2</sup> Starting from the completion of the project.

**CITY OF LOS ANGELES, CALIFORNIA**  
**PROPOSITION HHH PROGRAM FUNDS**  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2023

**NOTE 5 – PROPOSITION HHH BONDS**

On July 13, 2017, the City issued taxable General Obligation Bonds (GOB) Series 2017-A in the principal amount of \$86,370,000 payable through September 1, 2037, with a premium of \$582,034 and interest rates ranging from 1.5% to 3.5%. The GOB is secured by and payable with property taxes. Principal payments are due annually on September 1 of each year and interest payments are due semiannually on March 1 and September 1 of each year until maturity. The outstanding balance at June 30, 2023 is \$64,770,000.

On July 12, 2018, the City issued taxable GOB Series 2018-A in the principal amount of \$276,240,000 payable through September 1, 2038 with a premium of \$1,112,660 and interest rates ranging from 2.9% to 4.0%. The GOB is secured by and payable with property taxes. Interest payments are due semiannually on March 1 and September 1 of each year until maturity. The outstanding balance at June 30, 2023 is \$220,980,000.

On November 10, 2021, the City issued taxable GOB Series 2021-A in the principal amount of \$211,940,000 payable through September 1, 2041 with a premium of \$2,858,926 and interest rates ranging from 1.5% to 3.0%. The GOB is secured by and payable with property taxes. Interest payments are due semiannually on March 1 and September 1 of each year until maturity. The outstanding balance at June 30, 2023 is \$201,340,000.

On September 15, 2022, the City issued taxable GOB Series 2022-A in the principal amount of \$389,435,000 payable through September 1, 2042 with a premium of \$5,598,340 and interest rates ranging from 4.4% to 5.0%. The GOB is secured by and payable with property taxes. Interest payments are due semiannually on March 1 and September 1 of each year until maturity. The outstanding balance at June 30, 2023 is \$389,435,000.

The bond activity for the year ended June 30, 2023, is as follows:

<b>Balance at July 1, 2022</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at June 30, 2023</b>
\$ 515,825,000	\$ 389,435,000	\$ 28,735,000	\$ 876,525,000

Annual debt service requirements to maturity for the Proposition HHH bonds are as follows (in thousands):

<b>Fiscal Year</b>	<b>2017-A</b>		<b>2018-A</b>		<b>2021-A</b>		<b>2022-A</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2024	\$ 4,320	\$ 1,966	\$ 13,815	\$ 7,910	\$ 10,600	\$ 4,715	\$ 19,475	\$ 26,574
2025	4,320	1,850	13,815	7,466	10,600	4,397	19,475	17,529
2026	4,320	1,729	13,815	6,998	10,600	4,079	19,475	16,555
2027	4,320	1,602	13,815	6,518	10,600	3,761	19,475	15,582
2028	4,320	1,472	13,810	6,032	10,600	3,523	19,475	14,608
2029 - 2033	21,595	5,384	69,050	22,584	52,985	14,769	97,360	58,493
2034 - 2038	21,575	1,855	69,050	9,377	52,975	8,937	97,350	35,837
2039 - 2043	-	-	13,810	268	42,380	2,273	97,350	12,169
Total:	\$ 64,770	\$ 15,858	\$ 220,980	\$ 67,155	\$ 201,340	\$ 46,453	\$ 389,435	\$ 197,347

**CITY OF LOS ANGELES, CALIFORNIA**  
**PROPOSITION HHH PROGRAM FUNDS**  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2023

**NOTE 6 – TRANSFERS IN/OUT**

Transfer of \$4,401,327 was made from the special revenue fund to the debt service fund according to the estimated use of 2022-A bond proceeds.

**NOTE 7 – ENCUMBRANCES AND COMMITMENTS**

At June 30, 2023, the following outstanding project loan encumbrances, which represent the respective remaining available Prop HHH loan balances, are as follows:

<u>Project</u>	<u>Amount</u>
<b><i>Facility Loan Programs:</i></b>	
Coalition for Responsible Community Development	\$1,156,908
Fannie Lou Hammer Emergency Shelter	145,955
Haven Hills Crisis Shelter	238,545
Haven Hills Seismic Retrofit	59,982
Joshua House Health Center	387,275
St Barnabas Senior Center Los Angeles	27,695
Viki's House (House of Ruth)	93,627
Volunteers America Los Angeles	174,020
WLCAC Homeless and Housing Access Center	1,800,051
<b>Subtotal facility loan encumbrances:</b>	<b><u>4,084,058</u></b>
<b><i>Housing Loan Programs:</i></b>	
11010 Santa Monica	\$1,809,785
11604 Vanowen Apartments	234,974
433 Vermont Apartments	720,000
4507 Main St.	425,980
6th and San Julian	1,637,742
Adams Terrace	1,000
Amani Apartments	4,301,539
Beacon Landing	1,089,797
Berendo Sage	662,000
Bryson II	1,006,000
Building 205	1,292,186
Building 208	1,341,807
Casa de Rosas Campus	4,000,415
Central Apartments	6,926,668
Colorado East	900,678
Hope on Hyde Park	928,000
Ingraham Villa Apartments	11,820,835
La Guadalupe	7,596,726
Lorena Plaza	1,903,107
Los Lirios Apartments	2,754
Lumina	2,268,000
Main Street Apartments	\$1,343,603

**CITY OF LOS ANGELES, CALIFORNIA**  
**PROPOSITION HHH PROGRAM FUNDS**  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2023

<b>Project</b>	<b>Amount</b>
Marcella Gardens (68th & Main St.)	5,848,974
McDaniel House	1,582,645
Montesquieu Manor	3,909,165
My Angel	490,693
NoHo 5055	3,107,025
Oak Apartment	3,629,018
Oatsie's Place	2,014,566
PATH Villas Hollywood	1,232,000
Pointe on La Brea	6,521,676
Reseda Theater Senior Housing	1,585,926
Rose Apartments	154,442
Rousseau Residences	3,951,535
Ruth Teague Homes	718,000
SagePointe	2,559,018
Santa Monica & Vermont I & II	3,480,000
Sherman Oaks Senior Housing	1,730,924
Silva Crossing	332,600
Solaris Apartments	3,511,741
Southside Seniors	8,786,444
SP7 Apartments	553,481
Sun King Apartments	550,000
Talisa	2,751,145
Thatcher Yard Housing	2,534,180
The Banning	7,528,864
The Brine Residential	6,567,006
The Iris	2,436,560
The Journey	3,495,550
The Lake House	651,000
The Pointe on Vermont	298,359
The Wilcox	522,500
VA Building 207	851,434
Washington Arts Collective	209,720
Watts Works	228,545
West Terrace	2,788,147
Whittier	4,496,400
<b>Subtotal housing loan encumbrances</b>	<b>143,822,879</b>
<b>Total loan encumbrances</b>	<b>\$147,906,937</b>

**CITY OF LOS ANGELES, CALIFORNIA**  
**PROPOSITION HHH PROGRAM FUNDS**  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2023

**NOTE 7 – ENCUMBRANCES AND COMMITMENTS (Continued)**

In addition to the table above, the City-owned projects consisting of 1) the CD 8 Navigation Center, 2) Navigation Center at San Pedro Harbor Center, 3) Sherman Way Navigation Center and 4) the Women’s Bridge Housing, had outstanding encumbrances totaling \$1,204,016 at June 30, 2023.

Total project commitments as of June 30, 2023, for permanent supportive housing projects are approximately \$1,157,008,443 for 9,136 units. Total project commitments for facilities projects totaled \$2,030,996. The Proposition HHH funds are fully committed as of June 30, 2023.

**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 Mayor and Members of the City Council  
City of Los Angeles, California

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 (*Government Auditing Standards*), the financial statements of the Proposition HHH Special Revenue Fund and Debt Service Fund (collectively, the “Proposition HHH Program Funds”) of the City of Los Angeles, California (the “City”), as of and for the year ended June 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated January 24, 2024. Our report includes an emphasis of matter paragraph indicating that the financial statements present only the financial position and changes in financial position of the Proposition HHH Program Funds and not the City.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City’s internal control over the Proposition HHH Program Funds’ 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control related to the Proposition HHH Program Funds. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control related to the Proposition HHH Program Funds.

*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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of finding and response in which the finding is reported as item 2023-001 that we consider to be a significant deficiency.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Proposition HHH Program Funds' 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*.

### **City's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the finding identified in our audit and described in the accompanying schedule of finding and response in which the finding is reported. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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 entity's internal control or on compliance related to the Proposition HHH Program Funds. 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 related to the Proposition HHH Program Funds. Accordingly, this communication is not suitable for any other purpose.

*Macias Gini & O'Connell LLP*

Los Angeles, California  
January 24, 2024

**CITY OF LOS ANGELES, CALIFORNIA  
PROPOSITION HHH PROGRAM FUNDS**

Schedule of Findings and Response  
For the Year Ended June 30, 2023

2023-001 Allowance for Uncollectibles Methodology

*Criteria*

According to Accounting Standard (AU) 342, Management is responsible for making the accounting estimates included in the financial statements. Management's judgment is normally based on its knowledge and experience about past and current events and its assumptions about conditions it expects to exist and courses of action it expects to take. Review of this estimate is also required under Section 6 of AU 342, *Internal Control Related to Accounting Estimates*; adequate review and approval of the accounting estimates by appropriate levels of authority; includes review of reasonableness of assumptions and resulting estimates and consideration of changes in previously established methods to arrive at accounting estimates.

This criteria should be applied to City's estimated allowance for uncollectibles related to loans.

*Condition*

In FY2015, the Los Angeles Housing Department's (LAHD) Asset Management Division assisted the City's Accounting Division to analyze loan data by various loan types and determine allowance percentages for each loan type to better reflect the collectability of the loans. As implementing the revised allowance percentages would cause a significant decrease to the allowance, the management decided to take a conservative approach and spread the allowance over 5 years to ensure that the new allowance approach was proven correct and in line with market conditions. The 5-year smoothing ended in FY2019.

In FY2022, MGO brought it to the attention of management that the allowance methodology should be reviewed and evaluated on a more frequent basis.

*Cause*

Management noted that the City planned to revisit the methodology but were not making any revisions during the pandemic.

*Effect*

MGO noted that such review has not yet been performed. The total allowance for the uncollectible loans balance as of June 30, 2023 for the Fund is \$247.0 million.

*Recommendation*

MGO recommends that management revisit the allowance methodology and valuation, to ensure that the loans receivable and interest receivable balances are reasonably stated. In addition, management should ensure that a review is conducted over the methodology on a periodic basis to account for current conditions in its valuation.

**CITY OF LOS ANGELES, CALIFORNIA**  
**PROPOSITION HHH PROGRAM FUNDS**  
Schedule of Findings and Response (Continued)  
For the Year Ended June 30, 2023

2023-001 Allowance for Uncollectibles Methodology (Continued)

*Views of Management*

During the COVID crisis and because of material changes in both macro and micro factors, LAHD should have requested an extension for the report until it had a clearer view of the future or the reporting may prove to be inaccurate. LAHD now can better estimate allowances and portfolio values that are necessary for reporting to be reasonable. Further, there is no possibility that the portfolio value is overstated, the department has been growing substantially and its receivable balance has doubled in 4 years. LAHD will have the report ready in March 2024.