



MetroTM

**City of South El Monte
Annual Financial Report of its**

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

**As of and for the Years Ended June 30, 2017 and 2016
with Report of Independent Auditors**

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FINANCIAL SECTION

Report of Independent Auditors

To the Honorable Members of the City Council of the City of South El Monte, California and the Los Angeles County Metropolitan Transportation Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds), of the City of South El Monte, California (the City) which comprise the Funds' balance sheets as of June 30, 2017 and 2016, and the related statements of revenues, expenditures and changes in fund balances for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund and the Transportation Development Act Article 3 Fund of the City of South El Monte, California, as of June 30, 2017 and 2016, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund and the Transportation Development Act Article 3 Fund of the City and do not purport to, and do not present fairly the financial position of the City as of June 30, 2017 and 2016, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2017 on our consideration of the City's internal control over the Funds' financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over the Funds' financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over the Funds' financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over the Funds' financial reporting and compliance.

Los Angeles, California
December 21, 2017

**City of South El Monte
Proposition A Local Return Fund
Balance Sheets**

		June 30	
		2017	2016
ASSETS			
Cash and investments		\$ 499,005	\$ 393,960
	Total assets	\$ 499,005	\$ 393,960
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable		\$ 11,106	\$ 2,206
Taxes payable		-	1,680
Accrued payroll and employee benefits		7,075	7,637
	Total liabilities	18,181	11,523
Fund balance			
Restricted		480,824	382,437
	Total fund balance	480,824	382,437
	Total liabilities and fund balance	\$ 499,005	\$ 393,960

See notes to Funds financial statements.

City of South El Monte
Proposition A Local Return Fund
Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2017	2016
Revenues		
Proposition A	\$ 380,293	\$ 368,694
Interest income	1,587	808
Cash fares	6,094	7,091
Other reimbursement	-	3,584
Total revenues	387,974	380,177
 Expenditures		
Various projects	289,587	255,238
Total expenditures	289,587	255,238
 Excess of revenues over expenditures	98,387	124,939
 Fund balance at beginning of year	382,437	257,498
 Fund balance at end of year	\$ 480,824	\$ 382,437

See notes to Funds financial statements.

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

Project Code	Project Name	2017		Variance Positive (Negative)	2016 Actual
		LACMTA Budget	Actual		
120-01	Paratransit	\$ 271,797	\$ 186,614	\$ 85,183	\$ 206,601
130-02	Special Events	10,000	2,519	7,481	11,568
170-01	Bus Shelter Maintenance	40,000	38,593	1,407	14,748
200-02	Vehicle Purchase	45,000	43,338	1,662	-
480-04	Administration	42,080	18,523	23,557	22,321
Total expenditures		\$ 408,877	\$ 289,587	\$ 119,290	\$ 255,238

See report of independent auditors.

City of South El Monte
Proposition A Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year Ended June 30, 2017

Date Acquired	Description	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
10/24/1991	2 Bus Shelters	\$ 10,036	\$ -	\$ -	\$ 10,036
11/27/1991	2 Bus Shelters	10,036	-	-	10,036
02/13/1992	91 Champion Bus-30 PAX	86,933	-	-	86,933
06/26/2003	2004 El Dorado Activan	40,685	-	-	40,685
10/25/2006	Pressure Washer with Trailer	6,473	-	-	6,473
04/29/2008	Pressure Washer	5,000	-	-	5,000
06/03/2008	Bus Shelters	84,366	-	-	84,366
09/01/2008	Bus Shelters	71,833	-	-	71,833
11/04/2014	Dodge Grand Caravan	45,260	-	-	45,260
11/30/2016	Dodge Caravan	-	43,338	-	43,338
Total		\$ 360,622	\$ 43,338	\$ -	\$ 403,960

See report of independent auditors.

**City of South El Monte
Proposition C Local Return Fund
Balance Sheets**

		June 30	
		2017	2016
ASSETS			
Cash and investments	\$	81,025	\$ 1,239,772
Total assets	\$	81,025	\$ 1,239,772
LIABILITIES AND FUND BALANCE			
Liabilities			
Account payable	\$	3,309	\$ -
Accrued payroll and employee benefits		1,617	610
Taxes payable		-	38
Total liabilities		4,926	648
Fund balance			
Capital reserve - Durfee Street Improvements Project		-	931,523
Restricted - Other		76,099	307,601
Total fund balance		76,099	1,239,124
Total liabilities and fund balance	\$	81,025	\$ 1,239,772

See notes to Funds financial statements.

City of South El Monte
Proposition C Local Return Fund
Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2017	2016
Revenues		
Proposition C	\$ 316,894	\$ 307,431
Interest income	4,425	3,153
Other reimbursement	-	897
Total revenues	321,319	311,481
Expenditures		
Various projects	1,493,646	224,362
Total expenditures	1,493,646	224,362
Excess (deficiency) of revenues over expenditures	(1,172,327)	87,119
Other financing source		
Transfer from General Fund	9,302	-
Total other financing source	9,302	-
Excess (deficiency) of revenues over expenditures and other financing source	(1,163,025)	87,119
Fund balance at beginning of year	1,239,124	1,152,005
Fund balance at end of year	\$ 76,099	\$ 1,239,124

See notes to Funds financial statements.

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

Project Code	Project Name	2017		Variance Positive (Negative)	2016 Actual
		LACMTA Budget	Actual		
170-02	Bus Stop Shelter	\$ -	\$ -	\$ -	\$ 12,463
300-01	Senior Center Paratransit Improvements	-	-	-	161,791
400-01	Fawcett/Merced-Santa Anita Signal Upgrade	-	-	-	19,479
450-01	Durfee Median Improvement and Striping	1,544,200	1,474,961	69,239	9,602
480-02	Administration	45,330	18,685	26,645	21,027
Total expenditures		\$ 1,589,530	\$ 1,493,646	\$ 95,884	\$ 224,362

See report of independent auditors.

City of South El Monte
Proposition C Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year Ended June 30, 2017

Date Acquired	Description	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
05/27/1993	1993 Wagon	\$ 11,381	\$ -	\$ -	\$ 11,381
12/09/1993	Maco Bubble Top	3,150	-	-	3,150
12/09/1993	94 Aerotech 16 Passenger Van	38,204	-	-	38,204
12/09/1993	94 Aerotech 21 Passenger Van	41,744	-	-	41,744
02/04/1995	Diagnostic Computer	24,754	-	-	24,754
12/17/1997	Ricon Activan	39,919	-	-	39,919
06/30/2005	Garvey Avenue Pedestrian Safety Signal	45,620	-	-	45,620
06/30/2005	Michael Hunt to Merced Construction	95,259	-	-	95,259
06/30/2005	Garvey Reconstruction	531,299	-	-	531,299
06/03/2006	Durfee Street Improvement	455,245	-	-	455,245
10/31/2006	Santa Anita Avenue Phase I	376,843	-	-	376,843
10/27/2009	Peck/Durfee Project	749,529	-	-	749,529
Total		\$ 2,412,947	\$ -	\$ -	\$ 2,412,947

See report of independent auditors.

**City of South El Monte
Measure R Local Return Fund
Balance Sheets**

		June 30	
		2017	2016
ASSETS			
Cash and investments	\$	514,691	\$ 415,644
Due from other governments		-	170,000
Total assets	\$	514,691	\$ 585,644
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	6,000	\$ 16,000
Total liabilities		6,000	16,000
Deferred inflow of resources			
Unavailable revenues		-	170,000
Total deferred inflows of resources		-	170,000
Fund balance			
Restricted		508,691	399,644
Total fund balance		508,691	399,644
Total liabilities, deferred inflows of resources and fund balance	\$	514,691	\$ 585,644

See notes to Funds financial statements.

City of South El Monte
Measure R Local Return Fund
Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2017	2016
Revenues		
Measure R	\$ 236,639	\$ 229,505
Interest income	1,752	970
Other reimbursements	94,000	72,000
Total revenues	332,391	302,475
 Expenditures		
Various projects	227,359	220,900
Total expenditures	227,359	220,900
 Excess of revenues over expenditures	105,032	81,575
 Other financing source		
Transfer from General Fund	4,015	-
Total other financing source	4,015	-
 Excess of revenues over expenditures and other financing source	109,047	81,575
 Fund balance at beginning of year	399,644	318,069
 Fund balance at end of year	\$ 508,691	\$ 399,644

See notes to Funds financial statements.

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

Project Code	Project Name	2017			2016 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
2.16	Rush and Peck Protected Left Turn Phases	\$ 50,200	\$ 1,308	\$ 48,892	\$ 1,742
2.16	Santa Anita & Klingerman Protected Left Turn Phase	23,170	-	23,170	-
2.16	Santa Anita & Rush Protected Left Turn Phases	23,430	-	23,430	-
2.16	Santa Anita & Central Protected Left Turn Phases	13,100	-	13,100	-
2.16	Durfee Median Improvement and Striping	52,000	52,000	-	-
2.16	Miramonte Sidewalk & ADA Ramp Project	10,000	10,001	(1)	-
4.90	SR-60 Coalition Work	225,000	164,050	60,950	215,940
5.30	Civic Center & Interjurisdictional Bikeway	99,000	-	99,000	-
7.10	San Gabriel Valley Council of Governments	3,300	-	3,300	3,218
8.10	Fund Administration	5,000	-	5,000	-
Total expenditures		\$ 504,200	\$ 227,359	\$ 276,841	\$ 220,900

See report of independent auditors.

City of South El Monte
Measure R Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year Ended June 30, 2017

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See report of independent auditors.

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

		June 30	
		2017	2016
ASSETS			
Accounts receivable	\$	55	\$ -
	Total assets	\$ 55	\$ -
LIABILITIES AND FUND BALANCE			
Liabilities			
Cash overdraft	\$	55	\$ -
	Total liabilities	55	-
Fund balance			
Restricted		-	-
	Total fund balance	-	-
	Total liabilities	\$ 55	\$ -

See notes to Funds financial statements.

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

	Years ended June 30	
	2017	2016
Revenues		
Intergovernmental Allocations:		
Article 3	\$ 30,000	\$ -
Total revenues	30,000	-
Expenditures		
Construction/Maintenance	30,000	-
Total expenditures	30,000	-
Excess of revenues over expenditures	-	-
Fund balance at beginning of year	-	-
Fund balance at end of year	\$ -	\$ -

See notes to Funds financial statements.

City of South El Monte
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, 2017

Project Description	Program <u>Year</u>	Totals to Date		Unexpended	Project <u>Status</u>
		Allocations	Expenditures	Allocations	
Local Allocations:					
Miramonte Sidewalk and ADA Ramp Project	2017	\$ <u>30,000</u>	\$ <u>30,000</u>	\$ -	Ongoing
	Totals	\$ <u><u>30,000</u></u>	\$ <u><u>30,000</u></u>	-	
Fund balance at beginning of year				-	
Fund balance at end of year				\$ <u><u>-</u></u>	

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) and the Transportation Development Act Article 3 Fund (TDAA3F) (collectively, the Funds) are accounted for in separate sets of self-balancing accounts that comprise their assets, liabilities, fund balance, revenues and expenditures.

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

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

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

Basis of Accounting and Measurement Focus

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

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

Budgets and Budgetary Accounting

The budgeted amounts presented in this report for comparison to the actual amounts are presented in accordance with accounting principles generally accepted in the United States of America.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement

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

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

Fund Balance Reporting

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

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

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

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

Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the City recognizes deferred outflows and deferred inflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period.

Deferred inflows of resources reported by the City represent resources that are not available for spending as of June 30, 2017 and 2016.

NOTE 2 ANNUAL FINANCIAL STATEMENTS

The financial statements reflect only the financial position and results of operations of the PALRF, PCLRF, MRLRF and TDAA3F, and do not purport to, and do not present fairly the City's financial position as of June 30, 2017 and 2016, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

NOTE 3 PROPOSITION A AND PROPOSITION C LOCAL RETURN COMPLIANCE REQUIREMENTS

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

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

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

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

NOTE 4 MEASURE R LOCAL RETURN COMPLIANCE REQUIREMENTS

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

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

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

NOTE 5 TRANSPORTATION DEVELOPMENT ACT COMPLIANCE REQUIREMENTS

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

NOTE 6 CASH AND INVESTMENTS

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

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

NOTE 7 OTHER REIMBURSEMENT – PALRF and PCLRF

Other reimbursements represent the money that the City received from California JPIA Insurance Company for damage that had been incurred on the Bus Stop Shelter Lighting. Total reimbursements received under PALRF and PCLRF amounted to \$3,584 and \$897, respectively, during the year ended June 30, 2016.

There were no reimbursements received during the year ended June 30, 2017.

NOTE 8 CAPITAL RESERVE ACCOUNTS – PCLRF

Durfee Street Improvements Project

On March 1, 2015, LACMTA and the City entered into a capital reserve agreement (CRA.PCLRSOEL15) to establish a capital reserve account (Account) of \$830,000 for the Durfee Street Improvements Project.

The Account is funded with the Proposition C Local Return funds allocated to the City. All interest accrued is accrued in the Account for use exclusively for the said project. If the project is not completed by June 30, 2017, any unexpended funds shall lapse and be returned to LACMTA.

For the years ended June 30, 2017 and 2016, following is the capital reserve amount for the project:

Capital reserve balance at June 30, 2015	\$	668,850
Additional capital reserve during the year		270,000
Investment income allocated during the year		2,275
Expenditures during the year		(9,602)
Capital reserve balance at June 30, 2016		931,523
Investment income allocated during the year		3,134
Expenditures during the year		(934,657)
Capital reserve balance at June 30, 2017	\$	-

NOTE 9 DUE FROM OTHER GOVERNMENTS – MRLRF

The City entered into a reimbursement agreement with the cities of El Monte, Industry, Montebello, Monterey Park and Rosemead (“Cities”) to support the selection of Alternative 1 for the second phase of the Metro Gold Line Eastside Extension. Each of the Cities is to reimburse the City one-fifth of the fees and costs incurred by the City pursuant to the professional services agreement dated December 13, 2009. See Note 10.

The City records the receivable when expenditures are incurred and the portion of the expenditures to be reimbursed are billed to the Cities.

At June 30, 2017 and 2016, the Due from other governments under MRLRF consists of reimbursements to be received from the following Cities:

		<u>2017</u>		<u>2016</u>
City of El Monte	\$	-	\$	158,000
City of Monterey Park		-		12,000
Total	\$	<u>-</u>	\$	<u>170,000</u>

NOTE 10 PROFESSIONAL AND REIMBURSEMENT AGREEMENT – MRLRF

The Los Angeles County Metropolitan Transit Authority (“LACMTA”) designed and constructed, in phases, a light rail project known as the Metro Gold Line. The LACMTA is currently evaluating potential alternatives for the second phase of the Metro Gold Line Eastside Extension. One of the alternative routes LACMTA is considering is “Alternative 1” aligned with State Highway 60.

In May 2009, the City entered into a professional services agreement with Mike Roos & Company (“Mike Roos”), under which Mike Roos will perform all services necessary to accomplish the City’s goal of LACMTA’s selection of Alternative 1. The term of the agreement was from May 13, 2009 to December 31, 2012. The agreement was amended on June 9, 2015 to extend the term to May 28, 2016. The agreement was further amended to extend the term to December 31, 2016. The City was contractually obligated to pay Mike Roos \$10,000 per month for fiscal year 2015-2016 and 2016-2017 on an as needed basis to compensate Mike Roos for all the services and normal and ordinary expenses incurred with such services.

Also, the City has entered into a reimbursement agreement with the Cities of Monterey Park, El Monte, Industry, Rosemead, and Montebello (“Cities”) to support the selection of Alternative I. Each of the Cities shall reimburse the City one-fifth of the fees and costs incurred by the City pursuant to the professional services agreement dated May 5, 2009, as described in the previous paragraph.

**NOTE 10 PROFESSIONAL AND REIMBURSEMENT AGREEMENT – MRLRF
(CONTINUED)**

Reimbursements recorded during the years ended June 30, 2017 and 2016 are as follows:

		2017		2016
City of El Monte	\$	52,000	\$	-
City of Industry		14,000		24,000
City of Montebello		14,000		24,000
City of Rosemead		14,000		24,000
Total	\$	94,000	\$	72,000

**NOTE 11 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND REVENUE
ALLOCATION**

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

		2017		2016
FY 2013/14 allocation	\$	2,890	\$	-
FY 2014/15 allocation		13,418		-
FY 2015/16 allocation		13,028		-
FY 2016/17 allocation		664		-
	\$	30,000	\$	-

NOTE 12 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUNDS RESERVED

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

		2017		2016
FY 2013/14 reserve	\$	-	\$	2,890
FY 2014/15 reserve		-		13,418
FY 2015/16 reserve		-		13,028
FY 2016/17 allocation		13,158		-
	\$	13,158	\$	29,336

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

NOTE 13 SUBSEQUENT EVENTS

The City has evaluated subsequent events through December 31, 2017, the date the financial statements were available to be issued, and concluded no events have occurred that require disclosure or adjustments to the financial statements.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of South El Monte, California (the City) as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated December 21, 2017.

Internal Control over Financial Reporting

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

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

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



Compliance and Other Matters

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

Purpose of this Report

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

Los Angeles, California
December 21, 2017

COMPLIANCE SECTION

Report of Independent Auditors on Compliance

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

Report on Compliance

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

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on the City's compliance 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, 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 South El Monte, California complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2017.



Other Matters

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

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

Report on Internal Control over Compliance

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

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

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

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

A handwritten signature in black ink that reads "Vaguez & Company LLP".

**Los Angeles, California
December 21, 2017**

**City of South El Monte
Compliance Matrix
Year Ended June 30, 2017**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
A. Proposition A and Proposition C Local Return Funds					
1. Uses the State Controller's Uniform System of Accounts and Records.	X				
2. Timely use of funds.	X				
3. Funds expended were approved and have not been substituted for property tax.	X				
4. Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A)	X				
5. Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	X				
6. All on-going and carryover projects were reported in Form B.	X				
7. Annual Project Summary Report (Form B) was submitted on time.		X			See Finding #2017-001
8. Annual Expenditure Report (Form C) was submitted on time.	X				
9. Cash or cash equivalents are maintained.	X				
10. Accounting procedures, record keeping and documentation are adequate.	X				
11. Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	X				
12. Local Return Account is credited for reimbursable expenditures.	X				
13. Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.			X		
14. Assurances and Understandings form was on file.	X				
15. Recreational Transit Form was submitted on time.	X				

See report of independent auditors on compliance.

**City of South El Monte
Compliance Matrix
Year Ended June 30, 2017**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
B. Measure R Local Return Fund					
1. Funds were expended for transportation purposes.	X				
2. Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	X				
3. Signed Assurances and Understandings on file.	X				
4. Separate Measure R Local Return Account was established.	X				
5. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X				
6. Funds were expended with LACMTA's approval.	X				
7. Expenditure Plan (Form One) was submitted on time.		X			See Finding #2017-002
8. Expenditure Report (Form Two) was submitted on time.	X				
9. Timely use of funds.	X				
10. Administrative expenses are within the 20% cap.	X				
11. Fund exchanges were approved by LACMTA.			X		
12. A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.			X		
13. Recreational transit form was submitted on time.			X		
C. Transportation Development Act Article 3 Fund					
1. Timely use of funds.	X				
2. Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.	X				

See report of independent auditors on compliance.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**City of South El Monte
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017**

PALRF & PCLRF: Finding #2017-001

Compliance Reference	Section I(C) of the Proposition A and C Local Return (LR) Guidelines states that, "Jurisdictions shall submit on or before August 1 of each fiscal year an Annual Project Update (Form B) to provide current information on all approved on-going and carryover LR Projects".
Condition	The City submitted its Annual Project Update (Form B) on August 25, 2016, 24 days beyond the due date set under the Guidelines.
Cause	Assigned staff who normally takes care of Proposition A, Proposition C and Measure R Local Return Funds' reporting was out on medical leave during the period the forms were due.
Effect	The City's Annual Project Update (Form B) was not submitted timely. The City was not in compliance with the Local Return Guidelines.
Recommendation	We recommend for the City to establish procedures to ensure that all reporting deadlines are met.
Management's Response	Finance Department has updated our calendar of deadlines so these tasks will get completed on a timely basis. The forms for FY 2017/18 have already been submitted prior to the deadline.

**City of South El Monte
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017**

MRLRF: Finding #2017-002

Compliance Reference	Section B (II) (I) of the Measure R Local Return Program Guidelines states that, "To maintain eligibility and meet Measure R LR program compliance requirements, jurisdictions shall submit to LACMTA an Expenditure Plan (Form One) annually by August 1 st of each year".
Condition	The City submitted its Expenditure Plan (Form One) on August 25, 2016, 24 days beyond the due date set under the Guidelines.
Cause	Assigned staff who normally takes care of Proposition A, Proposition C and Measure R Local Return Funds' reporting was out on medical leave during the period the forms were due.
Effect	The City's Expenditure Plan (Form One) was not submitted timely. The City was not in compliance with the Local Return Guidelines.
Recommendation	We recommend for the City to establish procedures to ensure that all reporting deadlines are met.
Management's Response	Finance Department has updated our calendar of deadlines so these tasks will get completed on a timely basis. The forms for FY 2017/18 have already been submitted prior to the deadline.

EXIT CONFERENCE

An exit conference was held on December 21, 2017 with the City of South El Monte representative. Those in attendance were:

Vasquez and Company LLP representative:
Marialyn Salvador – Audit Senior Manager

City of South El Monte representative:
Angela Chiaromonte – Accounting Manager

Matters discussed:

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

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

Angela Chiaromonte – Accounting Manager
Irma S. Peniche – Grants Coordinator



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