



MetroTM

**City of Bell
Annual Financial Report of its**

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

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

and

Measure M Local Return Fund

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

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FINANCIAL SECTION

Report of Independent Auditors

**To the Honorable Members of the City Council of the
City of Bell, 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 Bell, California (the City) which comprise the Funds' balance sheets as of June 30, 2018 and 2017, and the related statements of revenues, expenditures and changes in fund balances for the years then ended, and the accompanying financial statements of the City's Measure M Local Return Fund (the Fund) which comprise the Fund's balance sheet as of June 30, 2018, and the related statement of revenues, expenditures and changes in fund balance for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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



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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund and the Transportation Development Act Article 3 Fund as of June 30, 2018 and 2017 and the Measure M Local Return Fund as of June 30, 2018, of the City of Bell, 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 Bell, California, and do not purport to, and do not present fairly the financial position of the City as of June 30, 2018 and 2017, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Supplementary Information

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

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



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2018 on our consideration of the City's internal control over the Funds' financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over the Funds' financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over the Funds' financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over the Funds' financial reporting and compliance.

Vasquez & Company LLP

**Glendale, California
December 6, 2018**

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

		June 30	
		2018	2017
ASSETS			
Cash and investments	\$	456,799	\$ 240,885
Accounts receivable		1,290	4,779
Interest receivable		701	299
Total assets	\$	458,790	\$ 245,963
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	89,430	\$ 48,973
Accrued payroll and employee benefits		1,167	643
Total liabilities		90,597	49,616
Fund balance			
Restricted		368,193	196,347
Total fund balance		368,193	196,347
Total liabilities and fund balance	\$	458,790	\$ 245,963

See notes to Funds financial statements.

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

	Years ended June 30	
	2018	2017
Revenues		
Proposition A	\$ 684,873	\$ 659,368
Interest income	1,364	627
Bus pass sales	29,337	30,704
Total revenues	715,574	690,699
 Expenditures		
Various projects	543,728	583,069
Total expenditures	543,728	583,069
 Excess of revenues over expenditures	 171,846	 107,630
 Fund balance at beginning of year	 196,347	 88,717
 Fund balance at end of year	 \$ 368,193	 \$ 196,347

See notes to Funds financial statements.

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

Project Code	Project Name	2018			2017 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
120-01	Dial-A-Ride	\$ 396,270	\$ 284,281	\$ 111,989	\$ 305,437
140-04	Recreational Transit	19,000	14,947	4,053	16,826
170-02	Bus Shelter Maintenance	88,091	94,695	(6,604)	85,415
250-03	Bus Pass Subsidy Program	110,000	65,720	44,280	85,485
480-03	Administration	83,100	84,085	(985)	89,906
500-12	Internally Illuminated Signs	2,250	-	2,250	-
Total expenditures		\$ 698,711	\$ 543,728	\$ 154,983	\$ 583,069

See report of independent auditors.

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

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
3/31/2004	Imaginistics Copier	\$ 10,534	\$ -	\$ -	\$ 10,534
6/29/2010	1 2010 Braun Entervan Bus	30,000	-	-	30,000
6/29/2010	2 2010 Goshen Buses	60,000	-	-	60,000
12/01/2014	Class E-27 Ford-550 El Dorado	87,103	-	-	87,103
12/01/2014	Decals for Ford-550 El Dorado	8,041	-	-	8,041
Total		\$ 195,678	\$ -	\$ -	\$ 195,678

See report of independent auditors.

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

		June 30	
		2018	2017
ASSETS			
Cash and investments	\$	2,238,956	\$ 1,886,471
Interest receivable		3,620	2,140
Total assets	\$	2,242,576	\$ 1,888,611
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	101,201	\$ 18,074
Retention payable		7,223	-
Accrued payroll and employee benefits		218	-
Due to other funds		616	616
Total liabilities		109,258	18,690
Fund balance			
Restricted - Capital reserve		229,103	400,000
Restricted		1,904,215	1,469,921
Total fund balance		2,133,318	1,869,921
Total liabilities and fund balance	\$	2,242,576	\$ 1,888,611

See notes to Funds financial statements.

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

	Years ended June 30	
	2018	2017
Revenues		
Proposition C	\$ 565,342	\$ 549,642
Interest income	7,506	5,452
Other Income	61	-
Total revenues	572,909	555,094
 Expenditures		
Various projects	309,512	294,521
Total expenditures	309,512	294,521
 Excess of revenues over expenditures	 263,397	 260,573
 Fund balance at beginning of year	 1,869,921	 1,609,348
 Fund balance at end of year	 \$ 2,133,318	 \$ 1,869,921

See notes to Funds financial statements.

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

Project Code	Project Name	2018		Variance Positive (Negative)	2017 Actual
		LACMTA Budget	Actual		
270-03	Local Return Arterial and Transit Component of Major Corridor Study	\$ -	\$ -	\$ -	27,229
270-05	Gage Design Study	5,000	4,592	408	-
380-03	Street Intersection, Striping and Landscaped Median Improvements along Atlantic Ave	400,000	-	400,000	-
440-04	Gage and Walker Improvement	-	-	-	99,863
440-06	Pavement Rehabilitation Project (2015/16)	-	-	-	96,019
440-07	Florence Avenue Overlay	-	-	-	71,410
440-08	Eastern Ave Improvement	202,114	2,272	199,842	-
440-09	Walker and Florence Intersection	2,000	617	1,383	-
440-10	Atlantic Ave Street Improvements	175,000	172,040	2,960	-
440-11	Pavement Rehabilitation Project	130,000	106,196	23,804	-
460-01	Traffic Signal Equipment Upgrades	830,000	-	830,000	-
470-01	Pavement Management System Update	12,000	11,715	285	-
480-03	Administration	48,392	12,080	36,312	-
480-04	Maintenance and Operations	86,400	-	86,400	-
500-09	Administrations - Traffic Control and Street Closure for Event	20,000	-	20,000	-
Total expenditures		\$ 1,910,906	\$ 309,512	\$ 1,601,394	\$ 294,521

See report of independent auditors.

City of Bell
Proposition C Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2018

Date Acquired	Description	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
6/30/2002	Eastern Avenue Overlay	\$ 229,629	\$ -	\$ -	\$ 229,629
6/30/2002	Florence/Otis	37,022	-	-	37,022
6/30/2002	Eastern/ Bandini Cabinet	50,442	-	-	50,442
6/30/2002	Florence/Otis Signal	17,805	-	-	17,805
6/30/2002	Florence/Walker Signal	36,057	-	-	36,057
6/30/2002	Gage/Orchard Signal	17,550	-	-	17,550
6/30/2002	LED Signal - Citywide	93,198	-	-	93,198
6/30/2003	Florence Atlantic AC Overlay	225,222	-	-	225,222
6/30/2003	Atlantic/Bell/Brompton Signals	52,280	-	-	52,280
6/30/2004	Atlantic at Gage Signal Bus Shelter	81,748	-	-	81,748
6/30/2004	Bus Shelter - Installation and Rehabilitation	47,444	-	-	47,444
6/30/2004	Florence/Walker Signal	173,532	-	-	173,532
6/30/2005	Flora at Florence Signal	23,339	-	-	23,339
6/30/2005	Gage at Orchard Signal	20,205	-	-	20,205
6/30/2006	Florence at Vinevale Signal	91,558	-	-	91,558
6/30/2006	Florence at Wilcox Signal	153,687	-	-	153,687
6/30/2008	Atlantic Avenue at Bell Brompton Signal	23,134	-	-	23,134
6/30/2008	Atlantic Avenue at Bell Plaza Signal	38,238	-	-	38,238
6/30/2008	Atlantic Avenue at Shopping Center Signal	50,720	-	-	50,720
6/30/2008	Wilcox at Acacia Signal	135,771	-	-	135,771
6/30/2009	Slauson at 710 Freeway	20,934	-	-	20,934
6/30/2009	Florence at Otis Traffic Signal	98,205	-	-	98,205
6/30/2014	Florence Avenue-Atlantic-Wilcox	369,787	-	-	369,787
5/21/2015	Pavement Rehabilitation Project (2014/15)	405,176	-	-	405,176
6/17/2016	Florence Ave Overlay West of Atlantic	111,552	-	-	111,552
6/30/2016	Florence Ave Overlay West of Atlantic	488	-	-	488
6/30/2016	Florence Ave Overlay West of Atlantic	3,018	-	-	3,018
11/03/2015	Gage/Walker-Concrete Pavement	1,050	-	-	1,050
12/02/2015	Gage/Walker-Concrete Pavement	459	-	-	459
12/10/2015	Gage/Walker-Concrete Pavement	3,530	-	-	3,530
1/07/2016	Gage/Walker-Concrete Pavement	7,040	-	-	7,040
1/27/2016	Gage/Walker-Concrete Pavement	5,018	-	-	5,018
3/17/2016	Gage/Walker-Concrete Pavement	451	-	-	451
4/04/2016	Gage/Walker-Concrete Pavement	4,088	-	-	4,088
4/06/2016	Gage/Walker-Concrete Pavement	7,934	-	-	7,934
4/08/2016	Gage/Walker-Concrete Pavement	22,425	-	-	22,425
5/05/2016	Gage/Walker-Concrete Pavement	474	-	-	474
5/06/2016	Gage/Walker-Concrete Pavement	3,474	-	-	3,474
6/03/2016	Gage/Walker-Concrete Pavement	5,300	-	-	5,300
6/30/2016	Gage/Walker-Concrete Pavement	10,920	-	-	10,920
6/30/2016	Pavement Rehabilitation - Phase IV	253,886	-	-	253,886
6/30/2017	Pavement Rehabilitation - Phase IV	96,019	-	-	96,019
	Total	\$ 3,029,809	\$ -	\$ -	\$ 3,029,809

See report of independent auditors.

City of Bell
Measure R Local Return Fund
Balance Sheets

		June 30	
		2018	2017
ASSETS			
Cash and investments	\$	685,851	\$ 616,968
Interest receivable		1,079	701
Total assets	\$	686,930	\$ 617,669
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	47,407	\$ 65,377
Retention payable		17,600	
Accrued payroll and employee benefits		218	-
Total liabilities		65,225	65,377
Fund balance			
Restricted		621,705	552,292
Total fund balance		621,705	552,292
Total liabilities and fund balance	\$	686,930	\$ 617,669

See notes to Funds financial statements.

City of Bell
Measure R Local Return Fund

Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2018	2017
Revenues		
Measure R	\$ 425,489	\$ 410,296
Interest income	1,973	1,648
Total revenues	427,462	411,944
Expenditures		
Various projects	358,049	178,379
Total expenditures	358,049	178,379
Excess of revenues over expenditures	69,413	233,565
Fund balance at beginning of year	552,292	318,727
Fund balance at end of year	\$ 621,705	\$ 552,292

See notes to Funds financial statements.

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

Project Code	Project Name	2018		Variance Positive (Negative)	2017 Actual
		LACMTA Budget	Actual		
1.05	Pavement Rehabilitation Project 2017/18	\$ 45,875	\$ 45,880	\$ (5)	-
1.05	Pavement Rehabilitation Project 2016/17	114,410	259,227	(144,817)	142,099
1.05	Pavement Management System Update	12,850	2,084	10,766	-
1.05	Slurry Seal	-	-	-	31,880
1.05	Street Name Signs	150,000	10,024	139,976	-
3.05	Sidewalk Assessment and Repair Project	100,000	30,229	69,771	-
8.10	Fund Administration (20% cap)	-	10,605 *	(10,605)	4,400
	Total expenditures	\$ 423,135	\$ 358,049	\$ 65,086	\$ 178,379

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

See report of independent auditors.

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

<u>Date</u> <u>Acquired</u>	<u>Description</u>	<u>Balance</u> <u>July 1,</u> <u>2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30,</u> <u>2018</u>
5/21/2015	Pavement Rehabilitation Project	\$ 563,167	\$ -	\$ -	\$ 563,167
8/30/2015	Pavement Rehabilitation Project	500,000	-	-	500,000
	Total	\$ 1,063,167	\$ -	\$ -	\$ 1,063,167

See report of independent auditors.

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

ASSETS

Cash and investments	\$	380,407
Interest receivable		554
		380,961
Total assets	\$	380,961

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$	169
Accrued payroll and employee benefits		219
		388
Total liabilities		388

Fund balance

Restricted		380,573
		380,573
Total fund balance		380,573
Total liabilities and fund balance	\$	380,961

See notes to Funds financial statements.

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

Revenues	
Measure M	\$ 385,590
Interest income	296
Total revenues	<u>385,886</u>
 Expenditures	
Various projects	<u>5,313</u>
Total expenditures	<u>5,313</u>
Excess of revenues over expenditures	380,573
Fund balance at beginning of year	<u>-</u>
Fund balance at end of year	<u>\$ 380,573</u>

See notes to Funds financial statements.

City of Bell
Measure M Local Return Fund
Supplementary Information

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

Project Code	Project Name	LACMTA Budget	Actual	Variance Positive (Negative)
1.05	Street/Curb Pavement Markings/Striping Project	\$ 2,632	\$ 2,623	\$ 9
8.10	Fund Administration	-	2,690 *	(2,690)
Total expenditures		<u>\$ 2,632</u>	<u>\$ 5,313</u>	<u>\$ (2,681)</u>

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

See report of independent auditors.

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

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See report of independent auditors.

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

		June 30	
		2018	2017
ASSETS			
Cash and investment	\$	-	\$ 13,464
Due from LACMTA		47,000	28,420
Total assets	\$	47,000	\$ 41,884
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	4,179	\$ 2,494
Retention payable		1,444	131
Due to other funds		24,283	15,918
Total liabilities		29,906	18,543
Fund balance			
Restricted		17,094	23,341
Total fund balance		17,094	23,341
Total liabilities and fund balance	\$	47,000	\$ 41,884

See notes to Funds financial statements.

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

	Years ended June 30	
	2018	2017
Revenues		
Intergovernmental Allocations:		
Article 3	\$ 47,000	\$ 28,420
Interest income	8	2
Other grants	-	13,464
Total revenues	47,008	41,886
Expenditures		
Construction/Maintenance	53,255	18,545
Total expenditures	53,255	18,545
Excess (deficiency) of revenues over expenditures	(6,247)	23,341
Fund balance at beginning of year	23,341	-
Fund balance at end of year	\$ 17,094	\$ 23,341

See notes to Funds financial statements.

City of Bell
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, 2018

Project Description	<u>Program Year</u>	Totals to Date		<u>Unexpended Allocations</u>	<u>Project Status</u>
		<u>Allocations</u>	<u>Expenditures</u>		
Local Allocations:					
Florence Avenue Pedestrian Improvement	2018	\$ 26,000	\$ 25,000	\$ 1,000	Completed
Street Rehabilitation Project - Pedestrian Improvements (Sidewalk and Curb Ramps)	2018	21,000	21,239	(239)	Completed
Countdown Pedestrian Heads Installation	2018	-	7,016	(7,016)	Completed
Totals		\$ 47,000	\$ 53,255	(6,255)	
Interest income				8	
Fund balance at beginning of year				23,341	
Fund balance at end of year				\$ 17,094	*

* The remaining fund balance of \$17,094 was encumbered as of June 30, 2018.

See report of independent auditors.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

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

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

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

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

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

Basis of Accounting and Measurement Focus

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

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

Budgets and Budgetary Accounting

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement

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

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

Fund Balance Reporting

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

The PALRF, PCLRF, MRLRF, MMLRF and TDAA3F report the following fund balance classification as of June 30, 2018 and 2017:

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

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

NOTE 2 ANNUAL FINANCIAL STATEMENTS

The financial statements reflect only the financial position and results of operations of the PALRF, PCLRF, MRLRF, MMLRF and TDAA3F, and do not purport to, and do not, present fairly the City's financial position as of June 30, 2018 and 2017, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

NOTE 3 PROPOSITION A AND PROPOSITION C LOCAL RETURN COMPLIANCE REQUIREMENTS

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

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

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

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

NOTE 4 MEASURE R LOCAL RETURN COMPLIANCE REQUIREMENTS

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

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

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

NOTE 5 MEASURE M LOCAL RETURN COMPLIANCE REQUIREMENTS

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

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

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

NOTE 6 TRANSPORTATION DEVELOPMENT ACT COMPLIANCE REQUIREMENTS

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

NOTE 7 CASH AND INVESTMENTS

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

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

NOTE 8 CAPITAL RESERVE AGREEMENT – PCLRF

On June 30, 2016, LACMTA and the City entered into a capital reserve agreement to establish a capital reserve account (Account) of \$400,000 for the Street Intersection, Striping and Landscaped Median Improvements along Atlantic Avenue Project.

The account is funded with the Proposition C Local Return funds allocated to the City. All interest is accrued in the Account for use exclusively for the said project. If the project is not completed by June 30, 2021, any unexpended funds shall lapse and be returned to LACMTA.

For the years ended June 30, 2018 and 2017, following is the capital reserve amount for MRLRF:

Capital reserve balance at June 30, 2016	\$	-
Set-up of capital reserve account		400,000
Capital reserve balance at June 30, 2017		400,000
Investment income allocated during the year		1,143
Expenditures during the year		(172,040)
Capital reserve balance at June 30, 2018	\$	229,103

NOTE 9 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND REVENUE ALLOCATION

The revenue allocations for the years ended June 30, 2018 and 2017 consisted of the following:

		<u>2018</u>		<u>2017</u>
FY 2012/13 allocation	\$	-	\$	26,803
FY 2013/14 allocation		27,386		1,617
FY 2014/15 allocation		19,614		-
	\$	<u>47,000</u>	\$	<u>28,420</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 LACMTA. As of June 30, 2018 and 2017, the City has funds on reserve as follows:

		<u>2018</u>		<u>2017</u>
FY 2013/14 reserve	\$	-	\$	27,386
FY 2014/15 reserve		4,011		23,625
FY 2015/16 reserve		22,931		22,931
FY 2016/17 reserve		23,952		23,952
FY 2017/18 allocation		23,920		-
	\$	<u>74,814</u>	\$	<u>97,894</u>

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

NOTE 11 SUBSEQUENT EVENTS

The City has evaluated subsequent events through December 6, 2018, the date the financial statements were available to be issued and concluded no events have occurred that require disclosure or adjustments to the financial statements.

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

**To the Honorable Members of the City Council of the
City of Bell, 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 Bell, California (the City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated December 6, 2018.

Internal Control over Financial Reporting

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

Purpose of this Report

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

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

**Glendale, California
December 6, 2018**

COMPLIANCE SECTION

Report of Independent Auditors on Compliance

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

Report on Compliance

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion

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



Other Matters

The results of our auditing procedures disclosed instances of noncompliance with the requirements, which are described in the accompanying Schedule of Findings and Questioned Costs as Findings #2018-001 through #2018-004. 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 were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Findings #2018-002 and #2018-003, that we consider to be significant deficiencies.

The City's responses to the internal control over compliance 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.

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.

**Glendale, California
December 6, 2018**

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

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			See Finding #2018-001
3. Funds expended were approved and have not been substituted for property tax.	X				
4. Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A)	X				
5. Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	X				
6. All on-going and carryover projects were reported in Form B.	X				
7. Annual Project Summary Report (Form B) was submitted timely.	X				
8. Annual Expenditure Report (Form C) was submitted timely.	X				
9. Cash or cash equivalents are maintained.	X				
10. Accounting procedures, record keeping and documentation are adequate.	X				
11. Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	X				
12. Local Return Account is credited for reimbursable expenditures.	X				
13. Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.			X		
14. Assurances and Understandings form was on file.	X				
15. Recreational Transit Form was submitted timely.	X				

See report of independent auditors on compliance.

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

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
B. Measure R Local Return Fund					
1. Funds were expended for transportation purposes.	X				
2. Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	X				
3. Signed Assurances and Understandings on file.	X				
4. Separate Measure R Local Return Account was established.	X				
5. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X				
6. Funds were expended with LACMTA's approval.		X			See Finding #2018-002
7. Expenditure Plan (Form One) was submitted timely.		X			See Finding #2018-003
8. Expenditure Report (Form Two) was submitted timely.	X				
9. Timely use of funds.	X				
10. Administrative expenses are within the 20% cap.	X				
11. Fund exchanges were approved by LACMTA.	X				
12. A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.			X		
13. Recreational transit form was submitted timely.	X				

See report of independent auditors on compliance.

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

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
C. Measure M Local Return Fund					
1. Funds were expended for transportation purposes.	X				
2. Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a fund shortfall.	X				
3. Signed Assurances and Understandings on file.	X				
4. Separate Measure M Local Return Account was established.	X				
5. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	X				
6. Funds were expended with LACMTA's approval.		X			See Finding 2018-004
7. Expenditure Plan (Form M-One) was submitted timely.	X				
8. Expenditure Report (Form M-Two) was submitted timely.	X				
9. Timely use of funds.	X				
10. Administrative expenses are within the 20% cap.	X				
11. Fund exchanges were approved by LACMTA.			X		
12. A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.			X		
13. Recreational transit form was submitted timely.			X		

See report of independent auditors on compliance.

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

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 report of independent auditors on compliance.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

PCLRF: Finding #2018-001

Compliance Reference	Under the Proposition A and Proposition C Local Return Guidelines, Section IV (E), Jurisdictions have three years to expend LR funds. Funds must be expended within 3 years of the last day of the fiscal year in which funds were originally allocated.
Condition	The City has \$21,270 of Proposition C funds from FY 2015 allocation that have lapsed as of June 30, 2018. LACMTA granted the City a one-year extension through June 30, 2019 to use the funds.
Cause	The condition was due to oversight by the City's staff.
Effect	The City has lapsed funds which is required to be returned to LACMTA for reallocation to jurisdictions for discretionary programs of countywide significance.
Recommendation	We recommend for the City to establish procedures and controls to monitor the funding allocation and ensure timely use of the funds.
Management's Response	The City has established procedures to monitor projects, including a quarterly meeting with engineers to ensure timely use of funds.
Finding Corrected During the Audit	On October 4, 2018, LACMTA granted the City a one-year extension through June 30, 2019 to use the funds.

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

MRLRF: Finding #2018-002

Compliance Reference	<p>Section B (II) of Measure R Local Return Program Guideline states that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1st of each year.</p> <p>Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.</p>
Condition	<p>The City claimed expenditures for the MRLRF project code 8.10, Fund Administration, totaling \$10,605, with no prior approval from LACMTA.</p> <p>The City submitted a revised Expenditure Plan (Form One) to the LACMTA Program Manager and obtained a retroactive approval of the said project on October 4, 2018.</p> <p>This is a repeat finding from prior year.</p>
Cause	<p>The City concurs with the finding that a revised Expenditure Plan (Form One) should have been submitted for the project that will be funded with Measure R. The finding was caused by an oversight by City staff.</p>
Effect	<p>The City claimed expenditures totaling \$10,605 without prior approval from LACMTA. Lack of prior approval results in non-compliance which could impact future funding or result in questioned costs that require funding to be returned to LACMTA.</p>
Recommendation	<p>We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on Measure R-funded projects.</p>
Management's Response	<p>The City will correct procedures to ensure timely approval of project budgets.</p>
Finding Corrected During the Audit	<p>LACMTA Program Manager granted retroactive approval of the said projects on October 4, 2018. No additional follow up is required.</p>

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

MRLRF: Finding #2018-003

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 April 30, 2018 which is 272 days beyond the due date set under the Guidelines. This is a repeat finding from prior year.
Cause	The key employee responsible for the LACMTA funds resigned from his employment with the City of Bell.
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	Due to staff shortage, the annual filing of Form One was not done on a timely manner. The City recently hired a staff to handle all grant funds. A procedure has been in place to review projects and to ensure timely submission of forms/reports.
Finding Corrected During the Audit	The City subsequently submitted the form. No follow up is required.

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

MMLRF: Finding #2018-004

Compliance Reference	<p>Measure M Local Return Program Guideline states that, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form M-One), annually, by August 1st of each year.</p> <p>Expenditure Plan (Form M-One) provides a listing of projects funded with Measure M LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. Part II is to be filled out for capital projects (projects over \$250,000). LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.</p>
Condition	<p>The City claimed expenditures for MMLRF project code 8.10, Fund Administration, totaling \$2,690, with no prior approval from LACMTA:</p> <p>The City submitted a revised Expenditure Plan (Form M-One) to the LACMTA Program Manager and obtained a retroactive approval of the said project on October 3, 2018.</p>
Cause	<p>The City concurs with the finding that a revised Expenditure Plan (Form M-One) should have been submitted for the project that will be funded with Measure M. The finding was caused by an oversight by City staff.</p>
Effect	<p>The City claimed expenditures totaling \$2,690 without prior approval from LACMTA. Lack of prior approval results in non-compliance which could impact future funding or result in questioned costs that require funding to be returned to LACMTA.</p>
Recommendation	<p>We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on Measure M-funded projects.</p>
Management's Response	<p>The City will correct procedures to ensure timely approval of project budgets.</p>
Finding Corrected During the Audit	<p>LACMTA Program Manager granted retroactive approval of the said project on October 3, 2018. No additional follow up is required.</p>

EXIT CONFERENCE

An exit conference was held on December 6, 2018 with the City of Bell representatives. Those in attendance were:

Vasquez and Company LLP representatives:
Cristy Canieda – Audit Partner
Marialyn Salvador – Audit Senior Manager

City of Bell representatives:
Tineke Norrdin – Finance Director
Elisa Gratil – Finance 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 Bell representatives for comments prior to the issuance of the final report:

Tineke Norrdin – Finance Director
Elisa Gratil – Finance Manager



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