



**Metro**<sup>TM</sup>

**City of Montebello  
Annual Financial Report of its**

**Proposition A Local Return Fund  
Proposition C Local Return Fund  
Measure R Local Return Fund  
Transportation Development Act Article 3 Fund**

**As of and for the Years Ended June 30, 2018 and 2017**

**and**

**Measure M Local Return Fund**

**As of and for the Year Ended June 30, 2018  
with Report of Independent Auditors**

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**FINANCIAL SECTION**

## **Report of Independent Auditors**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Montebello, California (the City) which comprise the Funds' balance sheets as of June 30, 2018 and 2017, and the related statements of revenues, expenditures and changes in fund balances for the years then ended, and the accompanying financial statements of the City's Measure M Local Return Fund (the Fund) which comprise the Fund's balance sheet as of June 30, 2018, and the related statement of revenues, expenditures and changes in fund balance for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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



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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund and the Transportation Development Act Article 3 Fund as of June 30, 2018 and 2017 and the Measure M Local Return Fund as of June 30, 2018, of the City of Montebello, California, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 2, the financial statements present only the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund of the City of Montebello, California, and do not purport to, and do not present fairly the financial position of the City as of June 30, 2018 and 2017, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Supplementary Information***

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

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



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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2018 on our consideration of the City's internal control over the Funds' financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

*Vasquez & Company LLP*

**Glendale, California  
December 13, 2018**

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

		June 30	
		2018	2017
<b>ASSETS</b>			
Cash and investments	\$	676,746	\$ 469,932
<b>Total assets</b>	<b>\$</b>	<b>676,746</b>	<b>\$ 469,932</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$	-	\$ -
<b>Total liabilities</b>		-	-
<b>Fund balance</b>			
Restricted		676,746	469,932
<b>Total fund balance</b>		<b>676,746</b>	<b>469,932</b>
<b>Total liabilities and fund balance</b>	<b>\$</b>	<b>676,746</b>	<b>\$ 469,932</b>

*See notes to Funds financial statements.*



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

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	Years ended June 30	
	2018	2017
<b>Revenues</b>		
Proposition A	\$ 1,192,391	\$ 1,169,729
Investment income	14,423	6,714
<b>Total revenues</b>	<b>1,206,814</b>	<b>1,176,443</b>
 <b>Expenditures</b>		
Various projects	1,000,000	1,268,009
<b>Total expenditures</b>	<b>1,000,000</b>	<b>1,268,009</b>
 Excess (deficiency) of revenues over expenditures	 <b>206,814</b>	 (91,566)
 Fund balance at beginning of year	 <u><b>469,932</b></u>	 <u>561,498</u>
 Fund balance at end of year	 <u><b>\$ 676,746</b></u>	 <u>\$ 469,932</u>

*See notes to Funds financial statements.*

**City of Montebello**  
**Proposition A Local Return Fund**  
**Supplementary Information**  
**Schedule of Expenditures – Actual and LACMTA Approved Project Budget**  
**Year ended June 30, 2018**  
**(With Comparative Actuals for 2017)**

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Project Code	Project Name	2018			2017 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
360-01	Metrolink Station Bus Terminal and Park and Ride Lot	\$ -	\$ -	\$ -	\$ 268,009
405-05	Prop A Exchange - Rancho Palos Verdes			-	1,000,000
405-06	Prop A Exchange - Pasadena	1,000,000	1,000,000	-	-
	<b>Total expenditures</b>	<b>\$ 1,000,000</b>	<b>\$ 1,000,000</b>	<b>\$ -</b>	<b>\$ 1,268,009</b>

*See report of independent auditors.*

**City of Montebello**  
**Proposition A Local Return Fund**  
**Supplementary Information**  
**Schedule of Capital Assets**  
**Year ended June 30, 2018**

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
1990	Computer Equipment	\$ 4,000	\$ -	\$ 4,000	\$ -
1990	Facsimile Machine	5,350	-	5,350	-
1990	Comm Console	49,999	-	49,999	-
1990-91	Mobile Office	40,000	-	40,000	-
1990-94	Engines/Transmissions	148,081	-	148,081	-
1990-91	Mobile Radios	11,400	-	11,400	-
1990-91	3 ADB Coaches	302,679	-	302,679	-
1990-92	Inv Control System	72,180	-	72,180	-
1990-91	5 Fixed Route Buses	204,864	-	204,864	-
1990-92	Corp Yard Master Plan	24,513	-	24,513	-
1990-92	Corp Yard Master Asestos	156,586	-	156,586	-
1992	8 Bus Replacements	75,259	-	75,259	-
1992-93	Vehicle Equipment Driver Seats	20,000	-	20,000	-
1992-93	Corp Yard Fac Exp - Colegrove Property	15,000	-	-	15,000
1992-95	Corp Yard Fac Exp - Colegrove Property	254,882	-	-	254,882
1992-93	10/60 Study - Light Rail Corridor	9,292	-	-	9,292
1997-97	Taylor Ranch Restrooms	44,473	-	-	44,473
1997-97	Bus Pad Improvements	16,954	-	16,954	-
1997-97	Flotilla Street Extension	309,857	-	-	309,857
1997-98	Communication Master Plan	30,975	-	-	30,975
1998-99	Commuter Rail Station	14,926	-	-	14,926
1997-98	Bus Stop Sign and Design	48,306	-	-	48,306
1999-00	Dial-A-Ride Radio System	4,162	-	-	4,162
2002-03	Transportation Data System Software	84,186	-	-	84,186
2002-03	Transit Facility Improvements	45,747	-	-	45,747
2003-04	Transit Facility Improvements	56,151	-	-	56,151
2004-05	Transit Facility Improvements	3,134	-	-	3,134
2007-08	Transit Facility Improvements	20,993	-	-	20,993
2011-12	CNG Bus Purchase Project	131,353	-	-	131,353
2011-12	Bus Stop Sign Replacement Project	24,469	-	-	24,469
2012-13	Metrolink Revitalization Project	135,000	-	-	135,000
2012-13	Bus Stop Improvements	25,130	-	-	25,130
2013-14	ADA Improvements at Metrolink Rail Station	11,568	-	-	11,568
<b>Total</b>		<b>\$ 2,401,469</b>	<b>\$ -</b>	<b>\$ 1,131,865</b>	<b>\$ 1,269,604</b>

*See report of independent auditors.*

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

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		June 30	
		2018	2017
<b>ASSETS</b>			
Cash and investments	\$	3,152,531	\$ 2,476,182
Accounts receivable		-	17,977
<b>Total assets</b>	<b>\$</b>	<b><u>3,152,531</u></b>	<b><u>\$ 2,494,159</u></b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$	400,165	\$ 29,460
<b>Total liabilities</b>		<b><u>400,165</u></b>	<b><u>29,460</u></b>
<b>Fund balance</b>			
Restricted		<u>2,752,366</u>	<u>2,464,699</u>
<b>Total fund balance</b>		<b><u>2,752,366</u></b>	<b><u>2,464,699</u></b>
<b>Total liabilities and fund balance</b>	<b>\$</b>	<b><u>3,152,531</u></b>	<b><u>\$ 2,494,159</u></b>

*See notes to Funds financial statements.*

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

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	Years ended June 30	
	2018	2017
<b>Revenues</b>		
Proposition C	\$ 987,458	\$ 971,807
Investment income	43,112	17,427
<b>Total revenues</b>	<b>1,030,570</b>	<b>989,234</b>
<b>Expenditures</b>		
Various projects	742,903	666,152
<b>Total expenditures</b>	<b>742,903</b>	<b>666,152</b>
Excess of revenues over expenditures	287,667	323,082
<b>Other funding source</b>		
Reimbursement from General Fund	-	50,000
Excess of revenues over expenditures and other funding source	287,667	373,082
Fund balance at beginning of year	2,464,699	2,091,617
Fund balance at end of year	\$ 2,752,366	\$ 2,464,699

*See notes to Funds financial statements.*

**City of Montebello**  
**Proposition C Local Return Fund**  
**Supplementary Information**  
**Schedule of Expenditures – Actual and LACMTA Approved Project Budget**  
**Year ended June 30, 2018**  
**(With Comparative Actuals for 2017)**

Project Code	Project Name	2018			2017 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
140-01	Recreational Field Trips	\$ 25,000	\$ 18,405	\$ 6,595	\$ 21,095
270-04	San Gabriel Valley COG Participation	26,796	26,796	-	26,304
270-05	Gateway Cities Council of Government	22,000	22,000	-	22,000
450-41	Washington Boulevard Phase II	20,886	-	20,886	191,505
450-45	Beverly Blvd and Wilcox Ave - Concrete Intersection	317,752	9,798	307,954	4,068
450-46	Mines Ave Street Improvement	-	-	-	263,588
450-47	Montebello Blvd Skin Patching - Lincoln to Paramount	131,060	1,459	129,601	12,856
450-48	Arterial Street Stripping	1,938	-	1,938	28,311
450-49	Maple Ave Street Improvements - Mines Ave to Washington Blvd	825,957	581,704	244,253	61,550
450-50	2017 Pavement Management System (PMS)	3,875	3,875	-	34,875
450-51	Concrete Program (ADA Access Ramps)	50,000	-	50,000	-
450-52	Beverly Blvd Street Improvements (21 to Harvard)	553,161	61,788	491,373	-
450-53	Beverly Blvd Traffic Synchronization Project from Bradshaw to Rea Dr	260,000	-	260,000	-
480-01	Direct Administration	50,000	17,078	32,922	-
<b>Total expenditures</b>		<b>\$ 2,288,425</b>	<b>\$ 742,903</b>	<b>\$ 1,545,522</b>	<b>\$ 666,152</b>

*See report of independent auditors.*

**City of Montebello**  
**Proposition C Local Return Fund**  
**Supplementary Information**  
**Schedule of Capital Assets**

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
1995-96	Commuter Rail Station	\$ 787,874	\$ -	\$ -	\$ 787,874
1995-96	Telegraph Road Resurfacing	127,334	-	-	127,334
1996-97	Montebello Road Resurfacing	6,620	-	-	6,620
1996-97	Olympic Blvd Road Resurfacing	37,992	-	-	37,992
1995-96	Flotilla Street Extension	35,000	-	-	35,000
1996-97	Beverly/Montebello Phase Signal	40,345	-	-	40,345
1996-97	Street Structural Analysis	3,560	-	-	3,560
1996-00	Whittier Blvd Widening	924,924	-	-	924,924
1996-97	Town Center Drive	224,251	-	-	224,251
1997-00	Miscellaneous Street Improvements	301,016	-	-	301,016
1997-98	Pavement Management System	3,633	3,875	-	7,508
1998-99	Paramount/Montebello Intersection	3,000	-	-	3,000
2003-04	Street Survey Monuments	19,551	-	-	19,551
2003-04	Washington Blvd Widening	23,775	-	-	23,775
2006-07	GEMS Financial Software	351,212	-	351,212	-
2006-07	Garfield Ave Traffic Signals	99,600	-	-	99,600
2007-08	Beverly Bridge	75,319	-	-	75,319
2007-08	Montebello Way Reconstruction	860,291	-	-	860,291
2007-08	Telegraph and Slauson Improvements	102,592	-	-	102,592
2007-08	Whittier Blvd Improvements	150,081	-	-	150,081
2008-09	Garfield/San Clemente Traffic Signal	172,188	-	-	172,188
2008-09	Garfield Ave Reconstruction	978,500	-	-	978,500
2008-09	MTB Way Traffic Signal	279,156	-	-	279,156
2009-10	Beverly Blvd Street Improvement	205,040	-	-	205,040
2009-10	Washington Blvd Street Improvement	871,632	-	-	871,632
2010-11	Beverly Blvd Widening Phase III	150,000	-	-	150,000
2011-12	Street Improvement Project	492,941	-	-	492,941
2012-13	Garfield Avenue Phase II	1,001,503	-	-	1,001,503
2012-13	Washington Blvd Phase II	339,505	-	-	339,505
2012-13	Transit Impact Mitigation	392,235	-	-	392,235
2013-14	Via Campo from Garfield to Wilcox	378,890	-	-	378,890
2013-14	Flotilla Street Improvement	475,240	-	-	475,240
2015-16	Beverly Boulevard and Wilcox Avenue	28,775	9,798	-	38,573
2015-16	Mines Ave Street Improvement - Montebello to Greenwood	289,990	-	-	289,990
2016-17	Maple Ave Street Improvement - Mines Ave to Washington Blvd	61,550	581,704	-	643,254
2017-18	Beverly Blvd Street Improvements (21st to Howard)	-	61,788	-	61,788
	<b>Total</b>	<b>\$ 10,295,115</b>	<b>\$ 657,165</b>	<b>\$ 351,212</b>	<b>\$ 10,601,068</b>

*See report of independent auditors.*

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

		June 30	
		2018	2017
<b>ASSETS</b>			
Cash and investments		\$ 1,342,451	\$ 1,349,500
	<b>Total assets</b>	<b>\$ 1,342,451</b>	<b>\$ 1,349,500</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable		\$ 222,193	\$ 11,929
	<b>Total liabilities</b>	<b>222,193</b>	<b>11,929</b>
<b>Fund balance</b>			
Restricted		1,120,258	1,337,571
	<b>Total fund balance</b>	<b>1,120,258</b>	<b>1,337,571</b>
	<b>Total liabilities and fund balance</b>	<b>\$ 1,342,451</b>	<b>\$ 1,349,500</b>

*See notes to Funds financial statements.*



**City of Montebello**  
**Measure R Local Return Fund**

**Statements of Revenues, Expenditures and Changes in Fund Balance**

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	Years ended June 30	
	2018	2017
<b>Revenues</b>		
Measure R	\$ 740,793	\$ 727,870
Investment income	21,756	8,409
<b>Total revenues</b>	<b>762,549</b>	<b>736,279</b>
 <b>Expenditures</b>		
Various projects	979,862	371,570
<b>Total expenditures</b>	<b>979,862</b>	<b>371,570</b>
 Excess (deficiency) of revenues over expenditures	 <b>(217,313)</b>	 364,709
 <b>Other funding source</b>		
Reimbursement from General Fund	-	49,280
 Excess (deficiency) of revenues over expenditures and other funding source	 <b>(217,313)</b>	 413,989
 Fund balance at beginning of year	 <b>1,337,571</b>	 923,582
 Fund balance at end of year	 <b>\$ 1,120,258</b>	 \$ 1,337,571

*See notes to Funds financial statements.*

**City of Montebello**  
**Measure R Local Return Fund**  
**Supplementary Information**  
**Schedule of Expenditures – Actual and LACMTA Approved Project Budget**  
**Year ended June 30, 2018**  
**(With Comparative Actuals for 2017)**

Project Code	Project Name	2018			2017 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
1.05	Arroyo Drive St Improvements - Astra to Rose Glen	\$ 132,373	\$ 50,445	\$ 81,928	\$ 23,606
1.05	Bluff Road Street Improvements - Sycamore to Date	489,331	254,760	234,571	-
1.05	Various Street Improvements (Poplar /Lincoln /6th / Via Acosta /Via Nina)	329,805	43,228	286,577	-
1.05	Ellingbrook Ave Street Improvements - Firvale to Easterly City Limit	309,831	257,423	52,408	-
1.05	Via Luneto Street and Sewer Improvement Via Corona to Madison	-	-	-	200,231
1.05	5th Street Improvements - Lincoln to Victoria	117,975	89,614	28,361	14,040
1.05	3rd Street Improvements - Beverly to Victoria	117,633	89,392	28,241	14,040
1.05	2nd Street Improvements - Beverly to Victoria	117,633	89,392	28,241	14,040
1.05	10th Street Improvements - Whittier to Cleveland	58,705	29,469	29,236	18,950
1.05	Marklan Ave St Improvements - Potrero Grande to Via Campo	38,772	29,763	9,009	4,680
1.05	Pedestrian Safety Improvements on Garfield Ave at Via San Delarro	26,401	-	26,401	-
3.16	Citywide Sidewalk Pothole Repairs	66,754	19,312	47,442	42,936
3.20	Concrete Program ADA Access Ramps	6,169	-	6,169	-
7.10	Traffic Safety Engineering Studies	50,000	13,028	36,972	39,047
8.10	Administrative Costs	50,000	14,036	35,964	-
<b>Total expenditures</b>		<b>\$ 1,911,382</b>	<b>\$ 979,862</b>	<b>\$ 931,520</b>	<b>\$ 371,570</b>

*See report of independent auditors.*

**City of Montebello**  
**Measure R Local Return Fund**  
**Supplementary Information**  
**Schedule of Capital Assets**  
**Year ended June 30, 2018**

<b>Date Acquired</b>	<b>Description</b>	<b>Balance July 1, 2017</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2018</b>
2010-11	Pavement and Concrete Improvement from Beverly Blvd	\$ 34,410	\$ -	\$ -	\$ 34,410
2011-12	Street Rehabilitation	76,065	-	-	76,065
2011-12	Maple Ave Rehabilitation	312,996	-	-	312,996
2011-12	Whittier/Montebello Blvd	104,829	-	-	104,829
2011-12	Eastmont School	33,346	-	-	33,346
2011-12	Wilcox La Merced	232,064	-	-	232,064
2012-13	Local Street Rehabilitation	196,755	-	-	196,755
2013-14	Rehabilitation of Bluff Road from UPRR to Whittier	249,329	-	-	249,329
2013-14	Beverly Blvd Striping Project	46,829	-	-	46,829
2013-14	SRTS Eastmont Route to Schools Project	3,771	-	3,771	-
2013-14	ADA Accessibility from Greenwood Ave to Bluff Road	61,593	-	-	61,593
2014-15	Westmoreland Dr. Pavement and Concrete Rehabilitation	335,217	-	-	335,217
2014-15	Concrete Program ADA Access Ramps	117,844	-	-	117,844
2015-16	Alley Improvement Project	76,283	-	-	76,283
2016-17	Improvements - Via Corona to Madison	200,231	-	-	200,231
2016-17	5th Street Improvement Lincoln to Victoria	14,040	89,614	-	103,654
2016-17	3rd Street Improvement Beverly to Victoria	14,040	89,392	-	103,432
2016-17	2nd Street Improvement Beverly to Victoria	14,040	89,392	-	103,432
2016-17	10th Street Improvement Whittier to Cleveland	18,950	29,469	-	48,419
2016-17	Marklan Ave St Improvements - Potrero Grande to Via Campo	4,680	29,763	-	34,443
2016-17	Arroyo Drive St Improvements - Astra to Rose Glen	23,606	50,445	-	74,051
2017-18	Bluff Road St Improvements- Sycamore to Date	-	254,760	-	254,760
2017-18	6th Street Improvements(Madison to Cleveland)	-	2,334	-	2,334
2017-18	Via Acosta St Improvements - (Beverly to Garfield)	-	20,447	-	20,447
2017-18	Via Nina St. Improvements -(Hay to Via Val Verde)	-	20,447	-	20,447
2017-18	Ellingbrook Ave St Improvement (Firvale to Easterly City Limits)	-	257,423	-	257,423
	<b>Total</b>	<b>\$ 2,170,918</b>	<b>\$ 933,486</b>	<b>\$ 3,771</b>	<b>\$ 3,100,633</b>

*See report of independent auditors.*

**City of Montebello**  
**Measure M Local Return Fund**  
**Balance Sheet**  
**June 30, 2018**

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**ASSETS**

Cash and investments	\$ 633,699
<b>Total assets</b>	<b>\$ <u>633,699</u></b>

**LIABILITIES AND FUND BALANCE**

**Liabilities**

Accounts payable	\$ 1,865
<b>Total liabilities</b>	<b>\$ <u>1,865</u></b>

**Fund balance**

Restricted	631,834
<b>Total fund balance</b>	<b><u>631,834</u></b>
<b>Total liabilities and fund balance</b>	<b>\$ <u>633,699</u></b>

*See notes to Funds financial statements.*

**City of Montebello**  
**Measure M Local Return Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Year ended June 30, 2018**

---

<b>Revenues</b>		
Measure M	\$	671,328
Investment income		4,536
	<b>Total revenues</b>	<u>675,864</u>
 <b>Expenditures</b>		
Various projects		<u>44,030</u>
	<b>Total expenditures</b>	<u>44,030</u>
Excess of revenues over expenditures		631,834
Fund balance at beginning of year		<u>-</u>
Fund balance at end of year	\$	<u><u>631,834</u></u>

*See notes to Funds financial statements.*

**City of Montebello**  
**Measure M Local Return Fund**  
**Supplementary Information**

**Schedule of Expenditures – Actual and LACMTA Approved Project Budget**  
**Year ended June 30, 2018**

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<b>Project Code</b>	<b>Project Name</b>	<b>LACMTA Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
1.05	6th Street Improvements - Madison to Cleveland	\$ 166,995	\$ 14,959	\$ 152,036
1.05	Lincoln Ave Street Improvements - Avenida La Merced to Rea Drive	184,800	16,554	168,246
1.05	Poplar Avenue Street Improvements - Beverly to Victoria	126,000	11,286	114,714
8.10	Administrative Costs	-	1,231 *	(1,231)
<b>Total expenditures</b>		<b>\$ 477,795</b>	<b>\$ 44,030</b>	<b>\$ 433,765</b>

\* See Compliance Matrix and Schedule of Findings and Questioned Costs.

*See report of independent auditors.*

**City of Montebello**  
**Measure M Local Return Fund**  
**Supplementary Information**  
**Schedule of Capital Assets**  
**Year ended June 30, 2018**

---

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
2017-18	Poplar Avenue Street Improvements - (Beverly to Victoria)	\$ -	\$ 11,286	\$ -	\$ 11,286
2017-18	Lincoln Ave Street Improvements - (Avenida La Merced to Rea Drive)	-	16,554	-	16,554
2017-18	6th Street Improvements - (Madison to Cleveland)	-	14,959	-	14,959
	<b>Total</b>	<u>\$ -</u>	<u>\$ 42,799</u>	<u>\$ -</u>	<u>\$ 42,799</u>

*See report of independent auditors.*

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

---

		June 30	
		2018	2017
<b>ASSETS</b>			
Cash		\$ -	\$ -
	<b>Total assets</b>	\$ -	\$ -
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable		\$ -	\$ -
	<b>Total liabilities</b>	-	-
<b>Fund balance</b>			
Restricted		-	-
	<b>Total fund balance</b>	-	-
	<b>Total liabilities and fund balance</b>	\$ -	\$ -

*See notes to Funds financial statements.*



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

---

		Years ended June 30	
		2018	2017
<b>Revenues</b>			
Intergovernmental Allocations:			
Article 3	\$	-	-
<b>Total revenues</b>		-	-
 <b>Expenditures</b>			
Construction/Maintenance			
		-	-
<b>Total expenditures</b>		-	-
 Excess of revenues over expenditures			
		-	-
 Fund balance at beginning of year			
		-	-
 Fund balance at end of year			
	\$	-	-

*See notes to Funds financial statements.*

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Fund Accounting**

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

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

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

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

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

**Basis of Accounting and Measurement Focus**

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

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

**Budgets and Budgetary Accounting**

The budgeted amounts presented in this report for comparison to the actual amounts are based on budgets approved by LACMTA 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 Comprehensive Annual Financial Report 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, 2018 and 2017:

- 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 are restricted for projects approved by LACMTA.

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

**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, 2018 and 2017, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**NOTE 3      PROPOSITION A AND PROPOSITION C LOCAL RETURN COMPLIANCE REQUIREMENTS**

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

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

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

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

**NOTE 4      MEASURE R LOCAL RETURN COMPLIANCE REQUIREMENTS**

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

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

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

**NOTE 5      MEASURE M LOCAL RETURN COMPLIANCE REQUIREMENTS**

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

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

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

**NOTE 6            TRANSPORTATION DEVELOPMENT ACT COMPLIANCE REQUIREMENTS**

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

**NOTE 7            CASH AND INVESTMENTS**

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

Please refer to the City's Comprehensive Annual Financial Report (CAFR) for a full description of risks relating to cash and investments.

**NOTE 8            PROPOSITION A FUND EXCHANGE**

As permitted by the Local Return Guidelines and as approved by LACMTA, the City entered into agreements with various cities to exchange the City's general fund monies with other cities' uncommitted Proposition A monies. The amounts received were recorded under PALRF.

Those exchanges are listed below:

- In January 2018, the City entered into a fund trade agreement with the City of Pasadena to exchange \$1,000,000 of the City's uncommitted PALRF monies for \$750,000 General Fund monies or \$0.75 General Fund per \$1 of PALRF.
- In January 2017, the City entered into a fund trade agreement with the City of Rancho Palos Verdes to exchange \$1,000,000 of the City's uncommitted PALRF monies for \$750,000 General Fund monies or \$0.75 General Fund per \$1 of PALRF.

**NOTE 9            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 LACMTA. As of June 30, 2018 and 2017, the City has funds on reserve as follows:

		<u>2018</u>		<u>2017</u>
FY 2016/17 allocation	\$	42,478	\$	42,478
FY 2017/18 allocation		41,634		-
	\$	<u>84,112</u>	\$	<u>42,478</u>

**NOTE 9           TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUNDS RESERVED  
(CONTINUED)**

For FY 2017/18, any TDA Article 3 funds left on reserve for FY 2013/14 or prior, are subject to lapse if not claimed by the City by June 30, 2018. There were no funds that lapsed in FY 2017/18.

The City did not drawdown any TDA Article 3 funds during the fiscal years ended June 30, 2018 and 2017.

**NOTE 10        SUBSEQUENT EVENTS**

The City has evaluated subsequent events through December 13, 2018, the date the financial statements were available to be issued, and concluded no events have occurred that require disclosure or adjustments to the financial statements.

**Report of Independent Auditors 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 Montebello, 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 Montebello, California (the City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated December 13, 2018.

**Internal Control over Financial Reporting**

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

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

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



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, Measure M Local Return Fund and Transportation Development Act Article 3 Fund financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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  
December 13, 2018**



**COMPLIANCE SECTION**

## **Report of Independent Auditors on Compliance**

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

### **Report on Compliance**

We have audited the compliance of the City of Montebello, California (the City) with the Proposition A and Proposition C Local Return Guidelines, Measure R Local Return Guidelines, Measure M Local Return Fund 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, 2018.

#### ***Management's Responsibility***

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

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on the City's compliance with the Guidelines based on our audit. We conducted our audit of compliance in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the Guidelines. Those standards and the Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the Proposition A Local Return Program, Proposition C Local Return Program, Measure R Local Return Program, Measure M Local Return Program and Transportation Development Act Article 3 Program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

#### ***Opinion***

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



### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance with the requirements, which is described in the accompanying Schedule of Findings and Questioned Costs as Finding #2018-001. Our opinion is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

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

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

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

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

A handwritten signature in black ink that reads "Vagueny &amp; Company LLP".

**Glendale, California  
December 13, 2018**

**City of Montebello  
Compliance Matrix  
Year ended June 30, 2018**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
<b>A. Proposition A and Proposition C Local Return Funds</b>					
1. Uses the State Controller's Uniform System of Accounts and Records.	X				
2. Timely use of funds.	X				
3. Funds expended were approved and have not been substituted for property tax.	X				
4. Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A)	X				
5. Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	X				
6. All on-going and carryover projects were reported in Form B.	X				
7. Annual Project Summary Report (Form B) was submitted timely.	X				
8. Annual Expenditure Report (Form C) was submitted timely.	X				
9. Cash or cash equivalents are maintained.	X				
10. Accounting procedures, record keeping and documentation are adequate.	X				
11. Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	X				
12. Local Return Account is credited for reimbursable expenditures.			X		
13. Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.			X		
14. Assurances and Understandings form was on file.	X				
15. Recreational Transit Form was submitted timely.	X				

*See report of independent auditors on compliance.*

**City of Montebello  
Compliance Matrix  
Year ended June 30, 2018**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
<b>B. Measure R Local Return Fund</b>					
1. Funds were expended for transportation purposes.	X				
2. Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	X				
3. Signed Assurances and Understandings on file.	X				
4. Separate Measure R Local Return Account was established.	X				
5. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X				
6. Funds were expended with LACMTA's approval.	X				
7. Expenditure Plan (Form One) was submitted timely.	X				
8. Expenditure Report (Form Two) was submitted timely.	X				
9. Timely use of funds.	X				
10. Administrative expenses are within the 20% cap.	X				
11. Fund exchanges were approved by LACMTA.			X		
12. A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.			X		
13. Recreational transit form was submitted timely.			X		

*See report of independent auditors on compliance.*

**City of Montebello  
Compliance Matrix  
Year ended June 30, 2018**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
<b>C. Measure M Local Return Fund</b>					
1. Funds were expended for transportation purposes.	X				
2. Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a fund shortfall.	X				
3. Signed Assurances and Understandings on file.	X				
4. Separate Measure M Local Return Account was established.	X				
5. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	X				
6. Funds were expended with LACMTA's approval.		X			See Finding #2018-001
7. Expenditure Plan (Form M-One) was submitted timely.	X				
8. Expenditure Report (Form M-Two) was submitted timely.	X				
9. Timely use of funds.	X				
10. Administrative expenses are within the 20% cap.	X				
11. Fund exchanges were approved by LACMTA.			X		
12. A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.			X		
13. Recreational transit form was submitted timely.			X		

*See report of independent auditors on compliance.*

**City of Montebello  
Compliance Matrix  
Year ended June 30, 2018**

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Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
<b>D. Transportation Development Act Article 3 Fund</b>					
1. Timely use of funds.	X				
2. Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.			X		There were no expenditures during FY 2017/18.

*See report of independent auditors on compliance.*

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**



**City of Montebello**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2018**

**MMLRF: Finding #2018-001**

<b>Compliance Reference</b>	<p>Section XXV of the Measure M Final Guidelines states that, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form M-One), annually, by August 1st of each year.</p> <p>Expenditure Plan (Form M-One) provides a listing of projects funded with Measure M LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. Part II is to be filled out for capital projects (projects over \$250,000). LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.</p>
<b>Condition</b>	<p>The City claimed expenditures for MMLRF project code 8.10, Administrative Costs, totaling \$1,231, with no prior approval from LACMTA.</p> <p>Although we found the expenditures for this project to be eligible for Measure M Local Return funding, this project had no prior approval from LACMTA.</p> <p>The City submitted a revised Expenditure Plan (Form M-One) to the LACMTA Program Manager and obtained a retroactive approval of the said project on September 26, 2018.</p>
<b>Cause</b>	<p>The finding was caused by an oversight by City staff.</p>
<b>Effect</b>	<p>The City claimed expenditures totaling \$2,690 without prior approval from LACMTA. Lack of prior approval results in non-compliance which could impact future funding or result in questioned costs that require funding to be returned to LACMTA.</p>
<b>Recommendation</b>	<p>We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on Measure M-funded projects.</p>
<b>Management's Response</b>	<p>Management agrees with the recommendation and will ensure compliance.</p>
<b>Finding Corrected During the Audit</b>	<p>LACMTA Program Manager granted a retroactive approval of the project budget on September 26, 2018. No follow up is required.</p>

**EXIT CONFERENCE**

An exit conference was held on December 13, 2018 with the City of Montebello representatives. Those in attendance were:

Vasquez and Company LLP representatives:  
    Marialyn Salvador – Audit Senior Manager  
    Shweta Mehrotra – Audit Supervisor

City of Montebello representatives:  
    Robert Mescher – Finance Administrator  
    Candice Huot – Accounting Manager

Matters discussed:

Results of the audit disclosed an instance of noncompliance with the Guidelines.

A copy of this report was forwarded to the following City of Montebello representative for comments prior to the issuance of the final report:

Candice Huot – Accounting Manager



[www.vasquezcpa.com](http://www.vasquezcpa.com)

Vasquez & Company LLP has over 45 years of experience in performing audit, accounting & consulting services for all types of nonprofit organizations, for-profit companies, governmental entities and publicly traded companies. Vasquez is a member of the RSM US Alliance. RSM US Alliance provides its members with access to resources of RSM US LLP. RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International. Visit [rsmus.com/about-us](http://rsmus.com/about-us) for more information regarding RSM US LLP and RSM International. The RSM™ logo is used under license by RSM US LLP. RSM US Alliance products and services are proprietary to RSM US LLP.