



MetroTM

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

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

**As of and for the Years Ended June 30, 2020 and 2019
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, 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) which comprise the Funds' balance sheets as of June 30, 2020 and 2019, 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 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, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund as of June 30, 2020 and 2019, 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, 2020 and 2019, 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 7, 2020 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.

A handwritten signature in black ink that reads "Vaguez & Company LLP". The signature is written in a cursive, flowing style.

**Glendale, California
December 7, 2020**

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

		June 30	
		2020	2019
ASSETS			
Cash and investments		\$ 3,304,196	\$ 1,995,592
	Total assets	\$ 3,304,196	\$ 1,995,592
FUND BALANCE			
Restricted		3,304,196	1,995,592
	Total fund balance	\$ 3,304,196	\$ 1,995,592

See notes to Funds financial statements.

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

	Years ended June 30	
	2020	2019
Revenues		
Proposition A	\$ 1,245,637	\$ 1,283,204
Investment income	62,967	35,642
Total revenues	1,308,604	1,318,846
 Expenditures		
Various projects	-	-
Total expenditures	-	-
 Excess of revenues over expenditures	1,308,604	1,318,846
 Fund balance at beginning of year	1,995,592	676,746
 Fund balance at end of year	\$ 3,304,196	\$ 1,995,592

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, 2020
(With Comparative Actuals for 2019)

Project Code	Project Name	2020		Variance Positive (Negative)	2019 Actual
		LACMTA Budget	Actual		
160-56	Montebello ADA Compliant Ramps at Bus Stops	\$ 1	\$ -	\$ 1	-
160-57	Bus Stop Pads Improvement Project (Citywide)	1,074,709	-	1,074,709	-
160-58	Montebello Blvd ATP (Lincoln - Paramount) Bus Shelters/Pads & ADA	250,000	-	250,000	-
270-05	Gateway COG Participation	1	-	1	-
405-06	Prop A Exchange - City of Pasadena	120,000	-	120,000	-
	Total expenditures	\$ 1,444,711	\$ -	\$ 1,444,711	\$ -

See report of independent auditors.

City of Montebello
Proposition A Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2020

Date Acquired	Description	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
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	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
Total		\$ 1,269,604	\$ -	\$ -	\$ 1,269,604

See report of independent auditors.

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

		June 30	
		2020	2019
ASSETS			
Cash and investments	\$	2,643,983	\$ 3,771,607
Restricted cash - Paving the Way Project		10,835,735	-
Total assets	\$	13,479,718	\$ 3,771,607
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	768,386	\$ 315,165
Total liabilities		768,386	315,165
Fund balance			
Restricted - Paving the Way Project		10,835,735	-
Restricted		1,875,597	3,456,442
Total fund balance		12,711,332	3,456,442
Total liabilities and fund balance	\$	13,479,718	\$ 3,771,607

See notes to Funds financial statements.

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

	Years ended June 30	
	2020	2019
Revenues		
Proposition C	\$ 1,033,259	\$ 1,064,382
Refunds and reimbursements from other City Funds	-	115,973
Investment income	108,926	81,084
Total revenues	1,142,185	1,261,439
Expenditures		
Various projects	2,855,066	557,363
Total expenditures	2,855,066	557,363
Excess (deficiency) of revenues over expenditures	(1,712,881)	704,076
Other financing sources		
Net proceeds from issuance of Paving the Way Project Bonds	10,967,771	-
Total other financing sources	10,967,771	-
Change in fund balance	9,254,890	704,076
Fund balance at beginning of year	3,456,442	2,752,366
Fund balance at end of year	\$ 12,711,332	\$ 3,456,442

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, 2020
(With Comparative Actuals for 2019)

Project Code	Project Name	2020		Variance Positive (Negative)	2019 Actual
		LACMTA Budget	Actual		
160-56	Montebello ADA Compliant Ramps At Bus Stops	\$ 1	\$ -	\$ 1	\$ -
160-57	Bus Stop Pads Improvement Project (Citywide)	129,601	35,646	93,955	-
270-05	Gateway COG Participation	1	-	1	23,100
450-45	Beverly Boulevard and Wilcox Avenue - Concrete	786,872	688,265	98,607	2,434
450-48	Arterial Street Stripping	4,823	4,823	-	26,866
450-49	Maple Ave Street Improvements - Mines Ave to Washington Blvd	1	-	1	32,623
450-51	Concrete Program (ADA Access Ramps)	41,050	41,050	-	8,951
450-52	Beverly Blvd Street Improvements (21st to Howard)	979,447	832,801	146,646	1,895
450-53	Beverly Blvd Traffic Synchronization Project from Bradshawe to Rea Dr	440,000	-	440,000	-
450-54	Montebello Blvd ATP (Lincoln to Paramount)	2,008,834	967,371	1,041,463	436,649
450-55	Via Campo and Wilcox Intersection	131,274	102,358	28,916	7,768
450-56	Arroyo Drive St Improvements - Astra to Rose Glen	30,040	350	29,690	-
480-01	Direct Administration	50,000	17,078	32,922	17,077
	Total expenditures funded by PCLRF	<u>4,601,944</u>	<u>2,689,742</u>	<u>1,912,202</u>	<u>557,363</u>
	Montebello Paving the Way (Debt Service Fee)	-	165,324 *	(165,324)	-
	Total expenditures funded by bond proceeds	<u>-</u>	<u>165,324</u>	<u>(165,324)</u>	<u>-</u>
	Total expenditures	<u>\$ 4,601,944</u>	<u>\$ 2,855,066</u>	<u>\$ 1,746,878</u>	<u>\$ 557,363</u>

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

See report of independent auditors.

City of Montebello
Proposition C Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2020

Date Acquired	Description	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
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	7,508	-	-	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	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	38,573	-	-	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	643,254	-	-	643,254
2017-18	Beverly Blvd Street Improvements (21st to Howard)	61,788	-	-	61,788
2018-19	Beverly Boulevard and Wilcox Avenue	2,434	-	-	2,434
2018-19	Maple Ave Street Improvement - Mines Ave to Washington Blvd	32,623	-	-	32,623
2018-19	Beverly Blvd Street Improvements (21st to Howard)	1,895	-	-	1,895
2018-19	Montebello Blvd ATP - Lincoln to Paramount	436,649	-	-	436,649
2018-19	Via Campo & Wilcox Intersection	7,768	-	-	7,768
Total		\$ 11,082,437	\$ -	-	\$ 11,082,437

See report of independent auditors.

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

		June 30	
		2020	2019
ASSETS			
Cash and investments	\$	1,567,725	\$ 1,444,061
Restricted cash - Paving the Way Project		<u>6,548,513</u>	-
Total assets	\$	<u>8,116,238</u>	<u>\$ 1,444,061</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	<u>459,221</u>	<u>\$ 2,621</u>
Total liabilities		<u>459,221</u>	<u>2,621</u>
Fund balance			
Restricted - Paving the Way Project		6,548,513	-
Restricted		<u>1,108,504</u>	<u>1,441,440</u>
Total fund balance		<u>7,657,017</u>	<u>1,441,440</u>
Total liabilities and fund balance	\$	<u>8,116,238</u>	<u>\$ 1,444,061</u>

See notes to Funds financial statements.

City of Montebello
Measure R Local Return Fund

Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2020	2019
Revenues		
Measure R	\$ 773,835	\$ 798,516
Investment income	52,602	32,836
Total revenues	826,437	831,352
 Expenditures		
Various projects	2,440,470	510,170
Total expenditures	2,440,470	510,170
 Excess (deficiency) of revenues over expenditures	(1,614,033)	321,182
 Other financing sources		
Net proceeds from issuance of Paving the Way Project Bonds	7,829,610	-
Total other financing sources	7,829,610	-
 Change in fund balance	6,215,577	321,182
 Fund balance at beginning of year	1,441,440	1,120,258
 Fund balance at end of year	\$ 7,657,017	\$ 1,441,440

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, 2020
(With Comparative Actuals for 2019)

Project Code	Project Name	2020			2019 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
1.05	Montebello Blvd ATP - Lincoln to Paramount	\$ 127,211	\$ 117,111	\$ 10,100	\$ 29,060
1.05	Mills Street (Kensington to Medford)	36,800	-	36,800	-
1.05	Holger Drive (Victoria to Forbes)	264,376	284,044	(19,668)	-
1.05	Jacmar Ave (3rd to Montebello Blvd)	255,811	-	255,811	-
1.05	Los Amigos Avenue (Weimar to Las Flores)	323,477	285,663	37,814	24,884
1.05	Hay Street (Garfield to Sly City Limit)	120,763	106,701	14,062	8,460
1.05	Beverly Terrace (Maple to Park)	112,209	109,673	2,536	2,488
1.05	Arroyo Drive St. Improvements - Astra to Rose Glen	81,928	-	81,928	-
1.05	Allison street (West City Limit to Olympic)	122,632	-	122,632	-
1.05	Analysis Report Program	25,000	-	25,000	-
1.05	Holger Drive (Victoria to Forbes)	-	-	-	19,994
1.05	Ellingbrook Ave Street Improvements - Firvale to Easterly City Limit	-	-	-	13,615
1.05	Via Nina Street Improvements - (Hay to Via Val Verde)	-	-	-	111,345
1.05	Via Acosta Street Improvements - (Beverly to Garfield)	-	-	-	111,345
1.05	6th Street Improvements - (Madison to Cleveland)	-	-	-	12,322
3.05	Pedestrian Safety Improvements on Garfield Ave at Via San Delarro	-	-	-	20,929
3.10	Concrete Program (ADA Access Ramps)	2,039	2,039	-	4,130
3.16	Street Maintenance (Pothole Repairs)	100,000	35,441	64,559	47,443
3.16	Striping and Signage Maintenance	67,579	67,570	9	-
4.55	Recreational Field Trips	25,000	18,840	6,160	23,941
7.10	Traffic Engineering Studies	97,517	39,625	57,892	38,447
8.10	Gateway COG Participation	26,200	14,036	12,164	-
8.10	San Gabriel Valley COG Participation	28,766	28,966	(200)	27,731
8.10	Administrative Overhead	64,036	26,000	38,036	14,036
	Total expenditures funded by MRLRF	<u>1,881,344</u>	<u>1,135,709</u>	<u>745,635</u>	<u>510,170</u>
1.05	Montebello Paving the Way Street Improvement Bond	2,333,029	1,173,248	1,159,781	-
1.05	Montebello Paving the Way Street Improvement Bond (Debt Service Fee)	131,513	131,513	-	-
	Total expenditures funded by bond proceeds	<u>2,464,542</u>	<u>1,304,761</u>	<u>1,159,781</u>	<u>-</u>
	Total expenditures	<u>\$ 4,345,886</u>	<u>\$ 2,440,470</u>	<u>\$ 1,905,416</u>	<u>\$ 510,170</u>

See report of independent auditors.

City of Montebello
Measure R Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2020

Date Acquired	Description	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
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	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	103,654	-	-	103,654
2016-17	3rd Street Improvement Beverly to Victoria	103,432	-	-	103,432
2016-17	2nd Street Improvement Beverly to Victoria	103,432	-	-	103,432
2016-17	10th Street Improvement Whittier to Cleveland	48,419	-	-	48,419
2016-17	Marklan Ave St Improvements - Potrero Grande to Via Campo	34,443	-	-	34,443
2016-17	Arroyo Drive St Improvements - Astra to Rose Glen	74,051	-	-	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
2018-19	Concrete Program ADA Access Ramps	4,130	-	-	4,130
2018-19	6th Street Improvements(Madison to Cleveland)	12,322	-	-	12,322
2018-19	Via Acosta St Improvements - (Beverly to Garfield)	111,345	-	-	111,345
2018-19	Via Nina St. Improvements -(Hay to Via Val Verde)	111,345	-	-	111,345
2018-19	Ellingbrook Ave St Improvement (Firvale to Easterly City Limits)	13,615	-	-	13,615
2018-19	Montebello Boulevard ATP - Lincoln to Beverly Terrace (Maple to Park)	29,060	-	-	29,060
2018-19	Hay Street (Garfield to Sly City Limit)	2,488	-	-	2,488
2018-19	Holger Drive (Victoria to Forbes)	8,460	-	-	8,460
2018-19	Holger Drive (Victoria to Forbes)	19,994	-	-	19,994
2018-19	Los Amigos Avenue (Weimar to Las Flores)	24,884	-	-	24,884
2018-19	Pedestrian Safety Improvements on Garfield Ave. at Via San Delarr	20,929	-	-	20,929
Total		\$ 3,459,205	\$ -	\$ -	\$ 3,459,205

See notes to Funds financial statements.

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

		June 30	
		2020	2019
ASSETS			
Cash and investments	\$	1,519,161	\$ 882,076
Restricted cash - Paving the Way Project		7,964,726	-
Total assets	\$	<u>9,483,887</u>	<u>\$ 882,076</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	333,963	\$ 37,487
Total liabilities		<u>333,963</u>	<u>37,487</u>
Fund balance			
Restricted - Paving the Way Project		7,964,726	-
Restricted		1,185,198	844,589
Total fund balance		<u>9,149,924</u>	<u>844,589</u>
Total liabilities and fund balance	\$	<u>9,483,887</u>	<u>\$ 882,076</u>

See notes to Funds financial statements.

City of Montebello
Measure M Local Return Fund

Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2020	2019
Revenues		
Measure M	\$ 871,137	\$ 899,272
Investment income	48,456	18,225
Total revenues	919,593	917,497
Expenditures		
Various projects	1,740,828	704,742
Total expenditures	1,740,828	704,742
Excess (deficiency) of revenues over expenditures	(821,235)	212,755
Other financing sources		
Net proceeds from issuance of Paving the Way Project Bonds	9,126,570	-
Total other financing sources	9,126,570	-
Change in fund balance	8,305,335	212,755
Fund balance at beginning of year	844,589	631,834
Fund balance at end of year	\$ 9,149,924	\$ 844,589

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, 2020
(With Comparative Actuals for 2019)

Project Code	Project Name	2020			2019 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
1.05	6th Street Improvements - Madison to Cleveland	\$ -	- \$	- \$	151,368
1.05	Lincoln Ave Street Improvements - Avenida La Merced	-	-	-	154,722
1.05	Poplar Avenue Street Improvements - Beverly to Victoria	-	-	-	117,373
1.05	Weimar Way (Avenida La Merced to Los Amigos)	136,469	104,278	32,191	10,321
1.05	Madison Avenue (Taylor to 12th)	85,245	65,132	20,113	6,447
1.05	Beverly Terrace (Maple to Park)	44,040	39,300	4,740	3,484
1.05	Holger Drive (Victoria to Forbes)	2,036	1,562	474	154
1.05	Oakwood Avenue (Montebello to Spruce)	125,586	111,345	14,241	10,451
1.05	Concourse Ave (Madison to Beverly Blvd)	351,193	25,130	326,063	-
1.05	Citywide Sidewalk and Potholes Repairs	126,041	98,639	27,402	-
1.05	Allison Street (West City Limit to Olympic)	128,132	-	128,132	-
1.05	Harding Street (21st to 18th)	152,880	-	152,880	-
1.05	Stripping and Signage Maintenance	23,941	23,941	-	76,059
1.05	Street Maintenance (Pot Hole Repairs)	-	-	-	73,959
1.05	Concrete Program (Sidewalk and ADA Ramps)	143,441	80,726	62,715	14,101
7.90	Traffic Signal Maintenance	214,928	-	214,928	85,072
8.10	Administrative Costs	1,231	1,231	-	1,231
	Total expenditures funded by MMLRF	<u>1,535,163</u>	<u>551,284</u>	<u>983,879</u>	<u>704,742</u>
1.05	Montebello Paving the Way	2,199,888	1,036,769	1,163,119	-
1.05	Montebello Paving the Way (Debt Service Fee)	152,775	152,775	-	-
	Total expenditures funded by bond proceeds	<u>2,352,663</u>	<u>1,189,544</u>	<u>1,163,119</u>	<u>-</u>
	Total expenditures	<u>\$ 3,887,826</u>	<u>\$ 1,740,828</u>	<u>\$ 2,146,998</u>	<u>\$ 704,742</u>

See report of independent auditors.

City of Montebello
Measure M Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2020

Date Acquired	Description	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
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
2018-19	Poplar Avenue Street Improvements - (Beverly to Victoria)	117,373	-	-	117,373
2018-19	Lincoln Ave Street Improvements - (Avenida La Merced to Rea Drive)	154,722	-	-	154,722
2018-19	6th Street Improvements - (Madison to Cleveland)	151,368	-	-	151,368
2018-19	Beverly Terrace (Maple to Park)	3,484	-	-	3,484
2018-19	Holger Drive (Victoria to Forbes)	154	-	-	154
2018-19	Madison Avenue (Taylor to 12th)	6,447	-	-	6,447
2018-19	Oakwood Avenue (Montebello to Spruce)	10,451	-	-	10,451
2018-19	Weimar Way (Avenida La Merced to Los Amigos)	10,321	-	-	10,321
Total		\$ 497,119	\$ -	\$ -	\$ 497,119

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	
		2020	2019
ASSETS			
Due from LACMTA	\$	89,696	\$ -
Total assets		\$ 89,696	\$ -
LIABILITIES AND FUND BALANCE			
Liabilities			
Due to General Fund	\$	80,968	\$ -
Due to LACMTA		8,728	-
Total liabilities		89,696	-
Fund balance			
Restricted		-	-
Total fund balance		-	-
Total liabilities and fund balance		\$ 89,696	\$ -

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	
		2020	2019
Revenues			
Intergovernmental Allocations:			
Article 3	\$	89,696	\$ 84,112
Total revenues		89,696	84,112
Expenditures			
Construction/Maintenance			
		80,968	84,112
Total expenditures		80,968	84,112
Excess of revenues over expenditures		8,728	-
Other financing uses			
Return of funds to LACMTA			
		(8,728)	-
Total other financing uses		(8,728)	-
Change in fund balance		-	-
Fund balance at beginning of year		-	-
Fund balance at end of year		\$ -	\$ -

See notes to Funds financial statements.

City of Montebello
Transportation Development Act Article 3 Fund
Pursuant to Public Utilities Code Section 99234
Supplementary Information
Schedule of Transportation Development Act Allocation for Specific Projects
Year ended June 30, 2020

Project Description	Program Year	Totals to Date		Unexpended	Project Status
		Allocations	Expenditures	Allocations	
Local Allocations:					
Annual Concrete Repairs	2020	\$ 89,696	\$ 80,968	8,728	Ongoing
Totals		\$ 89,696	\$ 80,968	8,728	
Fund balance at beginning of year				-	
Return of funds to LACMTA				(8,728)	
Fund balance at end of year				\$ -	

See report of independent auditors.

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, 2020 and 2019:

- Restricted - Amounts that are constrained for specific purposes, which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation. The use of the Funds' remaining fund balances is restricted for projects approved by 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, 2020 and 2019, 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.

NOTE 5 MEASURE M LOCAL RETURN COMPLIANCE REQUIREMENTS (CONTINUED)

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 C REFUNDS AND OTHER REIMBURSEMENTS FROM CITY FUNDS

During the year ended June 30, 2019, the City identified reimbursements of \$113,882 and refunds of \$2,091 related to prior years expenses from other City funds to PCLRF. As permitted by LACMTA, the City transferred a total of \$115,973 to PCLRF, and reported it as Refunds and Reimbursements from other City Funds in the Statement of Revenues, Expenditures and Changes in Fund Balance for the year ended June 30, 2019.

The reimbursements comprised of the following projects:

Fiscal year	Project Code	Project Name	Amount
2016	460-01	Traffic signal improvements (Montebello Boulevard and Washington Boulevard)	\$ 100,462
2015	450-41	Washington Boulevard Phase II	7,950
2016	450-41	Washington Boulevard Phase II	4,050
2017	450-41	Washington Boulevard Phase II	1,420
			\$ 113,882

There were no reimbursements or refunds during the year ended June 30, 2020.

**NOTE 9 LIMITED PUBLIC FINANCING AUTHORITY SALES TAX REVENUE
CERTIFICATES AND BONDS**

On December 12, 2019, the City issued the following Measure R, Measure M and Proposition C Limited Tax Bonds (the Bonds) for the purpose of financing the design, acquisition, and construction of certain roadway and street improvement projects in the City, pay cost of issuance of the bonds, purchase a municipal bond insurance policy and purchase a reserve surety for the debt service reserve fund. The bonds are secured and payable solely from the City's annual Measure R, Measure M and Proposition C sales tax receipts. On November 1, 2019, LACMTA approved the City's request to utilize the Bonds in connection with the Paving the Way Program as described above.

Measure R Series 2019 A. Issued \$7,395,000 on December 10, 2019 with interest rate ranges from 4.0% to 4.3% per annum with annual principal and interest payments ranging from \$150,000 to \$600,000. Principal and interest is payable each June 1 commencing June 1, 2020; maturing on June 1, 2040. Proceeds from the issuance was recorded under MRLRF. The principal balance outstanding at June 30, 2020 was \$7,395,000.

Measure M Series 2019 B. Issued \$6,795,000 on December 10, 2019 with interest rate ranges from 4.0% to 4.3% per annum with annual principal and interest payments ranging from \$130,000 to \$540,000. Principal and interest is payable each June 1 and December 1, commencing June 1, 2020; maturing on June 1, 2039. Proceeds from the issuance was recorded under MMLRF. The principal balance outstanding at June 30, 2020 was \$6,795,000.

Proposition C Series 2019 C. Issued \$10,215,000 on December 10, 2019 with interest rate ranges from 1.4% to 3.6% per annum with annual principal and interest payments ranging from \$165,000 to \$710,000. Principal and interest is payable each June 1 commencing June 1, 2020; maturing on June 1, 2040. Proceeds from the issuance was recorded under PCLRF. The principal balance outstanding at June 30, 20120 was \$10,215,000.

The following is the capital reserve balance for the Bonds:

	<u>PCLRF</u>	<u>MRLRF</u>	<u>MMLRF</u>	<u>Total</u>
	<u>Series 2019 C</u>	<u>Series 2019 B</u>	<u>Series 2019 A</u>	
Proceeds from issuance of Bonds	\$ 10,215,000	\$ 6,795,000	\$ 7,935,000	\$ 24,945,000
Premiums on issuance of Bonds	<u>925,672</u>	<u>1,174,920</u>	<u>1,343,631</u>	<u>3,444,223</u>
Total bond proceeds	11,140,672	7,969,920	9,278,631	28,389,223
Add:				
Investment income allocated during the year	33,288	23,664	27,700	84,652
Less:				
Cost of issuance, insurance and underwriter's discount of Bonds	(172,901)	(140,310)	(152,061)	(465,272)
Expenditures during the year	-	(1,173,248)	(1,036,769)	(2,210,017)
Debt service fee	<u>(165,324)</u>	<u>(131,513)</u>	<u>(152,775)</u>	<u>(449,612)</u>
Ending balance as of June 30, 2020	<u>\$ 10,835,735</u>	<u>\$ 6,548,513</u>	<u>\$ 7,964,726</u>	<u>\$ 25,348,974</u>

NOTE 10 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND REVENUE ALLOCATION

The revenue allocations spent for the years ended June 30, 2020 and 2019 consisted of the following:

		<u>2020</u>		<u>2019</u>
FY 2016/17 allocation	\$	-	\$	42,478
FY 2017/18 allocation		-		41,634
FY 2018/19 allocation		43,332		-
FY 2019/20 allocation		46,364		-
	\$	<u>89,696</u>	\$	<u>84,112</u>

NOTE 11 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, 2020 and 2019, the City has funds on reserve as follows:

		<u>2020</u>		<u>2019</u>
FY 2018/19 allocation	\$	-	\$	43,332
FY 2019/20 allocation		8,728		-
	\$	<u>8,728</u>	\$	<u>43,332</u>

For FY 2019/20, any TDA Article 3 funds left on reserve for FY 2015/16 or prior, are subject to lapse if not claimed by the City by June 30, 2020. There were no funds that lapsed in FY 2019/20.

As of June 30, 2020, the City has funds drawn from reserve amounting \$8,728 that remain unspent and unencumbered. The amount was returned to LACMTA on October 12, 2020. See Compliance Matrix and Schedule of Findings and Questioned Cost.

NOTE 12 SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries. It is unknown how long these conditions will last and what the complete financial effect will be to businesses and other affected organizations, including local governmental entities.

The City has evaluated events subsequent to June 30, 2020 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through December 7, 2020, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no other subsequent events occurred that require recognition or additional disclosure in 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, 2020, and the related notes to the financial statements, and have issued our report thereon dated December 7, 2020.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Vasquez & Company LLP". The signature is written in a cursive, flowing style.

**Glendale, California
December 7, 2020**

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, 2020.

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, 2020.



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 #2020-001 and #2020-002. 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 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 "Vaqueria & Company LLP". The signature is written in a cursive, flowing style.

**Glendale, California
December 7, 2020**

**City of Montebello
Compliance Matrix
Year ended June 30, 2020**

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			See Finding #2020-001
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, 2020**

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				
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, 2020**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
C. Measure M Local Return Fund					
1. Funds were expended for transportation purposes.	X				
2. 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				
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, 2020**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
D. Transportation Development Act Article 3 Fund					
1. Timely use of funds.		X			See Finding #2020-002
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 Montebello
Schedule of Findings and Questioned Costs
Year ended June 30, 2020

PCLRF: Finding #2020-001

Compliance Reference	Section I(C) Project Description Form (Form A) of the Proposition A and C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	The City's issuance of the Proposition C Limited Tax Bonds and the use of the proceeds of the bonds for Paving the Way Project was approved by LACMTA before the issuance of the bonds in December 2019. Accordingly, the debt service payments were also approved as an eligible expense under PCLRF. However, to comply with LACMTA's annual budget approval process and reporting requirement, the City is required to submit Form A and include the annual budgets for both bond proceeds project expenditures and debt service payment for approval by LACMTA. Debt service payments of \$165,324 were not included in Form A.
Cause	The City had received approval for the bond issuance from LACMTA, but did not know that separate approvals were required for underlying annual project expenditures including debt service payments through Form B or Form A.
Effect	The City claimed debt service payments totaling \$165,324 without prior approval from LACMTA. Lack of prior approval results in noncompliance.
Recommendation	We recommend the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on Proposition C-funded projects.
Management's Response	The City submitted Form A to the LACMTA Program Manager and obtained a retroactive approval of the said project on October 29, 2020.
Findings Resolved During the Audit	LACMTA Program Manager granted retroactive approval of the said project on October 29, 2020. No additional follow up is required.

City of Montebello
Schedule of Findings and Questioned Costs
Year ended June 30, 2020

TDAA3F: Finding #2020-002

Compliance Reference	TDA Article 3 Guidelines states that “Agencies may only draw down the funds that they can spend during the fiscal year in which they were allocated. Agencies are not allowed to have a fund balance at the end of the fiscal year. Any funds drawn down and that remain unspent after the end of the fiscal year must be returned to LACMTA to be placed on reserve for the City under the fiscal year in which they were originally allocated. Agencies must also fully spend any interest accumulated by these funds by the end of the fiscal year in which the funds were allocated”.
Condition	The City has remaining unexpended funds of \$8,728 as of June 30, 2020.
Cause	There appears to be a lack of timely review of the available funding to be spent and/or returned for the TDA Article 3 Fund.
Effect	The City was not in compliance with the TDA Article 3 Guidelines and is required to return the amount of \$8,728 that was unexpended as of June 30, 2020.
Recommendation	We recommend that the City return the unexpended funds to LACMTA consistent with the TDA Article 3 Guidelines.
Management’s Response	The City has returned the amount of \$8,728 to LACMTA on October 12, 2020.
Findings Resolved During the Audit	The City returned the amount of \$8,728 to LACMTA on October 12, 2020.

EXIT CONFERENCE

An exit conference was held on October 29, 2020 with the City of Montebello representatives. Those in attendance were:

Vasquez and Company LLP representatives:
Cristy Canieda – Partner
Shweta Mehrotra – Audit Supervisor

City of Montebello representatives:
Michael Solorza – Director of Finance
Laurence Gong – Accounting Manager
Tiffany Chen – Accountant

Matters discussed:

Results of the audit disclosed issues of noncompliance with the Guidelines.

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

Michael Solorza– Director of Finance
Tiffany Chen – Accountant



www.vasquezcpa.com

Vasquez & Company LLP has 50 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 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.