



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, 2021 and 2020
with Independent Auditor's Report**

| FINANCIAL SECTION | <u>PAGE</u> |
|---|--------------------|
| Independent Auditor's Report | 1 |
| Proposition A Local Return Fund: | |
| Basic Financial Statements: | |
| Balance Sheets | 4 |
| Statements of Revenues, Expenditures and Changes in Fund Balance | 5 |
| Supplementary Information: | |
| Schedule of Expenditures – Actual and Metro Approved Project Budget | 6 |
| Schedule of Capital Assets | 7 |
| Proposition C Local Return Fund: | |
| Basic Financial Statements: | |
| Balance Sheets | 8 |
| Statements of Revenues, Expenditures and Changes in Fund Balance | 9 |
| Supplementary Information: | |
| Schedule of Expenditures – Actual and Metro Approved Project Budget | 10 |
| Schedule of Capital Assets | 11 |
| Measure R Local Return Fund: | |
| Basic Financial Statements: | |
| Balance Sheets | 12 |
| Statements of Revenues, Expenditures and Changes in Fund Balance | 13 |
| Supplementary Information: | |
| Schedule of Expenditures – Actual and Metro Approved Project Budget | 14 |
| Schedule of Capital Assets | 15 |
| Measure M Local Return Fund: | |
| Basic Financial Statements: | |
| Balance Sheets | 16 |
| Statements of Revenues, Expenditures and Changes in Fund Balance | 17 |
| Supplementary Information: | |
| Schedule of Expenditures – Actual and Metro Approved Project Budget | 18 |
| Schedule of Capital Assets | 19 |
| Transportation Development Act Article 3 Fund: | |
| Basic Financial Statements: | |
| Balance Sheets | 20 |
| Statements of Revenues, Expenditures and Changes in Fund Balance | 21 |
| Supplementary Information: | |
| Schedule of Transportation Development Act Allocation for Specific Projects | 22 |
| Notes to Funds Financial Statements | 23 |
| Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 29 |

| | <u>PAGE</u> |
|--|-------------|
| COMPLIANCE SECTION | |
| Independent Auditor's Report on Compliance | 31 |
| Compliance Matrix | 34 |
| SCHEDULE OF FINDINGS AND QUESTIONED COSTS | 41 |
| EXIT CONFERENCE | 50 |

FINANCIAL SECTION

Independent Auditor's Report

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, 2021 and 2020, 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.

Auditor's 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, 2021 and 2020, 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, 2021 and 2020, 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 November 22, 2021 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 "Vasquez & Company LLP". The signature is written in a cursive, flowing style.

**Glendale, California
November 22, 2021**

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

| | | June 30 | |
|--|-----------|------------------|---------------------|
| | | 2021 | 2020 |
| ASSETS | | | |
| Cash and investments | \$ | 4,605,603 | \$ 3,304,196 |
| Prepaid expenses | | 13,596 | - |
| Total assets | \$ | 4,619,199 | \$ 3,304,196 |
| FUND BALANCE | | | |
| Liabilities | | | |
| Accounts payable | \$ | 59,975 | \$ - |
| Accrued expenses and other liabilities | | 4,056 | - |
| Total liabilities | | 64,031 | - |
| Fund balance | | | |
| Restricted | | 4,555,168 | 3,304,196 |
| Total fund balance | \$ | 4,619,199 | \$ 3,304,196 |

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 | |
|--|----|---------------------|------------------|
| | | 2021 | 2020 |
| Revenues | | | |
| Proposition A | \$ | 1,292,657 | \$ 1,245,637 |
| Investment income | | 20,057 | 62,967 |
| Total revenues | | 1,312,714 | 1,308,604 |
| Expenditures | | | |
| Various projects | | 61,742 | - |
| Total expenditures | | 61,742 | - |
| Excess of revenues over expenditures | | | |
| | | 1,250,972 | 1,308,604 |
| Fund balance at beginning of year | | | |
| | | 3,304,196 | 1,995,592 |
| Fund balance at end of year | | | |
| | \$ | 4,555,168 | \$ 3,304,196 |

See notes to Funds financial statements.

City of Montebello
Proposition A Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and Metro Approved Project Budget
Year ended June 30, 2021
(With Comparative Actuals for 2020)

| Project Code | Project Name | 2021 | | Variance Positive (Negative) | 2020 Actual |
|---------------------------|---|---------------------|------------------|------------------------------|-------------|
| | | Metro Budget | Actual | | |
| 155 | Recreational Field Trip | \$ 25,000 | \$ - | \$ 25,000 | \$ - |
| 205 | Garfield Ave at Via Campo Ave Bus Turnout | 900,000 | - | 900,000 | - |
| 205 | Bus Stop Pads Improvement Project (Citywide) | 1,204,310 | - | 1,204,310 | - |
| 205 | Montebello Blvd ATP (Lincoln - Paramount) Bus Shelters/Pads and ADA | 250,000 | 59,975 | 190,025 | - |
| 280 | Transit Yard Relocation | 700,000 | - | 700,000 | - |
| 610 | Administrative Overhead | - | 300 * | (300) | - |
| 610 | Finance Overhead | - | 1,467 * | (1,467) | - |
| Total expenditures | | \$ 3,079,310 | \$ 61,742 | \$ 3,017,568 | \$ - |

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

See Independent Auditor's Report.

City of Montebello
Proposition A Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2021

| <u>Date Acquired</u> | <u>Description</u> | <u>Balance July 1, 2020</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance June 30, 2021</u> |
|--------------------------|--|-------------------------------------|------------------|-------------------|--------------------------------------|
| 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 | \$ - | \$ 543,297 | \$ 726,307 |

* The City conducted a physical inventory count of the City's capital assets during FY 2021. These assets were written off due to obsolescence.

See Independent Auditor's Report.

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

| | | June 30 | |
|---|-----------|-------------------|----------------------|
| | | 2021 | 2020 |
| ASSETS | | | |
| Cash and investments | \$ | 1,887,637 | \$ 2,643,983 |
| Restricted cash - Paving the Way Project (Note 8) | | 10,083,677 | 10,835,735 |
| Prepaid expenses | | 13,596 | - |
| Total assets | \$ | 11,984,910 | \$ 13,479,718 |
| LIABILITIES AND FUND BALANCE | | | |
| Liabilities | | | |
| Accounts payable | \$ | 44,528 | \$ 768,386 |
| Accrued expenses and other liabilities | | 105,422 | - |
| Total liabilities | | 149,950 | 768,386 |
| Fund balance | | | |
| Restricted - Paving the Way Project (Note 8) | | 10,083,677 | 10,835,735 |
| Restricted | | 1,751,283 | 1,875,597 |
| Total fund balance | | 11,834,960 | 12,711,332 |
| Total liabilities and fund balance | \$ | 11,984,910 | \$ 13,479,718 |

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 | |
|--|----------------------|----------------------|
| | 2021 | 2020 |
| Revenues | | |
| Proposition C | \$ 1,072,213 | \$ 1,033,259 |
| Investment income | 13,059 | 108,926 |
| Total revenues | 1,085,272 | 1,142,185 |
| Expenditures | | |
| Various projects | 1,967,246 | 2,855,066 |
| Total expenditures | 1,967,246 | 2,855,066 |
| Deficiency of revenues over expenditures | (881,974) | (1,712,881) |
| Other financing sources | | |
| Net proceeds from issuance of Paving the Way Project Bonds | - | 10,967,771 |
| Transfer from debt service fund | 5,602 | - |
| Total other financing sources | 5,602 | 10,967,771 |
| Change in fund balance | (876,372) | 9,254,890 |
| Fund balance at beginning of year | 12,711,332 | 3,456,442 |
| Fund balance at end of year | \$ 11,834,960 | \$ 12,711,332 |

See notes to Funds financial statements.

City of Montebello
Proposition C Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and Metro Approved Project Budget
Year ended June 30, 2021
(With Comparative Actuals for 2020)

| Project Code | Project Name | 2021 | | | 2020 Actual |
|--------------|---|---------------------|---------------------|------------------------------|---------------------|
| | | Metro Budget | Actual | Variance Positive (Negative) | |
| 175 | Inspect/Repair Transformer - Metrolink | \$ - | \$ 3,383 * | \$ (3,383) | \$ - |
| 180 | Gateway COG Participation | 30,000 | 26,100 | 3,900 | - |
| 205 | Bus Stop Pads Improvement Project (Citywide) | - | 2,389 * | (2,389) | 35,646 |
| 303 | Beverly Blvd Traffic Synchronization Project from Bradshawe St to Rea Dr | 25,000 | - | 25,000 | - |
| 620 | SGV COG Participation | 30,000 | 28,349 | 1,651 | 17,078 |
| 620 | Administrative Overhead | - | 18,400 * | (18,400) | - |
| 620 | Finance Overhead | - | 1,784 * | (1,784) | - |
| 705 | Beverly Boulevard and Wilcox Avenue - Concrete Intersection | - | - | - | 688,265 |
| 705 | Arterial Street Stripping | - | - | - | 4,823 |
| 705 | Arroyo Drive St Improvements - Astra to Rose Glen | 30,310 | - | 30,310 | 350 |
| 705 | Beverly Blvd Street Improvements (21st to Howard) | 1,370,779 | 329,959 | 1,040,820 | 832,801 |
| 705 | Montebello Blvd ATP (Lincoln to Paramount) | 1,058,456 | 794,743 | 263,713 | 967,371 |
| 725 | Self Evaluation Report and ADA Transition Plan | 250,000 | - | 250,000 | - |
| 725 | Concrete Program (ADA Access Ramps) | - | - | - | 41,050 |
| 740 | Various Intersection Improvements | 415,000 | 5,727 | 409,273 | 102,358 |
| 765 | Pavement Management System Update | 50,000 | - | 50,000 | - |
| 780 | Safety Analysis Report Program (SSARP) | 25,000 | - | 25,000 | - |
| | Total expenditures funded by PCLRF | <u>3,284,545</u> | <u>1,210,834</u> | <u>2,073,711</u> | <u>2,689,742</u> |
| 205 | Montebello Paving the Way (Debt Service Fee) | 707,388 | 707,388 | - | 165,324 |
| 490 | Sales Tax Revenue Bonds | - | 1,500 * | (1,500) | - |
| 715 | Paving the Way - Prop C | - | 47,524 * | (47,524) | - |
| | Total expenditures funded by bond proceeds | <u>707,388</u> | <u>756,412</u> | <u>(49,024)</u> | <u>165,324</u> |
| | Total expenditures | <u>\$ 3,991,933</u> | <u>\$ 1,967,246</u> | <u>\$ 2,024,687</u> | <u>\$ 2,855,066</u> |

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

See Independent Auditor's Report.

City of Montebello
Proposition C Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2021

| Date Acquired | Description | Balance July 1, 2020 | Additions | Deletions | Balance June 30, 2021 |
|------------------|--|----------------------------|-------------------|-------------|-----------------------------|
| 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 | 41,007 | - | - | 41,007 |
| 2015-16 | Mines Ave Street Improvement - Montebello to Greenwood | 289,990 | - | - | 289,990 |
| 2016-17 | Maple Ave Street Improvement - Mines Ave to Washington Blvd | 675,877 | - | - | 675,877 |
| 2017-18 | Beverly Blvd Street Improvements (21st to Howard) | 896,484 * | - | - | 896,484 |
| 2018-19 | Montebello Blvd ATP - Lincoln to Paramount | 1,404,019 * | 794,743 | - | 2,198,762 |
| 2018-19 | Via Campo and Wilcox Intersection | 110,126 * | - | - | 110,126 |
| 2020-21 | Arroyo Drive St Improvements - Astra to Rose Glen | - | 350 | - | 350 |
| | Total | \$ 12,984,966 | \$ 795,093 | \$ - | \$ 13,780,059 |

* The City conducted a physical inventory count of the City's capital assets during FY 2021. Acquisition of these assets were funded by the Local Return (LR) Funds; however, these were not included in the LR Fund's Schedule of Capital Assets reported in prior years.

See Independent Auditor's Report.

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

| | | June 30 | |
|---|-----------|------------------|---------------------|
| | | 2021 | 2020 |
| ASSETS | | | |
| Cash and investments | \$ | 1,771,948 | \$ 1,567,725 |
| Restricted cash - Paving the Way Project (Note 8) | | 1,946,119 | 6,548,513 |
| Total assets | \$ | 3,718,067 | \$ 8,116,238 |
| LIABILITIES AND FUND BALANCE | | | |
| Liabilities | | | |
| Accounts payable | \$ | - | \$ 459,221 |
| Accrued expenses and other liabilities | | 466 | - |
| Total liabilities | | 466 | 459,221 |
| Fund balance | | | |
| Restricted - Paving the Way Project (Note 8) | | 1,946,119 | 6,548,513 |
| Restricted | | 1,771,482 | 1,108,504 |
| Total fund balance | | 3,717,601 | 7,657,017 |
| Total liabilities and fund balance | \$ | 3,718,067 | \$ 8,116,238 |

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 | |
|--|---------------------|---------------------|
| | 2021 | 2020 |
| Revenues | | |
| Measure R | \$ 805,274 | \$ 773,835 |
| Investment income | 2,450 | 52,602 |
| Total revenues | 807,724 | 826,437 |
| Expenditures | | |
| Various projects | 4,752,740 | 2,440,470 |
| Total expenditures | 4,752,740 | 2,440,470 |
| Deficiency of revenues over expenditures | (3,945,016) | (1,614,033) |
| Other financing sources | | |
| Net proceeds from issuance of Paving the Way Project Bonds | - | 7,829,610 |
| Transfer from debt service fund | 5,600 | - |
| Total other financing sources | 5,600 | 7,829,610 |
| Change in fund balance | (3,939,416) | 6,215,577 |
| Fund balance at beginning of year | 7,657,017 | 1,441,440 |
| Fund balance at end of year | \$ 3,717,601 | \$ 7,657,017 |

See notes to Funds financial statements.

City of Montebello
Measure R Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and Metro Approved Project Budget
Year ended June 30, 2021
(With Comparative Actuals for 2020)

| Project Code | Project Name | 2021 | | | 2020 Actual |
|--------------|--|---------------------|---------------------|------------------------------|---------------------|
| | | Metro Budget | Actual | Variance Positive (Negative) | |
| 155 | Recreational Field Trips | \$ - | - | \$ - | \$ 18,840 |
| 180 | Gateway COG Participation | - | - | - | 14,036 |
| 380 | Traffic Engineering Studies | - | 4,610 * | (4,610) | 39,625 |
| 630 | San Gabriel Valley COG Participation | - | - | - | 28,966 |
| 630 | Administrative Overhead | - | 15,100 * | (15,100) | 26,000 |
| 630 | Finance Overhead | - | 2,275 * | (2,275) | - |
| 705 | Montebello Blvd ATP - Lincoln to Paramount | 158,424 | - | 158,424 | 117,111 |
| 705 | Mills Street (Kensington to Medford) | 36,800 | - | 36,800 | - |
| 705 | Holger Drive (Victoria to Forbes) | - | - | - | 284,044 |
| 705 | Jacmar Ave (3rd to Montebello Blvd) | 255,811 | - | 255,811 | - |
| 705 | Los Amigos Avenue (Weimar to Las Flores) | - | 976 * | (976) | 285,663 |
| 705 | Hay Street (Garfield to Sly City Limit) | - | 366 * | (366) | 106,701 |
| 705 | Beverly Terrace (Maple to Park) | - | 126 * | (126) | 109,673 |
| 705 | Beverly Blvd St Improvements (21st to Howard) | 200,000 | - | 200,000 | - |
| 705 | Arroyo Drive Street Improvements - Astra to Rose Glen | 146,045 | 124,443 | 21,602 | - |
| 705 | Street Maintenance (Pothole Repairs) | - | - | - | 35,441 |
| 715 | Allison street (West City Limit to Olympic) | 122,632 | - | 122,632 | - |
| 725 | Concrete Program (ADA Access Ramps) | - | - | - | 2,039 |
| 816 | Striping and Signage Maintenance | 100,000 | - | 100,000 | 67,570 |
| | Total expenditures funded by MRLRF | <u>1,019,712</u> | <u>147,896</u> | <u>871,816</u> | <u>1,135,709</u> |
| 490 | Sales Tax Revenue Bonds | - | 1,535 * | (1,535) | - |
| 705 | Montebello Paving the Way Street Improvement Bond (Debt Service Fee) | 1,056,070 | 527,250 | 528,820 | 131,513 |
| 715 | Montebello Paving the Way Street Improvement Bond | 2,606,569 | 4,076,059 | (1,469,490) | 1,173,248 |
| | Total expenditures funded by bond proceeds | <u>3,662,639</u> | <u>4,604,844</u> | <u>(942,205)</u> | <u>1,304,761</u> |
| | Total expenditures | <u>\$ 4,682,351</u> | <u>\$ 4,752,740</u> | <u>\$ (70,389)</u> | <u>\$ 2,440,470</u> |

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

See Independent Auditor's Report.

City of Montebello
Measure R Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2021

| Date Acquired | Description | Balance July 1, 2020 | Additions | Deletions | Balance June 30, 2021 |
|--------------------------|---|-------------------------------------|------------------|------------------|--------------------------------------|
| 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 | 121,974 | - | - | 121,974 |
| 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) | 14,656 | - | - | 14,656 |
| 2017-18 | Via Acosta St Improvements - (Beverly to Garfield) | 131,792 | - | - | 131,792 |
| 2017-18 | Via Nina St. Improvements -(Hay to Via Val Verde) | 131,792 | - | - | 131,792 |
| 2017-18 | Ellingbrook Ave St Improvement (Firvale to Easterly City Limits) | 271,038 | - | - | 271,038 |
| 2018-19 | Montebello Boulevard ATP - Lincoln to Beverly Terrace (Maple to Park) | 146,171 * | - | - | 146,171 |
| 2018-19 | Hay Street (Garfield to Sly City Limit) | 112,161 * | 126 | - | 112,287 |
| 2018-19 | Holger Drive (Victoria to Forbes) | 115,161 * | 366 | - | 115,527 |
| 2018-19 | Los Amigos Avenue (Weimar to Las Flores) | 304,038 * | - | - | 304,038 |
| 2018-19 | Pedestrian Safety Improvements on Garfield Ave. at Via San Delarr | 310,547 * | 976 | - | 311,523 |
| | | <u>20,929</u> | - | - | <u>20,929</u> |
| | Total | \$ 4,362,397 | \$ 1,468 | \$ - | \$ 4,363,865 |

* The City conducted a physical inventory count of the City's capital assets during FY 2021. Acquisition of these assets were funded by the Local Return (LR) Funds; however, these were not included in the LR Fund's Schedule of Capital Assets reported in prior years.

See notes to Funds financial statements.

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

| | | June 30 | |
|---|-----------|------------------|---------------------|
| | | 2021 | 2020 |
| ASSETS | | | |
| Cash and investments | \$ | 2,246,188 | \$ 1,519,161 |
| Restricted cash - Paving the Way Project (Note 8) | | 2,843,062 | 7,964,726 |
| Total assets | \$ | 5,089,250 | \$ 9,483,887 |
| LIABILITIES AND FUND BALANCE | | | |
| Liabilities | | | |
| Accounts payable | \$ | 159,093 | \$ 333,963 |
| | | 466 | - |
| Total liabilities | | 159,559 | 333,963 |
| Fund balance | | | |
| Restricted - Paving the Way Project (Note 8) | | 2,843,062 | 7,964,726 |
| Restricted | | 2,086,629 | 1,185,198 |
| Total fund balance | | 4,929,691 | 9,149,924 |
| Total liabilities and fund balance | \$ | 5,089,250 | \$ 9,483,887 |

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 | |
|--|----------------------------|---------------------|
| | 2021 | 2020 |
| Revenues | | |
| Measure M | \$ 912,405 | \$ 871,137 |
| Investment income | 3,589 | 48,456 |
| Total revenues | 915,994 | 919,593 |
| Expenditures | | |
| Various projects | 5,141,828 | 1,740,828 |
| Total expenditures | 5,141,828 | 1,740,828 |
| Deficiency of revenues over expenditures | (4,225,834) | (821,235) |
| Other financing sources | | |
| Net proceeds from issuance of Paving the Way Project Bonds | - | 9,126,570 |
| Transfer from debt service fund | 5,601 | - |
| Total other financing sources | 5,601 | 9,126,570 |
| Change in fund balance | (4,220,233) | 8,305,335 |
| Fund balance at beginning of year | 9,149,924 | 844,589 |
| Fund balance at end of year | \$ 4,929,691 | \$ 9,149,924 |

See notes to Funds financial statements.

City of Montebello
Measure M Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and Metro Approved Project Budget
Year ended June 30, 2021
(With Comparative Actuals for 2020)

| Project Code | Project Name | 2021 | | Variance Positive (Negative) | 2020 Actual |
|--------------|---|---------------------|---------------------|------------------------------|---------------------|
| | | Metro Budget | Actual | | |
| 640 | Administrative Costs | \$ 1,600 | \$ 1,300 | \$ 300 | \$ 1,231 |
| 640 | Finance Overhead | - | 1,573 * | (1,573) | - |
| 705 | Weimar Way (Avenida La Merced to Los Amigos) | - | 91 * | (91) | 104,278 |
| 705 | Madison Avenue (Taylor to 12th) | - | - | - | 65,132 |
| 705 | Beverly Terrace (Maple to Park) | - | 224 * | (224) | 39,300 |
| 705 | Holger Drive (Victoria to Forbes) | - | 91 * | (91) | 1,562 |
| 705 | Oakwood Avenue (Montebello to Spruce) | - | 470 * | (470) | 111,345 |
| 705 | Concourse Ave (Madison to Beverly Blvd) | 332,028 | 13,414 | 318,614 | 25,130 |
| 705 | Citywide Sidewalk and Potholes Repairs | - | - | - | 98,639 |
| 705 | Harding Street (21st to 18th) | 152,880 | - | 152,880 | - |
| 705 | Stripping and Signage Maintenance | - | - | - | 23,941 |
| 705 | Concrete Program (Sidewalk and ADA Ramps) | 62,715 | - | 62,715 | 80,726 |
| 715 | Allison Street (West City Limit to Olympic) | 128,132 | - | 128,132 | - |
| 740 | Various Intersection Improvements (HSIP Cycle 7) PC 851 | 85,000 | - | 85,000 | - |
| 910 | Economic Analysis of Impacts and Beneficial Opportunities Associated with the Metro Gold Line Washington Blvd Alignment | 75,000 | - | 75,000 | - |
| | Total expenditures funded by MMLRF | <u>837,355</u> | <u>17,163</u> | <u>820,192</u> | <u>551,284</u> |
| 490 | Sales Tax Revenue Bonds | - | 1,570 * | (1,570) | - |
| 705 | Montebello Paving the Way (Debt Service Fee) | 812,570 | 594,500 | 218,070 | 152,775 |
| 715 | Montebello Paving the Way | 3,059,711 | 4,528,595 | (1,468,884) | 1,036,769 |
| | Total expenditures funded by bond proceeds | <u>3,872,281</u> | <u>5,124,665</u> | <u>(1,252,384)</u> | <u>1,189,544</u> |
| | Total expenditures | <u>\$ 4,709,636</u> | <u>\$ 5,141,828</u> | <u>\$ (432,192)</u> | <u>\$ 1,740,828</u> |

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

See Independent Auditor's Report.

**City of Montebello
Measure M Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2021**

| <u>Date Acquired</u> | <u>Description</u> | <u>Balance July 1, 2020</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance June 30, 2021</u> |
|--------------------------|---|-------------------------------------|------------------|------------------|--------------------------------------|
| 2017-18 | Poplar Avenue Street Improvements - (Beverly to Victoria) | \$ 11,286 | \$ - | \$ - | \$ 11,286 |
| 2017-18 | Lincoln Ave Street Improvements - (Avenida La Merced to Rea Drive) | 16,554 | - | - | 16,554 |
| 2017-18 | 6th Street Improvements - (Madison to Cleveland) | 14,959 | - | - | 14,959 |
| 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 | <u>\$ 497,119</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 497,119</u> |

See Independent Auditor's Report.

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

| | | June 30 | |
|--------------------------------|--------------------------------------|-----------------|------------------|
| | | 2021 | 2020 |
| ASSETS | | | |
| Due from Metro | \$ | - | \$ 89,696 |
| | Total assets | \$ - | \$ 89,696 |
| LIABILITIES AND DEFICIT | | | |
| Liabilities | | | |
| Due to General Fund | \$ | 47,588 | \$ 80,968 |
| Due to Metro | | - | 8,728 |
| | Total liabilities | 47,588 | 89,696 |
| Deficit | | | |
| Restricted | | (47,588) | - |
| | Total deficit | (47,588) | - |
| | Total liabilities and deficit | \$ - | \$ 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 | |
|---|----|---------------------|-----------|
| | | 2021 | 2020 |
| Revenues | | | |
| Intergovernmental Allocations: | | | |
| Article 3 | \$ | - | \$ 89,696 |
| Total revenues | | - | 89,696 |
| Expenditures | | | |
| Construction/Maintenance | | | |
| | | 47,588 | 80,968 |
| Total expenditures | | 47,588 | 80,968 |
| Excess (deficiency) of revenues over expenditures | | (47,588) | 8,728 |
| Other financing uses | | | |
| Return of funds to Metro | | | |
| | | - | (8,728) |
| Total other financing uses | | - | (8,728) |
| Change in fund balance | | (47,588) | - |
| Fund balance at beginning of year | | - | - |
| Deficit at end of year | | \$ (47,588) | \$ - |

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, 2021

| Project Description | Program Year | Totals to Date | | Unexpended | Project Status |
|-----------------------------------|-----------------|----------------|--------------|-------------|-------------------|
| | | Allocations | Expenditures | Allocations | |
| Local Allocations: | | | | | |
| Annual Concrete Repairs | 2021 | \$ - | \$ 47,588 | (47,588) | Ongoing |
| | Totals | \$ - | \$ 47,588 | (47,588) | |
| Fund balance at beginning of year | | | | - | |
| Deficit at end of year | | | | \$ (47,588) | |

See Independent Auditor's Report.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

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

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

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

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

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

Basis of Accounting and Measurement Focus

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

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

Budgets and Budgetary Accounting

The budgeted amounts presented in this report for comparison to the actual amounts are based on budgets approved by Metro and are presented in accordance with accounting principles generally accepted in the United States of America.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, the City categorizes its fair value measurement within the fair value hierarchy that is based on the valuation inputs used to measure the fair value of the investment. Level 1 inputs are quoted prices in active markets for identical investments; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Accordingly, the City reports its investments at fair value and recognizes unrealized gain (loss) on investments.

Refer to the City's Annual Comprehensive Financial Report (ACFR) for detailed disclosures regarding the City's investments policy and fair value measurement disclosures.

Fund Balance Reporting

Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes the fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The PALRF, PCLRF, MRLRF, MMLRF and TDAA3F report the following fund balance classification as of June 30, 2021 and 2020:

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

Information regarding the fund balance reporting policy adopted by the City is described in the City of Montebello's ACFR.

NOTE 2 ANNUAL FINANCIAL STATEMENTS

The financial statements reflect only the financial position and results of operations of the PALRF, PCLRF, MRLRF, MMLRF and TDAA3F, and do not purport to, and do not present fairly the City's financial position as of June 30, 2021 and 2020, 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 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 ACFR for a full description of risks relating to cash and investments.

NOTE 8 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, Metro 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, 2021 and 2020 was \$7,680,000 and \$7,395,000, respectively.

NOTE 8 LIMITED PUBLIC FINANCING AUTHORITY SALES TAX REVENUE CERTIFICATES AND BONDS(CONTINUED)

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, 2021 and 2020 was \$6,560,000 and \$6,795,000, respectively.

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, 2021 and 2020 was \$9,875,000 and \$10,215,000, respectively.

The following is the capital reserve balance for the Bonds:

| | PCLRF Series 2019 C | MMLRF Series 2019 B | MMLRF Series 2019 A | Total |
|---|--------------------------------------|--------------------------------------|--------------------------------------|----------------------|
| Proceeds from issuance of Bonds | \$ 10,215,000 | \$ 6,795,000 | \$ 7,935,000 | \$ 24,945,000 |
| Premiums on issuance of Bonds | 925,672 | 1,174,920 | 1,343,631 | 3,444,223 |
| 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 | (165,324) | (131,513) | (152,775) | (449,612) |
| Ending balance as of June 30, 2020 | 10,835,735 | 6,548,513 | 7,964,726 | 25,348,974 |
| Add: | | | | |
| Investment income allocated during the year | 4,354 | 2,450 | 3,001 | 9,805 |
| Less: | | | | |
| Expenditures during the year | (49,024) | (4,077,594) | (4,530,165) | (8,656,783) |
| Debt service fee | (707,388) | (527,250) | (594,500) | (1,829,138) |
| Ending balance as of June 30, 2021 | <u>\$ 10,083,677</u> | <u>\$ 1,946,119</u> | <u>\$ 2,843,062</u> | <u>\$ 14,872,858</u> |

NOTE 9 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND REVENUE ALLOCATION

The revenue allocations spent for the years ended June 30, 2021 and 2020 consisted of the following:

| | 2021 | 2020 |
|-----------------------|-------------|------------------|
| FY 2018/19 allocation | \$ - | \$ 43,332 |
| FY 2019/20 allocation | - | 46,364 |
| | <u>\$ -</u> | <u>\$ 89,696</u> |

NOTE 10 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUNDS RESERVED

In accordance with TDA Article 3 (SB821) Guidelines, funds which will not be spent during the fiscal year have been placed on reserve in the Local Transportation Fund (LTF) account with the County Auditor-Controller to be drawn down whenever the funds become eligible for a specific project and an approved drawdown request is received by Metro. As of June 30, 2021 and 2020, the City has funds on reserve as follows:

| | | 2021 | | 2020 |
|-----------------------|----|---------------|----|-------|
| FY 2019/20 allocation | \$ | 8,728 | \$ | 8,728 |
| FY 2020/21 allocation | | 35,813 | | - |
| Total reserve | \$ | 44,541 | \$ | 8,728 |

For FY 2020/21, any TDA Article 3 funds left on reserve for FY 2016/17 or prior, are subject to lapse if not claimed by the City by June 30, 2021. There were no funds that lapsed in FY 2020/21.

NOTE 11 IMPACT OF CORONAVIRUS

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. 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, including the United States.

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. However, the City's management believes that the financial impact, if any, will not materially affect the June 30, 2021 funds financial statements.

NOTE 12 SUBSEQUENT EVENTS

The City has evaluated events subsequent to June 30, 2021 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through November 22, 2021, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

**Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

**To the Honorable Members of the City Council of the
City of 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, 2021, and the related notes to the financial statements, and have issued our report thereon dated November 22, 2021.

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 "Vaqueria & Company LLP". The signature is written in a cursive, flowing style.

**Glendale, California
November 22, 2021**

COMPLIANCE SECTION

Independent Auditor's Report 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 City of Montebello, California's (the City) compliance 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, 2021.

Management's Responsibility

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

Auditor's 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, 2021.



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 #2021-001 to #2021-005. 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Finding #2021-001 that we consider to be a significant deficiency.

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



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.

Vasquez & Company LLP

Glendale, California

November 22, 2021

**City of Montebello
Compliance Matrix
Year ended June 30, 2021**

| Compliance Requirements | In Compliance | | | Questioned Costs | If no, provide details and management response. |
|---|---------------|----|-----|------------------|---|
| | Yes | No | N/A | | |
| A. Proposition A and Proposition C Local Return Funds | | | | | |
| 1. Uses the State Controller's Uniform System of Accounts and Records or has established a separate Proposition A and Proposition C Local Transit Assistance Account for Local Return purposes. | X | | | | |
| 2. Revenues received including allocations, project generated revenues and interest income was properly credited to the Proposition A and/or Proposition C Local Return Account. | X | | | | |
| 3. Funds were expended with Metro's approval and were not substituted for property tax. | | X | | | See Finding #2021-001 |
| 4. Timely use of funds. | | X | | | See Finding #2021-002 |
| 5. Administrative expenses are within the 20% cap. | X | | | | |
| 6. Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent. | | | X | | |
| 7. Annual Project Update Report (Form B) or electronic equivalent was submitted on time. | X | | | | |
| 8. Annual Expenditure Report (Form C) or electronic equivalent was submitted on time. | X | | | | |
| 9. Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures. | | X | | | See Finding #2021-003 |
| 10. Local Return Account is credited for reimbursable expenditures. | X | | | | |
| 11. Where Proposition A funds were given, loaned or exchanged by one jurisdiction to another, the receiving jurisdiction has credited its Local Return Account with the funds received. | | | X | | |

See independent auditor's report on compliance.

**City of Montebello
Compliance Matrix
Year ended June 30, 2021**

| 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 | | | | | |
| 12. Self-Certification was completed and submitted for Intelligent Transportation Systems projects and elements. | | | X | | |
| 13. A separate account was established for Capital reserve funds, Capital reserve was approved by Metro and current status is reported in the Annual Project Update (Form B) or electronic equivalent. | | | X | | |
| 14. Recreational transit form was submitted on time. | | | X | | |
| 15. Fund exchanges (trades, loans, or gifts) were approved by Metro. | | | X | | |
| 16. Proposition C Local Return Funds were used to augment, not supplant existing local revenues being used for road improvement purposes. | X | | | | |
| 17. All on-going and carryover projects were reported on Form B or electronic equivalent. | X | | | | |
| 18. Cash or cash equivalents are maintained. | X | | | | |
| 19. Accounting procedures, record keeping, and documentation are adequate. | X | | | | |

See independent auditor's report on compliance.

**City of Montebello
Compliance Matrix
Year ended June 30, 2021**

| Compliance Requirements | In Compliance | | | Questioned Costs | If no, provide details and management response. |
|---|---------------|----|-----|------------------|---|
| | Yes | No | N/A | | |
| B. Measure R Local Return Fund | | | | | |
| 1. Funds were expended for transportation purposes. | X | | | | |
| 2. Separate Measure R Local Return Account was established. | X | | | | |
| 3. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account. | X | | | | |
| 4. Funds were expended with Metro's approval. | | X | | | See Finding #2021-004 |
| 5. Funds were not substituted for property tax and are in compliance with the Maintenance of Effort. | X | | | | |
| 6. Timely use of funds. | X | | | | |
| 7. Administrative expenses are within the 20% cap. | X | | | | |
| 8. Expenditure Plan (Form One or electronic equivalent) was submitted timely. | X | | | | |
| 9. Annual Expenditure Report (Form Two or electronic equivalent) was submitted timely. | X | | | | |
| 10. Where funds expended were reimbursable by other grants or fund sources, the reimbursement was credited to the Local Return Account upon receipt of the reimbursement. | | | X | | |
| 11. Where Measure R funds were given, loaned or exchanged by one jurisdiction to another, the receiving jurisdiction has credited its Local Return Account with the funds received. | | | X | | |
| 12. A separate account was established for Capital reserve funds and Capital reserve was approved by Metro. | | | X | | |
| 13. Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall. | X | | | | |

See independent auditor's report on compliance.

**City of Montebello
Compliance Matrix
Year ended June 30, 2021**

| Compliance Requirements | In Compliance | | | Questioned Costs | If no, provide details and management response. |
|--|---------------|----|-----|------------------|---|
| | Yes | No | N/A | | |
| B. Measure R Local Return Fund | | | | | |
| 14. Recreational transit form was submitted on time. | | | X | | |
| 15. Fund exchanges (trades, loans, or gifts) were approved by Metro. | | | X | | |
| 16. Accounting procedures, record keeping, and documentation are adequate. | X | | | | |

See independent auditor's report on compliance.

**City of Montebello
Compliance Matrix
Year ended June 30, 2021**

| Compliance Requirements | In Compliance | | | Questioned Costs | If no, provide details and management response. |
|---|---------------|----|-----|------------------|---|
| | Yes | No | N/A | | |
| C. Measure M Local Return Fund | | | | | |
| 1. Funds were expended for transportation purposes. | X | | | | |
| 2. Separate Measure M Local Return Account was established. | X | | | | |
| 3. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | X | | | | |
| 4. Funds were expended with Metro's approval. | | X | | | See Finding #2021-005 |
| 5. Funds were not substituted for property tax and are in compliance with the Maintenance of Effort. | X | | | | |
| 6. Timely use of funds. | X | | | | |
| 7. Administrative expenses are within the 20% cap. | X | | | | |
| 8. Expenditure Plan (Form M-One or electronic equivalent) was submitted timely. | X | | | | |
| 9. Expenditure Report (Form M-Two or electronic equivalent) was submitted timely. | X | | | | |
| 10. Where funds expended were reimbursable by other grants or fund sources, the reimbursement was credited to the Local Return Account upon receipt of the reimbursement. | | | X | | |
| 11. Where Measure M funds were given, loaned or exchanged by one jurisdiction to another, the receiving jurisdiction has credited its Local Return Account with the funds received. | | | X | | |
| 12. A separate account was established for Capital reserve funds and Capital reserve was approved by Metro. | | | X | | |
| 13. Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall. | X | | | | |

See independent auditor's report on compliance.

**City of Montebello
Compliance Matrix
Year ended June 30, 2021**

| Compliance Requirements | In Compliance | | | Questioned Costs | If no, provide details and management response. |
|--|---------------|----|-----|------------------|---|
| | Yes | No | N/A | | |
| C. Measure M Local Return Fund | | | | | |
| 14. Recreational transit form was submitted on time. | | | X | | |
| 15. Fund exchanges (trades, loans, or gifts) were approved by Metro. | | | X | | |
| 16. Accounting procedures, record keeping, and documentation are adequate. | X | | | | |

See independent auditor's report on compliance.

**City of Montebello
Compliance Matrix
Year ended June 30, 2021**

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

See Independent Auditor's Report on compliance.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Montebello
Schedule of Findings and Questioned Costs
Year ended June 30, 2021

PALRF and PCLRF: Finding #2021-001

| | |
|-----------------------------|---|
| 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 | <p>The City claimed expenditures under the following projects with no prior approval from Metro.</p> <ul style="list-style-type: none"> a. PALRF Project code 610, Administrative Overhead, totaling \$300; b. PALRF Project code 610, Finance Overhead, totaling \$1,467; c. PCLRF Project code 175, Inspect/Repair Transformer - Metrolink, totaling \$3,383; d. PCLRF Project code 205, Bus Stop Pads Improvement Project (Citywide), totaling \$2,389; e. PCLRF Project code 620, Administrative Overhead, totaling \$18,400; f. PCLRF Project code 620, Finance Overhead, totaling \$1,784; g. PCLRF Project code 490, Sales Tax Revenue Bonds, totaling \$1,500; and h. PCLRF Project code 715, Paving the Way - Prop C, totaling \$47,524. <p>Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from Metro.</p> <p>This is a repeat finding from prior year's audit of PCLRF.</p> |
| Cause | The City was unfamiliar with the new process due to staff turnover and a new system for reporting to Metro. |
| Effect | The City claimed expenditures totaling \$1,767 of Proposition A and \$74,980 of and Proposition C LR funds without prior approval by Metro. The City did not comply with the Guidelines. |

City of Montebello
Schedule of Findings and Questioned Costs
Year ended June 30, 2021

PALRF and PCLRF: Finding #2021-001 (Continued)

| | |
|---|--|
| Recommendation | We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Local Return-funded projects. |
| Management's Response | The City submitted a Budget Request to Metro Program Manager and obtained a retroactive approval of the said projects on September 20 and 23, 2021. |
| Findings Resolved During the Audit | Metro Program Manager granted a retroactive approval of the said projects on September 20 and 23, 2021. No additional follow up is required. |

City of Montebello
Schedule of Findings and Questioned Costs
Year ended June 30, 2021

PALRF: Finding #2021-002

| | |
|---|--|
| Compliance Reference | Section I(B) Timely Use of Funds of the Proposition A and C Local Return Guidelines states that, "Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds." |
| Condition | The City has unused Proposition A funds amounting to \$615,004 which lapsed as of June 30, 2021. |
| Cause | The City was unfamiliar with the new process due to staff turnover and a new system for reporting to Metro. |
| Effect | The City did not comply with the Proposition A and C Local Return Guidelines. |
| Recommendation | We recommend the City establish procedures and internal controls to ensure that Proposition A funds are used timely. |
| Management's Response | The City submitted a request to Metro Transportation Planning Manager to extend the use of the funds. |
| Findings Resolved During the Audit | On September 27, 2021, Metro Transportation Planning Manager granted a one-time, one-year extension for the use of the lapsed funds. |

City of Montebello
Schedule of Findings and Questioned Costs
Year ended June 30, 2021

PCLRF: Finding #2021-003

| | |
|-----------------------------|--|
| Compliance Reference | <p>Section II (C)(7) Pavement Management Systems (PMS) of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions are required to certify that they have conducted and maintain Pavement Management Systems (PMS) when proposing "Street Repair and Maintenance" or "Bikeway projects".</p> <p>"Self-certifications executed by the jurisdiction's Engineer or designated, registered civil engineer, must be submitted with Form A for new street maintenance or bikeway projects, or Form B (biannually) for ongoing projects, to satisfy "Street Repair and Maintenance" and "Bikeway" project eligibility criteria."</p> <p>"A Pavement Management System (PMS) Certification Form should be prepared and submitted to Metro with project codes 705, 710, 806, and 840."</p> |
| Condition | <p>The City did not submit a signed Pavement Management System (PMS) certification in FY 2020/21, which is required to be conducted and maintained every 3 years. The City's latest certification submitted to Metro on April 13, 2017 has a December 13, 2016 inventory update and review of pavement condition completion date which was already over three years as of June 30, 2021.</p> <p>A PMS Certification is required for the following PCLRF projects:</p> <ul style="list-style-type: none"> a) Project code 705, Beverly Blvd Street Improvements (21st to Howard); and b) Project code 705, Montebello Blvd ATP (Lincoln to Paramount). |
| Cause | <p>There was a turnover in permanent staff and a turnover on the consultants.</p> |
| Effect | <p>The City was not in compliance with respect to the certification of PMS in conformance with the criteria stipulated in the Local Return Guidelines. As such, any local return funds spent on the projects maybe required to be returned to the Local Return Funds.</p> |

City of Montebello
Schedule of Findings and Questioned Costs
Year ended June 30, 2021

PCLRF: Finding #2021-003 (Continued)

| | |
|---|---|
| Recommendation | We recommend that the City submit to Metro and keep on file an updated PMS certification for eligibility of its new or ongoing street maintenance or bikeway projects. |
| Management's Response | The City is currently in the process of preparing a new PMS certification to be submitted in FY 2022. The City also requested from Metro Program Manager to extend the City's submittal date. |
| Findings Resolved During the Audit | On November 9, 2021, Metro Transportation Planning Manager granted an extension for the submittal of the PMS certification by January 3, 2022 as requested. |

City of Montebello
Schedule of Findings and Questioned Costs
Year ended June 30, 2021

MRLRF: Finding #2021-004

| | |
|-----------------------------|--|
| Compliance Reference | <p>Section B (II) Expenditure Plan (Form One) of Measure R Local Return Program Guidelines state that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to Metro 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, Metro 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 the following MRLRF projects with no prior approval from Metro:</p> <ul style="list-style-type: none"> a. Project code 380, Traffic Engineering Studies, totaling \$4,610; b. Project code 490, Sales Tax Revenue Bonds, totaling \$1,535; c. Project code 630, Administrative Overhead, totaling \$15,100; d. Project code 630, Finance Overhead, totaling \$2,275; e. Project code 705, Los Amigos Avenue (Welmar to Las Flores, totaling \$976; f. Project code 705, Hay Street (Garfield to Sly City Limit), totaling \$366; and g. Project code 705, Beverly Terrace (Maple to Park), totaling \$126. <p>Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from Metro.</p> |
| Cause | <p>The City was unfamiliar with the new process due to staff turnover and a new system for reporting to Metro.</p> |
| Effect | <p>The City claimed expenditures totaling \$24,988 without prior approval from Metro. Lack of prior approval results in noncompliance.</p> |

City of Montebello
Schedule of Findings and Questioned Costs
Year ended June 30, 2021

MRLRF: Finding #2021-004 (Continued)

| | |
|---|---|
| Recommendation | We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Measure R-funded projects. |
| Management's Response | The City submitted a Budget Request to Metro Program Manager and obtained a retroactive approval of the said projects on September 20 and 23, 2021. |
| Findings Resolved During the Audit | Metro Program Manager granted a retroactive approval of the said projects on September 20 and 23, 2021. No additional follow up is required. |

City of Montebello
Schedule of Findings and Questioned Costs
Year ended June 30, 2021

MMLRF: Finding #2021-005

| | |
|------------------------------------|---|
| <p>Compliance Reference</p> | <p>Section XXV Administrative, Expenditure Plan (Form M-One) of the Measure M Local Return Program Guidelines state that, “To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (Form M-One), annually, by August 1st of each year”.</p> <p>“Expenditure Plan (Form M-One) provides a listing of projects funded with Measure M LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. Part II is to be filled out for capital projects (projects over \$250,000). Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan”.</p> |
| <p>Condition</p> | <p>The City claimed expenditures for the following MMLRF projects with no prior approval from Metro:</p> <ul style="list-style-type: none"> a. Project code 490, Sales Tax Revenue Bonds, totaling \$1,570; b. Project Code 640, Finance Overhead, totaling \$1,573; c. Project Code 705, Weimar Way (Avenida La Merced to Los Amigos), totaling \$91; d. Project Code 705, Beverly Terrace (Maple to Park), totaling \$224; e. Project Code 705, Holger Drive (Victoria to Forbes), totaling \$91; and f. Project Code 705, Oakwood Avenue (Montebello to Spruce), totaling \$470. <p>Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from Metro.</p> |
| <p>Cause</p> | <p>The City was unfamiliar with the new process due to staff turnover and a new system for reporting to Metro.</p> |
| <p>Effect</p> | <p>The City claimed expenditures totaling \$4,019 without prior approval from Metro. Lack of prior approval results in noncompliance.</p> |

City of Montebello
Schedule of Findings and Questioned Costs
Year ended June 30, 2021

MMLRF: Finding #2021-005 (Continued)

| | |
|---|---|
| Recommendation | We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Measure M-funded projects. |
| Management's Response | The City submitted a Budget Request to Metro Program Manager and obtained a retroactive approval of the said projects on September 20 and 23, 2021. |
| Findings Resolved During the Audit | Metro Program Manager granted a retroactive approval of the said projects on September 20 and 23, 2021. No additional follow up is required. |

EXIT CONFERENCE

An exit conference was held on September 23, 2021 with the City of Montebello representatives. Those in attendance were:

Vasquez and Company LLP representatives:
Marialyn Labastilla – Senior Manager
Francis Roque – Audit Supervisor
Erica Ong – Audit Senior

City of Montebello representatives:
Laurence Gong – Accounting Manager
Van Dao – Accountant
Sarby Singh – 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
Laurence Gong – Accounting Manager
Sarby Singh – Accountant



www.vasquezcpa.com

Vasquez & Company LLP has over 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.