



**City of Montebello  
Transit System Fund  
Audited Financial Statements  
*As of and for the Year Ended June 30, 2019  
with Report of Independent Auditors***

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## Report of Independent Auditors

**To the Honorable City Council  
Montebello, California**

### Report on the Financial Statements

We have audited the accompanying financial statements of the Transit System Fund (the Transit Fund), an enterprise fund of the City of Montebello, which comprise the statement of net position as of June 30, 2019, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Transit Fund's basic 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 an opinion on these financial statements based on our audit. We conducted our audit 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 audit 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 opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Transit System Fund of the City of Montebello as of June 30, 2019, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matters***

As discussed in Note 1, the financial statements referred to above present only the Transit Fund and do not purport to, and do not, present fairly the financial position of the City of Montebello, as of June 30, 2019, and the changes in its financial position and its cash flows for the year 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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2019, on our consideration of the City of Montebello Transit System Fund's internal control over 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 financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Transit Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Transit Fund's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Vasquez &amp; Company LLP".

**Glendale, California  
December 20, 2019**

**City of Montebello  
Transit System Fund  
Statement of Net Position  
June 30, 2019**

<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$	10,922,365
Grants receivable		3,594,331
Inventories		1,151,150
Prepaid expenses		23,281
	<b>Total current assets</b>	<u>15,691,127</u>
<b>Noncurrent assets</b>		
Capital assets		105,388,625
Accumulated depreciation		<u>(60,741,764)</u>
	<b>Net capital assets</b>	<u>44,646,861</u>
	<b>Total assets</b>	<u>60,337,988</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows of resources related to pensions		5,442,734
Deferred outflows of resources related to OPEB		<u>169,831</u>
	<b>Total deferred outflows of resources</b>	<u>5,612,565</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable		2,314,297
Other accrued liabilities		485,433
Compensated absences, due within one year		860,212
Capital lease, due within one year		300,929
Unearned revenue		3,690,641
	<b>Total current liabilities</b>	<u>7,651,512</u>
<b>Noncurrent liabilities</b>		
Compensated absences, due after one year		175,742
Capital lease obligation		269,193
Net pension liability		32,174,434
Net OPEB liability		<u>3,088,469</u>
	<b>Total noncurrent liabilities</b>	<u>35,707,838</u>
	<b>Total liabilities</b>	<u>43,359,350</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows of resources related to pensions		789,443
Deferred inflows of resources related to OPEB		<u>139,317</u>
	<b>Total deferred inflows of resources</b>	<u>928,760</u>
<b>NET POSITION</b>		
Net investment in capital assets		44,646,861
Deficit		<u>(22,984,418)</u>
	<b>Total net position</b>	<u>\$ 21,662,443</u>

*See notes to financial statements.*

**City of Montebello**  
**Transit System Fund**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Year ended June 30, 2019**

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<b>Operating revenues</b>		
Bus fares	\$	3,953,288
Other revenues		103,019
	<b>Total operating revenues</b>	<u>4,056,307</u>
<b>Operating expenses</b>		
Labor and fringe benefits		20,671,173
Vehicle expenses		3,652,020
Administrative costs		1,587,048
Professional fees and other contracts		4,356,242
Utilities and other services		271,643
Other		239,087
Depreciation		4,851,967
	<b>Total operating expenses</b>	<u>35,629,180</u>
	<b>Operating loss</b>	<u>(31,572,873)</u>
<b>Nonoperating revenues</b>		
Operating subsidies:		
Proposition "A" discretionary		5,340,219
Proposition "C" discretionary		3,769,706
Measure R		3,356,209
Measure M		3,388,471
State transit assistance		9,685,063
Federal transit assistance		1,665,500
	<b>Subtotal - operating subsidies</b>	<u>27,205,168</u>
Interest income		102,927
	<b>Total nonoperating revenues</b>	<u>27,308,095</u>
	<b>Loss before capital grants</b>	<u>(4,264,778)</u>
<b>Capital grants</b>		
State grant - capital/discretionary		2,443,410
Federal grant - capital		2,359,562
	<b>Total capital grants</b>	<u>4,802,972</u>
	<b>Change in net position</b>	538,194
<b>Net position, beginning of year</b>		<u>21,124,249</u>
<b>Net position, end of year</b>	\$	<u><u>21,662,443</u></u>

*See notes to financial statements.*

**City of Montebello  
Transit System Fund  
Statement of Cash Flows  
Year ended June 30, 2019**

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<b>Cash flows from operating activities</b>	
Receipts from customers	\$ 4,211,217
Other receipts	103,019
Payments to suppliers	(8,818,022)
Payments to employees	(18,916,750)
<b>Net cash used in operating activities</b>	<u>(23,420,536)</u>
 <b>Cash flows from noncapital financing activities</b>	
Operating subsidies received from Federal and State	28,848,723
<b>Cash provided by noncapital and financing activities</b>	<u>28,848,723</u>
 <b>Cash flows from capital and related financing activities</b>	
Interest received	102,927
Capital contributed by federal and state grants	8,594,267
Acquisition of capital assets	(3,816,471)
<b>Net cash provided by capital and related financing activities</b>	<u>4,880,723</u>
 <b>Change in cash and cash equivalents</b>	 10,308,910
 <b>Cash and cash equivalents, beginning of year</b>	 <u>613,455</u>
<b>Cash and cash equivalents, end of year</b>	<b>\$ <u>10,922,365</u></b>
 <b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (31,572,873)
Depreciation	4,851,967
Changes in assets and liabilities:	
Decrease in receivables	257,929
Increase in inventories	(7,789)
Increase in prepaid expenses	(6,359)
Decrease in deferred outflows of resources	2,720,121
Increase in accounts payable	1,271,272
Increase in accrued liabilities	30,894
Increase in compensated absences	35,486
Decrease in deferred inflows of resources	(653,617)
Decrease in net pension liability	(531,875)
Increase in net OPEB liability	184,308
<b>Net cash used in operating activities</b>	<b>\$ <u>(23,420,536)</u></b>
 <b>Supplemental noncash investing and financing activities</b>	
Purchase of capital assets through installment payment	
Acquisition of capital assets	\$ (269,193)
Capital lease obligation	269,193

*See notes to financial statements.*

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Transit System Fund of the City of Montebello, California (the Transit Fund), an enterprise fund, accounts for all revenues and expenses related to the operations of the City's transit service. The accounting policies of the Transit Fund conform to accounting principles generally accepted in the United States of America. The following is a summary of the significant policies applied in the preparation of the financial statements.

**Fund Accounting**

All transactions of the Transit Fund are included in the reporting entity of the City of Montebello (the City) and are recorded in a separate fund of the City. As such, the accompanying financial statements present only the Transit Fund and do not purport to, and do not, present fairly the financial position and the changes in financial position of the City of Montebello, as of and for the year ended June 30, 2019. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording resources, related liabilities, deferred inflows and outflows, reserves, and equities segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

**Pension**

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pension and pension expense, information about the fiduciary net position of the City of Montebello's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The City allocates about 63% of the Miscellaneous Plan's net pension liability and pension-related transactions to the Transit Fund based on the Transit Fund's share in the pension contribution.

Refer to the City's Comprehensive Annual Financial Report for additional information about the City's Pension Plan.

**Basis of Accounting**

The Transit Fund uses the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recorded when the related liability is incurred.

**Cash and Cash Equivalents**

All cash and investments are maintained in the City's cash and investment pool. Therefore, all cash and investments in the Transit Fund are considered cash and cash equivalents, as they are available on demand.

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets**

Capital assets are recorded at historical cost or estimated fair market value at the date of contribution. Generally, capital asset purchases in excess of \$5,000 are capitalized if they have an expected life of one or more years.

Provision for depreciation has been provided over the estimated useful lives of the capital assets using the straight-line method. The estimated useful lives are as follows:

Office equipment	5-10 years
Computer equipment	8 years
Electrical equipment	8-10 years
Machinery and equipment ( <i>includes buses</i> )	5-15 years
Buildings	10-40 years

**Interest Earned**

The City's cash and investments are managed on a pooled basis. In accordance with the administrative policy of the City, interest on such pooled resources is accrued to each fund based on the equity of a particular fund in the pooled cash and investments.

**Unearned Revenue**

Grants received by the City for the acquisition of capital assets and certain operating expenses are recorded as unearned revenue until such time as the capital assets are acquired or as the expenses are incurred.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Specifically, the Transit Fund has made certain estimates and assumptions relating to the collectability of its receivables and the useful lives of the capital assets. Actual results could differ from those estimates and assumptions.

**Reclassifications**

Certain reclassifications have been made to the prior year financial statement presentation to conform to the current year's format. Total net position and change in net position are unchanged from these reclassifications

**NOTE 2 CASH AND CASH EQUIVALENTS**

Cash and deposits of the Transit Fund are pooled with other City funds to improve investment opportunities and provide sufficient coverage for checks as they are presented at the City's bank. State statutes and the City's investment policy authorize City officials to invest its pooled funds in obligations of the United States Treasury or its agencies, bankers' acceptances, State Treasurer's investment pool, certificates of deposit, passbook savings account demand deposits, repurchase agreements, and money market funds. As of June 30, 2019, the cash and cash equivalents balance of the Transit Fund totaled \$10,922,365. Further information concerning the City's investment policy regarding custodial risk, concentrations of credit risk, interest rate risk and fair value measurement can be found in the City's Comprehensive Annual Financial Report.

**NOTE 3 CAPITAL ASSETS**

Capital assets activity of the Transit Fund for the fiscal year ended June 30, 2019 were as follows:

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Reclassifications / Deletions</u>	<u>Balance June 30, 2019</u>
Capital assets not being depreciated:				
Land	\$ 3,901,596	\$ -	\$ -	\$ 3,901,596
Construction in progress	<u>5,456,764</u>	<u>3,941,655</u>	<u>(3,779,462)</u>	<u>5,618,957</u>
	<u>9,358,360</u>	<u>3,941,655</u>	<u>(3,779,462)</u>	<u>9,520,553</u>
Capital assets being depreciated:				
Buildings and improvements	29,455,713	-	-	29,455,713
Machinery and equipment*	<u>62,509,929</u>	<u>3,902,430</u>	<u>-</u>	<u>66,412,359</u>
Total capital assets being depreciated	<u>91,965,642</u>	<u>3,902,430</u>	<u>-</u>	<u>95,868,072</u>
Less: Accumulated depreciation:	<u>55,889,797</u>	<u>4,851,967</u>	<u>-</u>	<u>60,741,764</u>
Net capital assets being depreciated	<u>36,075,845</u>	<u>(949,537)</u>	<u>-</u>	<u>35,126,308</u>
Net capital assets	<u>\$ 45,434,205</u>	<u>\$ 2,992,118</u>	<u>\$ (3,779,462)</u>	<u>\$ 44,646,861</u>

\* Machinery and equipment includes buses

Depreciation expense charged to operations for the year ended June 30, 2019 was \$4,851,966.

**NOTE 4      PENSION PLAN**

**General Information about the Pension Plan**

**Plan Descriptions**

All qualified permanent and probationary employees are eligible to participate in the City of Montebello's Miscellaneous Plan, an agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and Commission resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**Benefits Provided**

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

With the implementation of GASB Statement No. 68, the City of Montebello allocated about 63% of the City's Miscellaneous Plan net pension liability, deferred outflows and inflows of resources and pension expenses to the Transit Fund based on the Transit Fund's share of the pension contribution during the fiscal year ended June 30, 2019. As a result, the Transit Fund reported a net pension liability of \$32,174,434, deferred outflows of resources of \$5,442,734, and deferred inflows of resources of \$789,443 as of June 30, 2019.

Refer to the City's comprehensive annual financial report as of and for the fiscal year ended June 30, 2019 for more information about the City's pension plan and required note disclosures in accordance with GASB Statement No. 68.

**NOTE 5      OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description**

The City administers a single-employer postemployment healthcare benefits to eligible retirees in accordance with various agreements and memorandums of agreement between the City, its management employees, and unions representing the City's employees.

**NOTE 5 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Eligibility**

Employees are eligible for the medical benefits if they retire the City on or after age 50 with at least 15 consecutive years of service, and are eligible for a PERS pension.

**Net OPEB Liability**

The City's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017.

In accordance with GASB Statement No. 75, the City allocated 9.5% of the City's total OPEB liability, expense and deferred inflows and outflows of resources to the Fund as of June 30, 2019. Amounts for 2019 are as follows:

Net OPEB liability	\$	3,088,469
Deferred outflows of resources		169,831
Deferred inflows of resources		139,317
OPEB expense		69,600

Refer to the City's CAFR for the fiscal years ended June 30, 2019 for more information about the City's other postemployment benefits plan and required note disclosures.

**NOTE 6 PUBLIC TRANSPORTATION MODERNIZATION IMPROVEMENTS AND SERVICE ENHANCEMENT ACCOUNT**

In November 2006, California voters passed a bond measure enacting the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006. Of the \$19.925 billion of State general obligation bonds authorized, \$4 billion was set aside by the State as instructed by the bond measure in a Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA). These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements, or for rolling stock procurement, rehabilitation, or replacement.

The City received a total of \$2,370,983 of PTMISEA funds from 2008 to 2010. These funds were fully expended as of June 30, 2011.

**City of Montebello  
Transit System Fund  
Notes to Financial Statements  
Year ended June 30, 2019**

**NOTE 6 PUBLIC TRANSPORTATION MODERNIZATION IMPROVEMENTS AND SERVICE ENHANCEMENT ACCOUNT (CONTINUED)**

During the fiscal year ended June 30, 2013 and 2019, the City received \$1,992,125 and \$4,706,305, respectively, in PTMISEA funds. The table below shows the activities of these funds and remaining unexpended balance as of June 30, 2019:

Project Description	Proceeds received	Interest earned to-date	Adjustments	Total Funds	Expenditures Incurred to-date	Unexpended proceeds
Alternative Fuel Bus Replacement Project	\$ 800,945	\$ 3,405	\$ 23,284	\$ 827,634	\$ 827,344	\$ 290
Seven Expansion CNG Buses	483,000	1,216	(484,216)	-	-	-
Four Repower of Hybrid Buses	144,000	7,686	(138,021)	13,665	13,665	-
Repower to HVAC	-	469	138,021	138,490	-	138,490
Passenger Information System	241,680	852	(12,350)	230,182	231,382	(1,200)
Bus Wash Facility Upgrade	60,000	1,450	-	61,450	61,450	-
Bus Stop Improvement Project	142,500	5,955	-	148,455	92,063	56,392
Transit Facility Master Plan	120,000	3,796	(123,796)	-	-	-
Transit Projects/Programs, Fleet Surveillance	-	3,023	123,796	126,819	-	126,819
Support Vehicles	-	3,081	362,282	365,363	274,292	91,071
Metroink ADA Upgrades	-	8,514	121,934	130,448	103,112	27,336
Security Equipment, Five Buses	140,000	741	-	140,741	130,000	10,741
Three Remaining Electric Bus Purchase	785,328	3,153	-	788,481	468,180	320,301
Pico Terminal Rehabilitation	1,000,000	5,292	-	1,005,292	-	1,005,292
Grant Rhea Park Terminal Rehabilitation	396,139	2,096	-	398,235	-	398,235
Midlife Bus Upgrade (Surveillance)	1,110,000	(16,291)	-	1,093,709	1,110,000	(16,291)
Midlife Bus Upgrade (Paint & Body Decals)	905,774	2,835	-	908,609	464,545	444,064
Bus Wash Facility Upgrade	369,064	257	-	369,321	332,224	37,097
<b>Total</b>	<b>\$ 6,698,430</b>	<b>\$ 37,530</b>	<b>\$ 10,934</b>	<b>\$ 6,746,894</b>	<b>\$ 4,108,257</b>	<b>\$ 2,638,637</b>

There were no additional funds received during the fiscal years ended June 30, 2014, 2015, 2016, 2017 and 2018. The unexpended proceeds of \$2,638,637 was reported as unearned revenue. The remaining balance of \$1,052,004 in the unearned revenue account represents other unspent transit grants and subsidies received mostly from the Los Angeles County Metropolitan Transportation Authority and California Transportation Department. This unexpended balance has been programmed into the City's financial plan.

**NOTE 7 TRANSPORTATION DEVELOPMENT ACT**

The State of California established the Transportation Development Act (TDA) to provide funds for public transportation. The funds are administered by the Los Angeles County Metropolitan Transportation Authority. The TDA created a Local Transportation Fund (LTF) in each county for transportation purposes specified in the Transportation Development Act Statutes and Administrative Code. Revenues of the LTF are derived from a 1/4 of one percent sales tax rate levied in each county. In order to qualify for funding under TDA, the City of Montebello Transit System Fund must maintain a ratio of fare revenues and local support to operating cost greater than 20%.

**NOTE 7      TRANSPORTATION DEVELOPMENT ACT (CONTINUED)**

In accordance with the requirements of the TDA, the following fare ratio calculation is presented (in thousands of dollars):

		2019
Operating revenues		
Passenger fares	\$	3,953
Local support		5,433 *
Total operating revenues	\$	9,386
Operating expenses		
Labor and fringe benefits	\$	20,671
Vehicle expenses		3,652
Administrative costs		1,587
Professional fees and other contracts		4,356
Utilities and other services		272
Other		239
Depreciation		4,852
Total operating expense		35,629
Less: Depreciation expense		(4,852)
Pension related expense adjustments		(3,927) **
Net actual operating expenses	\$	26,850
Fare Ratio		35%

\* Includes operating assistance from Prop A discretionary funds.

\*\* For purposes of this calculation, pension-related expenses recorded in accordance with GASB Statement Nos. 68 and 75 and unfunded pension liability payments were excluded from total actual operating expenses.

**NOTE 8      SUBSEQUENT EVENTS**

The City has evaluated events subsequent to June 30, 2019 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through December 20, 2019, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

**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 City Council  
City of Montebello, California**

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 Transit System Fund (the Transit Fund) of the City of Montebello, California (the City), an enterprise fund of the City of Montebello, as of and for the year ended June 30, 2019, and the related notes to the financial statements, as listed in the table of contents, and have issued our report thereon dated December 20, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the Transit Fund's financial statements, we considered the Transit Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Transit Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Transit Fund'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Transit Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, contained in the *Transportation Development Act Conformance Auditing Guide* issued by the Los Angeles County Metropolitan Transportation Authority (LACMTA), the audit provisions of the Public Utilities Code (PUC) Section 99245 and the *California Department of Transportation Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA) Guidelines*, 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 audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Transit Fund'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 Transit Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Glendale, California  
December 20, 2019

**City of Montebello  
Transit System Fund  
Schedule of Findings and Recommendations  
Year ended June 30, 2019**

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There were no reportable findings noted during the fiscal year ended June 30, 2019.

**City of Montebello  
Transit System Fund  
Status of Prior Audit Findings  
Year ended June 30, 2019**

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There were no reportable findings noted during the fiscal year ended June 30, 2018.



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