

# **City of Monterey Park**

Monterey Park, California

## **Single Audit and Independent Auditors' Reports**

*For the Year Ended June 30, 2015*



**City of Monterey Park  
Single Audit Reports  
For the Year Ended June 30, 2015**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

**Independent Auditors' Report**

To the Honorable Mayor and Members of City Council  
of the City of Monterey Park  
Monterey Park, 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Monterey Park, California (the "City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 23, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City'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 opinions on the 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 City'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 material weaknesses. However, material weaknesses may exist that have not been identified.

To the Honorable Mayor and Members of City Council  
of the City of Monterey Park  
Monterey Park, California  
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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

A handwritten signature in black ink that reads "Rick Mc Geady LLP". The signature is written in a cursive, slightly slanted style.

Santa Ana, California  
October 23, 2015



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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

**Independent Auditors' Report**

To the Honorable Mayor and Members of City Council  
of the City of Monterey Park  
Monterey Park, California

**Report on Compliance for Each Major Federal Program**

We have audited the City of Monterey Park, California's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2015. The City's major federal programs are identified in the summary of the auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with 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 OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal 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 for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

**Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 with a type of compliance requirement of a federal program 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, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program 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 a type of compliance requirement of a federal program 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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

To the Honorable Mayor and Members of City Council  
of the City of Monterey Park  
Monterey Park, California  
Page 3

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated October 23, 2015, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming our opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the 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 Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Rick Mc Geady LLP". The signature is written in a cursive, slightly slanted style.

Santa Ana, California  
November 17, 2015, except for the Schedule of Expenditures of Federal Awards, which is as of October 23, 2015

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**City of Monterey Park**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2015**

| Federal Grantor / Pass-Through<br>Grantor Program Title                | Federal<br>CFDA<br>Number | Agency or<br>Pass-Through<br>Number | Federal<br>Expenditures    |
|--|---------------------------|-------------------------------------|----------------------------|
| <b>U.S. Department of Housing and Urban Development:</b>               |                           |                                     |                            |
| <i>Direct programs:</i>  |                           |                                     |                            |
| CDBG - Entitlement Grants Cluster:                                     |                           |                                     |                            |
| - Community Development Block Grants / Entitlement Grants              | 14.218                    | B-13-MC-06-0548                     | \$ 426,529                 |
| - Community Development Block Grants / Entitlement Grants              | 14.218                    | B-14-MC-06-0548                     | 324,836                    |
| Total CDBG - Entitlement Grants Cluster                                |                           |                                     | <u>751,365</u>             |
| - HOME Investment Partnerships Program                                 | 14.239                    | M-07-MC-06-0550                     | 70,952                     |
| - HOME Investment Partnerships Program                                 | 14.239                    | M-08-MC-06-0550                     | 212                        |
| - HOME Investment Partnerships Program                                 | 14.239                    | M-10-MC-06-0550                     | 169,609                    |
| - HOME Investment Partnerships Program                                 | 14.239                    | M-11-MC-06-0550                     | 172,151                    |
| - HOME Investment Partnerships Program                                 | 14.239                    | M-12-MC-06-0550                     | 24,932                     |
| - HOME Investment Partnerships Program                                 | 14.239                    | M-14-MC-06-0550                     | 2,080                      |
| - HOME Investment Partnerships Program                                 | 14.239                    | M-13-MC-06-0550                     | 21,529                     |
| Total HOME Investment Partnerships Program                             |                           |                                     | <u>461,465</u>             |
| <b>Total U.S. Department of Housing and Urban Development</b>          |                           |                                     | <u>1,212,830</u>           |
| <b>U.S. Department of Justice:</b>                                     |                           |                                     |                            |
| <i>Direct programs:</i>  |                           |                                     |                            |
| - Bulletproof Vest Partnership Program                                 | 16.607                    |                                     | 5,530                      |
| - Equitable Sharing Program  | 16.922                    | CA0194800                           | 46,464                     |
| <b>Total U.S. Department of Justice</b>                                |                           |                                     | <u>51,994</u>              |
| <b>U.S. Department of the Treasury:</b>                                |                           |                                     |                            |
| <i>Direct program:</i>   |                           |                                     |                            |
| - Equitable Sharing Program  | 21.CA0194800              | CA0194800                           | 253,701                    |
| <b>Total U.S. Department of Treasury</b>                               |                           |                                     | <u>253,701</u>             |
| <b>U.S. Department of Education:</b>                                   |                           |                                     |                            |
| <i>Passed through the State of California Department of Education:</i> |                           |                                     |                            |
| - Adult Education - Basic Grants to States                             | 84.002                    | V002A130005                         | 122,350                    |
| <b>Total U.S. Department of Education</b>                              |                           |                                     | <u>122,350</u>             |
| <b>U.S. Department of Homeland Security:</b>                           |                           |                                     |                            |
| <i>Passed through the County of Los Angeles:</i>                       |                           |                                     |                            |
| - Homeland Security Grant Program                                      | 97.067                    | 2013 HSGP                           | 47,870                     |
| <i>Passed through the City of Los Angeles:</i>                         |                           |                                     |                            |
| - Homeland Security Grant Program                                      | 97.067                    | C-125391                            | 63,182                     |
| Subtotal Homeland Security Grant Program                               |                           |                                     | <u>111,052</u>             |
| <b>Total U.S. Department of Homeland Security</b>                      |                           |                                     | <u>111,052</u>             |
| <b>Total Expenditures of Federal Awards</b>                            |                           |                                     | <u><u>\$ 1,751,927</u></u> |

**City of Monterey Park**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2015**

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**Note 1 – Reporting Entity**

The financial reporting entity, as defined by the Governmental Accounting Standards Board (“GASB”) Codification, consists of the primary government, which is the City of Monterey Park (the “City”), organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause City’s financial statements to be misleading or incomplete.

The City Council acts as the governing body and is able to impose its will on the following organizations, establishing financial accountability:

- The Monterey Park Public Financing Authority
- The Monterey Park Housing Authority

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Accounting***

Funds received under the various grant programs have been recorded within the special revenue funds of the City. The City utilizes the modified accrual basis of accounting for the special revenue funds. The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) is presented in accordance with the requirements of Office of Management and Budget (“OMB”) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in, the preparation of City’s basic financial statements.

***Schedule of Expenditures of Federal Awards***

The accompanying Schedule presents the activity of all federal financial assistance programs of the City. Federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through the State of California Department of Education, and the City of Los Angeles, are included in the Schedule. The Schedule was prepared from only the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the City.

**Note 3 – Section 108 Loan Outstanding**

In August 2002, the City participated in the U.S. Department of Housing and Urban Development (“HUD”) Section 108 Loan Guarantee Program and received note proceeds of \$6,500,000. The City had expended the loan proceeds in prior years for the development of the Market Place project. On May 28, 2015, the City participated in the Department of Housing and Urban Development (“HUD”) refinancing program and refinanced the Section 108 Loan for a fixed rate note (Series 2015 A Certificates). Interest payments are made semiannually on August 1 and February 1. Principal payments are made on August 1 of each year and continue until August 2022. At June 30, 2015, the City had an outstanding loan balance of \$3,538,000.

**City of Monterey Park  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015**

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**Section I – Summary of Auditors’ Results**

**Financial Statements**

Types of auditors’ report issued: **Unmodified**

Internal control over financial reporting:

- Material weakness(es) identified? **No**
- Significant deficiency(ies) identified? **None Reported**

Noncompliance material to financial statements noted? **No**

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified? **No**
- Significant deficiency(ies) identified? **None Reported**

Type of auditor’s report issued on compliance for major federal programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? **No**

Identification of major programs:

| CFDA # | Major Program   | Expenditures        |
|--------|---|---------------------|
| 14.239 | HOME Investment Partnerships Program                    | \$ 461,465          |
| 97.067 | Homeland Security Grant Program                         | 111,052             |
|        | <b>Total Expenditures of All Major Federal Programs</b> | <b>\$ 572,517</b>   |
|        | <b>Total Expenditures of Federal Awards</b>             | <b>\$ 1,751,927</b> |
|        | <b>Percent of Total Expenditures of Federal Awards</b>  | <b>32.68%</b>       |

Dollar threshold used to distinguish between Type A and B programs: **\$300,000**

Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133? **Yes**

**City of Monterey Park**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2015**

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**Section II – Financial Statement Findings**

No financial statement findings were noted for the year ended June 30, 2015.

**Section III – Federal Award Findings**

**A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit**

No findings or questioned costs were noted on the City’s major federal programs for the year ended June 30, 2015.

**B. Prior Year Findings and Questioned Costs – Major Federal Award Program Audit**

No findings or questioned costs were noted on the City’s major federal programs for the year ended June 30, 2014.