



MetroTM

**City of Monterey Park
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, 2017 and 2016
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 Monterey Park, 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 Monterey Park, California (the City) which comprise the Funds' balance sheets as of June 30, 2017 and 2016, and the related statements of revenues, expenditures and changes in fund balances for the years 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 of the City of Monterey Park, California, as of June 30, 2017 and 2016, 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 and the Transportation Development Act Article 3 Fund of the City and do not purport to, and do not present fairly the financial position of the City as of June 30, 2017 and 2016, 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 18, 2017 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.

Los Angeles, California
December 18, 2017

**City of Monterey Park
Proposition A Local Return Fund
Balance Sheets**

		June 30	
		2017	2016
ASSETS			
Cash and investments	\$	2,799,486	\$ 2,533,104
Interest receivable		5,171	3,789
Accounts receivable		196	-
Total assets	\$	<u>2,804,853</u>	<u>\$ 2,536,893</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	47,286	\$ 58,093
Accrued payroll		10,519	11,513
Total liabilities		<u>57,805</u>	<u>69,606</u>
Fund balance			
Restricted		<u>2,747,048</u>	<u>2,467,287</u>
Total fund balance		<u>2,747,048</u>	<u>2,467,287</u>
Total liabilities and fund balance	\$	<u>2,804,853</u>	<u>\$ 2,536,893</u>

See notes to Funds financial statements.

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

	Years ended June 30	
	2017	2016
Revenues		
Proposition A	\$ 1,132,486	\$ 1,115,090
Proposition A Discretionary Incentive Program grant	107,277	109,161
Project generated revenues	84,666	111,714
Interest income	19,247	16,715
Total revenues	1,343,676	1,352,680
 Expenditures		
Various projects	1,063,915	1,149,759
Total expenditures	1,063,915	1,149,759
 Excess of revenues over expenditures	 279,761	 202,921
 Fund balance at beginning of year	 2,467,287	 2,264,366
 Fund balance at end of year	 \$ 2,747,048	 \$ 2,467,287

See notes to Funds financial statements.

City of Monterey Park
Proposition A Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2017
(With Comparative Actuals for 2016)

Project Code	Project Name	2017			2016 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
110-01	Fixed Route Transit	\$ 279,717	\$ 204,273	\$ 75,444	\$ 441,660
120-02	Dial-A-Ride Service	542,438	480,048	62,390	447,851
130-03	Dial-A-Ride Dispatch Software	38,121	1,954	36,167	3,258
140-03	Recreational Transit	15,000	13,145	1,855	14,331
170-06	Bus Shelter Maintenance	28,065	25,409	2,656	28,808
200-09	Spirit Bus Replacement	207,809	-	207,809	73,755
250-04	MTA Stamp Subsidy	47,000	45,830	1,170	50,377
300-24	Monterey Park Transit Facility at ELAC	114,240	-	114,240	-
300-25	CNG Station	104,300	104,256	44	89,719
480-01	Administration costs	-	189,000	(189,000) *	-
Total expenditures		\$ 1,376,690	\$ 1,063,915	\$ 501,775	\$ 1,149,759

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

See report of independent auditors.

**City of Monterey Park
Proposition A Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2017**

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
06/1996	Eighty (80) Bus Benches	\$ 16,454	\$ -	\$ -	\$ 16,454
05/1997	Twenty-Two (22) Bus Benches	4,937	-	-	4,937
06/1997	Eighteen (18) Bus Benches	4,066	-	-	4,066
05/1999	1999 Chevrolet Express Van	22,295	-	-	22,295
12/1999	MAVICA FD83 Digital Camera	680	-	-	680
11/2001	2001 Chevrolet Van	20,170	-	-	20,170
03/2005	2004 Blue Bird Bus L4RE2911	14,816	-	-	14,816
03/2005	2004 Blue Bird Bus L4RE2911	14,816	-	-	14,816
03/2005	2004 Blue Bird Bus L4RE2911	14,816	-	-	14,816
12/2006	2007 El Dorado Aerotech 220	57,147	-	-	57,147
03/2008	2008 Toyota Prius	6,249	-	-	6,249
04/2008	2008 Toyota Prius	6,249	-	-	6,249
06/2010	2010 El Dorado Amerivan PT	40,696	-	-	40,696
06/2012	ELAC Transit Facility Phase I	97,756	-	-	97,756
05/2013	2013 El Dorado E-Z Rider II	166,667	-	-	166,667
05/2013	2013 El Dorado E-Z Rider II	166,668	-	-	166,668
05/2013	2013 El Dorado E-Z Rider II	155,651	-	-	155,651
05/2016	2015 Chevrolet Express Bus	46,350	-	-	46,350
06/2016	Glaval E450 for Passenger Bus	27,405	-	-	27,405
Total		\$ 883,888	\$ -	\$ -	\$ 883,888

See report of independent auditors.

**City of Monterey Park
Proposition C Local Return Fund
Balance Sheets**

		June 30	
		2017	2016
ASSETS			
Cash and investments	\$	1,187,255	\$ 1,024,043
Interest receivable		2,112	1,402
Total assets	\$	<u>1,189,367</u>	<u>\$ 1,025,445</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	104,757	\$ 107,844
Total liabilities		<u>104,757</u>	<u>107,844</u>
Fund balance			
Restricted		<u>1,084,610</u>	<u>917,601</u>
Total fund balance		<u>1,084,610</u>	<u>917,601</u>
Total liabilities and fund balance	\$	<u>1,189,367</u>	<u>\$ 1,025,445</u>

See notes Funds to financial statements.

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

	Years ended June 30	
	2017	2016
Revenues		
Proposition C	\$ 941,652	\$ 926,711
Interest income	8,197	6,270
Total revenues	949,849	932,981
Expenditures		
Various projects	782,840	878,187
Total expenditures	782,840	878,187
Excess of revenues over expenditures	167,009	54,794
Fund balance at beginning of year	917,601	862,807
Fund balance at end of year	\$ 1,084,610	\$ 917,601

See notes Funds to financial statements.

City of Monterey Park
Proposition C Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2017
(With Comparative Actuals for 2016)

Project Code	Project Name	2017			2016 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
110-01	Fixed Route Transit	\$ 785,720	\$ 707,210	\$ 78,510	\$ 742,765
210-01	Traffic Signal Upgrade	-	-	-	87,653
270-05	Transportation Planning	26,900	20,630	6,270	19,769
360-07	Cal State LA Metrolink Station	29,000	28,000	1,000	28,000
440-12	Bridge Preventive Maintenance	250,000	-	250,000	-
480-01	Administration costs	-	27,000	(27,000) *	-
Total expenditures		\$ 1,091,620	\$ 782,840	\$ 308,780	\$ 878,187

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

See report of independent auditors.

City of Monterey Park
Proposition C Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2017

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
06/2004	Bus Stop Improvements	\$ 25,875	\$ -	\$ -	\$ 25,875
03/2005	2004 Bule Bird Bus L4RE2911	1,121	-	-	1,121
03/2005	2004 Bule Bird Bus L4RE2911	1,121	-	-	1,121
03/2005	2004 Bule Bird Bus L4RE2911	177,119	-	-	177,119
06/2013	Bus Shelters and Sign	100,048	-	-	100,048
06/2013	Battery Backup System	77,276	-	-	77,276
Total		\$ 382,560	\$ -	\$ -	\$ 382,560

See report of independent auditors.

**City of Monterey Park
Measure R Local Return Fund
Balance Sheets**

		June 30	
		2017	2016
ASSETS			
Cash and investments	\$	1,952,397	\$ 1,454,996
Interest receivable		3,397	2,144
Total assets	\$	<u>1,955,794</u>	<u>\$ 1,457,140</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	35,754	\$ 58,494
Accrued payroll		767	689
Total liabilities		<u>36,521</u>	<u>59,183</u>
Fund balance			
Restricted		<u>1,919,273</u>	<u>1,397,957</u>
Total fund balance		<u>1,919,273</u>	<u>1,397,957</u>
Total liabilities and fund balance	\$	<u>1,955,794</u>	<u>\$ 1,457,140</u>

See notes to Funds financial statements.

City of Monterey Park
Measure R Local Return Fund

Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2017	2016
Revenues		
Measure R	\$ 704,696	\$ 694,123
Interest income	12,335	9,844
Total revenues	717,031	703,967
 Expenditures		
Various projects	195,715	898,587
Total expenditures	195,715	898,587
 Excess (deficiency) of revenues over expenditures	 521,316	 (194,620)
 Fund balance at beginning of year	 1,397,957	 1,592,577
 Fund balance at end of year	 \$ 1,919,273	 \$ 1,397,957

See notes to Funds financial statements.

City of Monterey Park
Measure R Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2017
(With Comparative Actuals for 2016)

Project Code	Project Name	2017			2016 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
01-001	Slurry Seal of Various Streets	\$ 382,569	\$ -	\$ 382,569	\$ 607,882
01-002	Road Repair Supplies (Asphalt, Emulsion and Crack Sealing Material)	525,000	104,022	420,978	176,083
01-004	Pavement and Storm Drain Repairs at 328 S Atlantic Blvd	96,377	-	96,377	3,623
02-001	N Atlantic Traffic Signal Upgrades	6,792	6,792	-	28,227
03-001	Sidewalk Construction	277,569	26,616	250,953	72,650
03-003	ADA Curb Ramps	141,252	21,527	119,725	8,748
05-001	Repaving of Bus Fueling Station Area	41,444	180	41,264	-
07-001	Traffic Survey Update	35,550	36,578	(1,028)	1,374
Total expenditures		\$ 1,506,553	\$ 195,715	\$ 1,310,838	\$ 898,587

See report of independent auditors.

City of Monterey Park
Measure R Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2017

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
06/2004	Bus Stop Improvements	\$ 22,552	\$ -	\$ -	\$ 22,552
	Total	\$ 22,552	\$ -	\$ -	\$ 22,552

See report of independent auditors.

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

		June 30	
		2017	2016
ASSETS			
Due from LACMTA	\$	31,594	\$ 31,594
	Total assets	\$ 31,594	\$ 31,594
LIABILITIES AND FUND BALANCE			
Liabilities			
Due to other funds	\$	31,594	\$ 31,594
	Total liabilities	31,594	31,594
Fund balance			
Restricted		-	-
	Total fund balance	-	-
	Total liabilities and fund balance	\$ 31,594	\$ 31,594

See notes to Funds financial statements.

City of Monterey Park
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	
		2017	2016
Revenues			
Intergovernmental Allocations:			
Article 3		\$ -	\$ 135,640
	Total revenues	-	135,640
Expenditures			
Construction/Maintenance		-	135,640
	Total expenditures	-	135,640
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) 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 a county-wide ½ cent sales tax which is distributed to the jurisdictions within Los Angeles County based on a per capita basis and must be used exclusively for transportation purposes.

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, 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 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, and TDAA3F report the following fund balance classification as of June 30, 2017 and 2016:

- 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'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 and TDAA3F, and do not purport to, and do not present fairly the City's financial position as of June 30, 2017 and 2016, 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 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 6 CASH AND INVESTMENTS

The PALRF, PCLRF, MRLRF 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 7 PROPOSITION A DISCRETIONARY INCENTIVE PROGRAM GRANT

Proposition A Discretionary Incentive Program grant amounting to \$107,277 and \$109,161 for the years ended June 30, 2017 and 2016, respectively, represent additional funds received from LACMTA for participating in the Voluntary NTD Program.

The Proposition A Discretionary Grant was recorded under PALRF.

NOTE 8 PROJECT GENERATED REVENUES – PALRF

Project generated revenues for the years ended June 30, 2017 and 2016 consisted of the following:

	2017	2016
Tap card sales	\$ 26,210	\$ 33,088
Farebox revenue	58,456	78,626
	\$ 84,666	\$ 111,714

NOTE 9 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND REVENUE ALLOCATION

The revenue allocations for the years ended June 30, 2017 and 2016 consisted of the following:

	2017	2016
FY 2012/13 reserve	\$ -	\$ 13,696
FY 2013/14 reserve	-	49,795
FY 2014/15 reserve	-	40,555
FY 2015/16 allocation	-	31,594
	\$ -	\$ 135,640

The City did not draw down any TDA Article 3 funds from the reserve in FY 2016/17.

NOTE 10 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUNDS RESERVED

In accordance with TDA Article 3 (SB821) Guidelines, funds which will not be spent during the fiscal year have been placed on reserve in the Local Transportation Fund (LTF) account with the County Auditor-Controller to be drawn down whenever the funds become eligible for a specific project and an approved drawdown request is received by LACMTA. As of June 30, 2017 and 2016, the City has funds on reserve as follows:

		<u>2017</u>		<u>2016</u>
FY 2015/16 reserve	\$	<u>7,774</u>	\$	<u>7,774</u>
FY 2016/17 allocation		<u>41,126</u>		<u>-</u>
	\$	<u>48,900</u>	\$	<u>7,774</u>

For FY 2016/17, any TDA Article 3 funds left on reserve for FY 2012/13 or prior, are subject to lapse if not claimed by the City by June 30, 2017. There were no funds that lapsed in FY 2016/17.

NOTE 11 SUBSEQUENT EVENTS

The City has evaluated subsequent events through December 18, 2017, 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 Monterey Park, 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 and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Monterey Park, California (the City) as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated December 18, 2017.

Internal Control over Financial Reporting

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

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

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



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund and the 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.

Los Angeles, California
December 18, 2017

COMPLIANCE SECTION

Report of Independent Auditors on Compliance

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

Report on Compliance

We have audited the compliance of the City of Monterey Park, California (the City) with the Proposition A and Proposition C Local Return Guidelines, Measure R Local Return Guidelines, Transportation Development Act Article 3, and the Los Angeles County Metropolitan Transportation Authority's Funding and Allocation Guidelines for Transportation Development Act Article 3 Bicycle and Pedestrian Funds (collectively, the Guidelines) for the year ended June 30, 2017.

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 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, 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 Monterey Park, California complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2017.



Other Matters

The results of our auditing procedures disclosed instances of noncompliance with the requirements, which are described in the accompanying Schedule of Findings and Questioned Costs as Findings #2017-001 and #2017-002. Our opinion is not modified with respect to these matters.

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

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 or significant deficiencies 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 "Vazquez & Company LLP".

**Los Angeles, California
December 18, 2017**

**City of Monterey Park
Compliance Matrix
Year ended June 30, 2017**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
A. Proposition A and Proposition C Local Return Funds					
1. Uses the State Controller's Uniform System of Accounts and Records.	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 on time.	X				
8. Annual Expenditure Report (Form C) was submitted on time.	X				
9. Cash or cash equivalents are maintained.	X				
10. Accounting procedures, record keeping and documentation are adequate.		X			See Finding #2017-001
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 on time.	X				

See report of independent auditors on compliance.

**City of Monterey Park
Compliance Matrix
Year ended June 30, 2017**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
B. Measure R Local Return Fund					
1. Funds were expended for transportation purposes.	X				
2. 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			See Finding #2017-002
7. Expenditure Plan (Form One) was submitted on time.	X				
8. Expenditure Report (Form Two) was submitted on time.	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 on time.			X		
C. Transportation Development Act Article 3 Fund					
1. Timely use of funds.	X				
2. Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.	X				

See report of independent auditors on compliance.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Monterey Park
Schedule of Findings and Questioned Costs
Year ended June 30, 2017

PALRF and PCLRF: Finding #2017-001

Compliance Reference	Proposition A and Proposition C Local Return Guidelines indicates that all projects must have Project Codes. This code is critical in Form submittal as it is used in the LR database system. Section II (A)(1) of the Proposition A and Proposition C Local Return Guidelines specifically identified Project 480 for Administration costs.
Condition	Although the City's administration costs (\$216,000) were approved by the LACMTA, the amounts were lumped into the Fixed Route Transit Program (Project code 110) instead of Project code 480 for administration costs. On December 6, 2017, the City subsequently submitted an amended Form A.
Cause	The direct administration costs were always grouped into the Transit Project and received approval from the LACMTA. This way of grouping had never been challenged by the LACMTA or the past audits.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend for the City to revise the Project code used for the administration costs to align with the Local Return Guidelines. In addition, the administration costs should be shared by both Proposition A and Proposition C funds.
Management's Response	The City concurs with the audit recommendation to reflect the Administrative Costs in Project Code 480 and make the charges equitably among LACMTA funds. The City has already revised the 16-17 Administration Costs per audit suggestion and received the LACMTA's approval on December 12th.
Finding Corrected During the Audit	On December 12, 2017, the City obtained LACMTA's approval for the reclassification of project code relating to administration costs.

**City of Monterey Park
Schedule of Findings and Questioned Costs
Year ended June 30, 2017**

MRLRF: Finding #2017-002

Compliance Reference	<p>Section B (II) of Measure R Local Return Program Guideline states that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1st of each year.</p> <p>Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.</p>
Condition	<p>The City claimed expenditures for MRLRF project code 02-001, N Atlantic Signal Upgrades, for \$6,792 with no prior approval from LACMTA.</p> <p>Although this project was previously approved in FY 2015/16, the City is still required to carry over the budget in Expenditure Plan (Form One) and have it approved for FY 2016/17.</p>
Cause	<p>The previously approved project, N Atlantic Signal Upgrades for \$6,792, accidentally did not carry over from 2015-16 to 2016-17.</p>
Effect	<p>Measure R funds of \$6,792 were expended towards project expenditures without prior approval by the LACMTA.</p>
Recommendation	<p>We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on any local return-funded projects.</p>
Management's Response	<p>The revised form for Measure R has been provided to the LACMTA and an approval was received for this updated change. In the meantime, the Public Works Department will implement a control to ensure proper project carryover be done.</p>
Finding Corrected During the Audit	<p>LACMTA Program Manager granted retroactive approval of the said project on November 17, 2017. No additional follow up is required.</p>

EXIT CONFERENCE

An exit conference was held on December 14, 2017 with the City of Monterey Park representative. Those in attendance were:

Vasquez and Company LLP representatives:
 Marialyn Salvador – Audit Senior Manager
 Emer Fabro – Audit Supervisor

City of Monterey Park representative:
 Annie Yaung – Director of Management Services

Matters discussed:

Results of the audit disclosed instances of noncompliance with the Local Return Guidelines.

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

 Annie Yaung – Director of Management Services



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