



Metro[™]

**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, 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 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, 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 Bell, 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 20, 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.

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

Los Angeles, California
December 20, 2017

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

		June 30	
		2017	2016
ASSETS			
Cash and investments	\$	240,885	\$ 164,837
Accounts receivable		4,779	215
Interest receivable		299	21
Total assets	\$	245,963	\$ 165,073
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	48,973	\$ 75,934
Accrued payroll and employee benefits		643	422
Total liabilities		49,616	76,356
Fund balance			
Restricted		196,347	88,717
Total fund balance (deficit)		196,347	88,717
Total liabilities and fund balance (deficit)	\$	245,963	\$ 165,073

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	
	2017	2016
Revenues		
Proposition A	\$ 659,368	\$ 649,304
Interest income	627	49
Bus pass sales	30,704	35,134
Total revenues	690,699	684,487
 Expenditures		
Various projects	583,069	429,824
Total expenditures	583,069	429,824
 Excess of revenues over expenditures	107,630	254,663
 Other financing source		
Transfers in from other funds	-	4,545
Total other financing sources	-	4,545
 Excess of revenues over expenditures and other financing source	107,630	259,208
 Fund balance (deficit) at beginning of year, as restated	88,717	(170,491)
 Fund balance at end of year	\$ 196,347	\$ 88,717

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, 2017
(With Comparative Actuals for 2016)

Project Code	Project Name	2017			2016 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
120-01	Dial-A-Ride	\$ 382,400	\$ 305,437	\$ 76,963	\$ 201,606
140-04	Recreational Transit	18,000	16,826	1,174	12,391
170-02	Bus Shelter Maintenance	87,500	85,415	2,085	84,324
250-03	Bus Pass Subsidy Program	110,000	85,485	24,515	84,306
480-03	Administration	48,990	89,906	(40,916) *	47,197
Total expenditures		\$ 646,890	\$ 583,069	\$ 63,821	\$ 429,824

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

See report of independent auditors.

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

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
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 \$		<u>195,678</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 195,678</u>

See report of independent auditors.

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

		June 30	
		2017	2016
ASSETS			
Cash and investments	\$	1,886,471	\$ 1,935,058
Interest receivable		2,140	1,485
Total assets	\$	1,888,611	\$ 1,936,543
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	18,074	\$ 327,195
Due to other funds		616	-
Total liabilities		18,690	327,195
Fund balance			
Restricted		1,869,921	1,609,348
Total fund balance		1,869,921	1,609,348
Total liabilities and fund balance	\$	1,888,611	\$ 1,936,543

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	
	2017	2016
Revenues		
Proposition C	\$ 549,642	\$ 540,993
Interest income	5,452	4,900
Total revenues	555,094	545,893
 Expenditures		
Various projects	294,521	651,874
Total expenditures	294,521	651,874
Excess (deficiency) of revenues over expenditures	260,573	(105,981)
Fund balance at beginning of year	1,609,348	1,715,329
Fund balance at end of year	\$ 1,869,921	\$ 1,609,348

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, 2017
(With Comparative Actuals for 2016)

Project Code	Project Name	2017			2016 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
120-01	Dial-A-Ride	\$ -	\$ -	\$ -	150,000
270-03	Local Return Arterial and Transit Component of Major Corridor Study	75,000	27,229	47,771	50,855
380-03	Street Intersection, Striping and Landscaped Median Improvements Along Atlantic Ave	400,000	-	400,000	-
440-04	Gage and Walker Improvement	200,000	99,863	100,137	73,067
440-06	Pavement Rehabilitation Project (2015/16)	100,000	96,019	3,981	253,886
440-07	Florence Avenue Overlay	100,000	71,410	28,590	124,066
Total expenditures		\$ 875,000	\$ 294,521	\$ 580,479	\$ 651,874

See report of independent auditors.

City of Bell
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
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	\$ 2,933,790	\$ 96,019	\$ -	\$ 3,029,809

See report of independent auditors.

City of Bell
Measure R Local Return Fund
Balance Sheets

		June 30	
		2017	2016
ASSETS			
Cash and investments	\$	616,968	\$ 818,175
Interest receivable		701	552
Total assets	\$	617,669	\$ 818,727
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	65,377	\$ 500,000
Total liabilities		65,377	500,000
Fund balance			
Restricted		552,292	318,727
Total fund balance		552,292	318,727
Total liabilities and fund balance	\$	617,669	\$ 818,727

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	
	2017	2016
Revenues		
Measure R	\$ 410,296	\$ 404,179
Interest Income	1,648	1,652
Total revenues	411,944	405,831
 Expenditures		
Various projects	178,379	554,997
Total expenditures	178,379	554,997
 Excess (deficiency) of revenues over expenditures	 233,565	 (149,166)
 Fund balance at beginning of year	 318,727	467,893
 Fund balance at end of year	 \$ 552,292	\$ 318,727

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, 2017
(With Comparative Actuals for 2016)

Project Code	Project Name	2017			2016 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
1.05	Pavement Rehabilitation Project 2016/17	\$ 370,000	\$ 142,099	\$ 227,901	\$ -
1.05	Pavement Rehabilitation Project 2015/16	200,000	-	200,000	500,000
1.05	Slurry Seal	-	31,880	(31,880) *	-
5.05	Bus Stop Stations	-	-	-	53,702
8.10	Fund Administration (20% cap)	-	4,400	(4,400) *	1,295
	Total expenditures	\$ 570,000	\$ 178,379	\$ 391,621	\$ 554,997

* 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, 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>
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
Transportation Development Act Article 3 Fund
Pursuant to Public Utilities Code Section 99234
Balance Sheets

		June 30	
		2017	2016
ASSETS			
Cash and investment	\$	13,464	\$ -
Due from LACMTA		28,420	8,200
Total assets	\$	41,884	\$ 8,200
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	2,494	\$ 8,200
Retention payable		131	-
Due to other funds		15,918	-
Total liabilities		18,543	8,200
Fund balance			
Restricted		23,341	-
Total fund balance		23,341	-
Total liabilities and fund balance	\$	41,884	\$ 8,200

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	
	2017	2016
Revenues		
Intergovernmental Allocations:		
Article 3	\$ 28,420	\$ 8,200
Interest income	2	-
Other grants	13,464	-
Total revenues	41,886	8,200
Expenditures		
Construction/Maintenance	18,545	8,200
Total expenditures	18,545	8,200
Excess of revenues over expenditures	23,341	-
Fund balance at beginning of year	-	-
Fund balance at end of year	\$ 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, 2017

Project Description	Program Year	Totals to Date			Project Status
		Allocations	Expenditures	Unexpended Allocations	
Local Allocations:					
Countdown Pedestrian Heads Installation	2017	\$ 2,420	\$ 15,920	\$ (13,500)	Ongoing
Street Rehabilitation Project - Pedestrian Improvements (Sidewalk and Curb Ramps)	2017	26,000	2,625	23,375	Ongoing
Totals		<u>\$ 28,420</u>	<u>\$ 18,545</u>	9,875	
Interest income				2	
Other grants				13,464	
Fund balance at beginning of year				-	
Fund balance at end of year				<u>\$ 23,341</u> *	

* The remaining fund balance of \$23,341 was encumbered as of June 30, 2017.

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.

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 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 2011/12 allocation	\$	-	\$	7,339
FY 2012/13 allocation		26,803		861
FY 2013/14 allocation		1,617		-
	\$	28,420	\$	8,200

NOTE 8 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 2012/13 reserve	\$	-	\$	26,803
FY 2013/14 reserve		27,386		29,003
FY 2014/15 reserve		23,625		23,625
FY 2015/16 reserve		22,931		22,931
FY 2016/17 allocation		23,952		-
	\$	97,894	\$	102,362

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 9 SUBSEQUENT EVENTS

The City has evaluated subsequent events through December 20, 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 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 and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Bell, 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 20, 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 20, 2017**

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, 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 Bell, 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 through #2017-004. 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. 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 20, 2017**

**City of Bell
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			See Finding #2017-001
5. Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	X				
6. All on-going and carryover projects were reported in Form B.	X				
7. Annual Project Summary Report (Form B) was submitted on time.	X				
8. Annual Expenditure Report (Form C) was submitted on time.	X				
9. Cash or cash equivalents are maintained.	X				
10. Accounting procedures, record keeping and documentation are adequate.	X				
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 Finding #2017-002

See report of independent auditors on compliance.

**City of Bell
Compliance Matrix
Year ended June 30, 2017**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
B. Measure R Local Return Fund					
1. Funds were expended for transportation purposes.	X				
2. Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	X				
3. Signed Assurances and Understandings on file.	X				
4. Separate Measure R Local Return Account was established.	X				
5. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X				
6. Funds were expended with LACMTA's approval.		X			See Finding #2017-003
7. Expenditure Plan (Form One) was submitted on time.		X			See Finding #2017-004
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 Bell
Schedule of Findings and Questioned Costs
Year ended June 30, 2017

PALRF: Finding #2017-001

Compliance Reference	Section I(C) of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	<p>The City exceeded LACMTA's approved budget by more than 25% without obtaining prior approval through a revised Form A for PALRF's project code 480-03, Administration. Amount in excess of 25% of the approved budget was \$28,669.</p> <p>Projects with greater than 25% change from the approved project budget should be amended by submitting an amended Project Description Form (Form A).</p>
Cause	The City concurs with the finding that an amended Project Form A should have been submitted for approval for the projects that would exceed 25% of the approved budget. The finding was caused by an oversight by City staff.
Effect	The City's PALRF project expenditures exceeded 25 percent of LACMTA's approved budget without LACMTA's approval and the City did not comply with the Guidelines. This may result in the City's return of the funds to LACMTA.
Recommendation	We recommend for the City to submit a Form A to obtain LACMTA's approval for the change in project budget and for the City to implement control to ensure compliance with this requirement at all times.
Management's Response	The City will submit a revised Form A in a timely manner for project code 480-01, Administration expenses.
Finding Corrected During the Audit	LACMTA Program Manager granted a retroactive approval on the amended budget for this project on December 11, 2017.

PALRF and PCLRF: Finding #2017-002

Compliance Reference	Under Section III (A) of the Proposition A and Proposition C Local Return Guidelines, for Jurisdictions with Recreational Transit projects, Jurisdictions are required to annually submit an accounting of Recreational Transit trips, destinations and costs. This information should be submitted along with the Form C, no later than October 15 after the fiscal year.
Condition	The Recreational Transit report was submitted on November 29, 2017, 45 days beyond the due date of October 15, 2017.
Cause	The key employees responsible for the LACMTA funds terminated their employment with the City of Bell. These key employees are the Accounting Manager (July 2017), the lead construction engineer (June 2017) and the Commercial Services Department Administrative Specialist before the audit was completed.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that the Annual Recreational Transit Report is submitted by October 15 as required by the Guidelines.
Management's Response	The City will develop a matrix of due dates for all LACMTA forms and reports. The matrix will assign responsible personnel to all tasks. In the future, when the responsible individual terminates employment or changes position within the City the matrix will be updated and the duties reassigned.

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

MRLRF: Finding #2017-003

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 following MRLRF projects with no prior approval from LACMTA:</p> <ul style="list-style-type: none"> a. Project code 1.05, Slurry Seal, totaling \$31,880 b. Project code 8.10, Fund Administration, totaling \$4,400 <p>The City submitted a revised Expenditure Plan (Form One) to the LACMTA Program Manager and obtained a retroactive approval of the said projects on December 20, 2017.</p>
Cause	<p>The City concurs with the finding that a revised Expenditure Plan (Form One) should have been submitted for the projects 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 \$36,280 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 December 20, 2017. No additional follow up is required.</p>

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

MRLRF: Finding #2017-004

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 September 2, 2016, 32 days beyond the due date set under the Guidelines.
Cause	The key employees responsible for the LACMTA funds terminated their employment with the City of Bell. These key employees are the Accounting Manager (July 2017), the lead construction engineer (June 2017) and the Commercial Services Department Administrative Specialist before the audit was completed.
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	The City will develop a matrix of due dates for all LACMTA forms and reports. The matrix will assign responsible personnel to all tasks. In the future, when the responsible individual terminates employment or changes position within the City the matrix will be updated and the duties reassigned.

EXIT CONFERENCE

An exit conference was held on December 20, 2107 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:
Robert Severson – Senior Accountant
Tineke Norrdin – Finance Director

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:

Robert Severson – Senior Accountant
Tineke Norrdin – Finance Director



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Vasquez & Company LLP has over 45 years of experience in performing audit, accounting & consulting services for all types of nonprofit organizations, for-profit companies, governmental entities and publicly traded companies. Vasquez is a member of the RSM US Alliance. RSM US Alliance provides its members with access to resources of RSM US LLP. RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International. Visit [rsmus.com/about us](http://rsmus.com/about-us) for more information regarding RSM US LLP and RSM International. The RSM™ logo is used under license by RSM US LLP. RSM US Alliance products and services are proprietary to RSM US LLP.

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