

***CITY OF MONTEBELLO
ANNUAL FINANCIAL REPORT OF THE
PROPOSITION A LOCAL RETURN FUND
PROPOSITION C LOCAL RETURN FUND
MEASURE R LOCAL RETURN FUND
TRANSPORTATION DEVELOPMENT ACT
ARTICLE 3 FUND
FOR THE FISCAL YEARS ENDED
JUNE 30, 2011 AND 2010***



CITY OF MONTEBELLO
TABLE OF CONTENTS

FINANCIAL SECTION	Page
Independent Auditor's Report	1
Proposition A Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	3
Statements of Revenues, Expenditures and Changes in Fund Balance	4
Supplemental Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	5
Schedule of Capital Assets	6
Proposition C Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	7
Statements of Revenues, Expenditures and Changes in Fund Balance	8
Supplemental Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	9
Schedule of Capital Assets	10
Measure R Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	11
Statements of Revenues, Expenditures and Changes in Fund Balance	12
Supplemental Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	13
Schedule of Capital Assets	14
Transportation Development Act Article 3 Fund:	
Basic Financial Statements:	
Balance Sheets	15
Statements of Revenues, Expenditures and Changes in Fund Balance	16
Supplemental Information:	
Schedule of Transportation Development Act Allocation for Specific Projects	17
Notes to Financial Statements	18
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	21
COMPLIANCE SECTION	
Independent Auditor's Report	23
Compliance Matrix	24
EXIT CONFERENCE	27

FINANCIAL SECTION



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRANARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

3600 WILSHIRE BOULEVARD, SUITE 1710
LOS ANGELES, CA 90010
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

Independent Auditor's Report

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

We have audited the balance sheets of the Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, and Transportation Development Act Article 3 Fund of the City of Montebello, California (City) as of June 30, 2011, and the accompanying statements of revenues, expenditures, and changes in fund balance for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, and Transportation Development Act Article 3 Fund of the City for the year ended June 30, 2010 were audited by other auditors whose report dated December 20, 2010, expressed an unqualified opinion on those statements.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the financial statements present only the Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, and Transportation Development Act Article 3 Fund and do not purport to, and do not, present fairly the financial position of the City of Montebello, California, as of June 30, 2011 and 2010, and the changes in financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.



The CPA. Never Underestimate The Value.™



In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, and Transportation Development Act Article 3 Fund of the City of Montebello, California, as of June 30, 2011, and the changes in their fund balances for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2011 on our consideration of the City of Montebello's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, and Transportation Development Act Article 3 Fund of the City have not presented a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of the basic financial statements.

The accompanying supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City of Montebello and the Los Angeles County Metropolitan Transportation Authority and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in dark ink, appearing to read 'Stimpson' followed by a flourish.

Los Angeles, California
November 1, 2011

CITY OF MONTEBELLO
PROPOSITION A LOCAL RETURN FUND
BALANCE SHEETS
JUNE 30

	2011	2010
ASSETS		
Cash and investments	\$ 2,037,367	\$ 418,345
Due from other funds	-	725,000
Total assets	\$ 2,037,367	\$ 1,143,345
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
Fund Balance		
Restricted	2,037,367	1,143,345
Total fund balance	2,037,367	1,143,345
Total liabilities and fund balance	\$ 2,037,367	\$ 1,143,345

The accompanying notes are an integral part of the financial statements.

CITY OF MONTEBELLO

PROPOSITION A LOCAL RETURN FUND

**STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**

For the Fiscal Years Ended June 30

	<u>2011</u>	<u>2010</u>
REVENUES		
Proposition A	\$ 888,129	\$ 835,474
Interest income	<u>5,893</u>	<u>8,273</u>
Total revenues	<u>894,022</u>	<u>843,747</u>
EXPENDITURES		
Various projects	<u>-</u>	<u>244,485</u>
Total expenditures	<u>-</u>	<u>244,485</u>
Excess (deficiency) of revenues over expenditures	<u>894,022</u>	<u>599,262</u>
Fund balance at beginning of year, as previously reported	1,143,345	523,665
Prior period adjustment (Note 9)	<u>-</u>	<u>20,418</u>
Fund balance at beginning of year, as restated	<u>1,143,345</u>	<u>544,083</u>
Fund balance at end of year	<u>\$ 2,037,367</u>	<u>\$ 1,143,345</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MONTEBELLO

PROPOSITION A LOCAL RETURN FUND

SUPPLEMENTAL INFORMATION

SCHEDULE OF EXPENDITURES

ACTUAL AND METRO APPROVED PROJECT BUDGET

For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2010)

Project Code	Project Name	2011			2010 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
110-03	Fixed Bus Route	\$ 885,053	\$ -	\$ 885,053	\$ 244,485
	Total expenditures	<u>\$ 885,053</u>	<u>\$ -</u>	<u>\$ 885,053</u>	<u>\$ 244,485</u>

See accompanying independent auditor's report.

CITY OF MONTEBELLO

PROPOSITION A LOCAL RETURN FUND

**SUPPLEMENTAL INFORMATION
SCHEDULE OF CAPITAL ASSETS**

June 30, 2011

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 7/1/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2011</u>
1990	Computer Equipment	\$ 4,000	\$ -	\$ -	\$ 4,000
1990	Fascimile Machine	5,350	-	-	5,350
1990	Comm. Console	49,999	-	-	49,999
1990-91	Mobile Office	40,000	-	-	40,000
1990-94	Engines/Transmissions	148,081	-	-	148,081
1990-91	Mobile Radios	11,400	-	-	11,400
1990-91	3 ADB Coaches	302,679	-	-	302,679
1991-92	Inv. Control System	72,180	-	-	72,180
1990-91	5 Fixed Route Buses	204,864	-	-	204,864
1991-92	Corp. Yard Master Plan	24,513	-	-	24,513
1991-92	Corp. Yard Master Asestos	156,586	-	-	156,586
1992	8 Bus Replacements	75,259	-	-	75,259
1992-93	Vehicle Equipment Driver Seats	20,000	-	-	20,000
1992-93	Corp. Yard Fac. Exp - Colegrove Property	15,000	-	-	15,000
1992-95	Corp. Yard Fac. Exp - Colegrove Property	254,882	-	-	254,882
1992-93	10/60 Study - Light Rail Corridor	9,292	-	-	9,292
1997-97	Taylor Ranch Restrooms	44,473	-	-	44,473
1997-97	Bus Pad Improvements	16,954	-	-	16,954
1997-97	Flotilla Street Extension	309,857	-	-	309,857
1997-98	Communication Master Plan	30,975	-	-	30,975
1998-99	Commuter Rail Station	14,926	-	-	14,926
1997-98	Bus Stop Sign & Design	48,306	-	-	48,306
1999-00	Dial-A-Ride Radio System	4,162	-	-	4,162
2002-03	Transportation Data Seystem Software	84,186	-	-	84,186
2002-03	Transit Facility Improvements	45,747	-	-	45,747
2003-04	Transit Facility Improvements	56,151	-	-	56,151
2004-05	Transit Facility Improvements	3,134	-	-	3,134
2007-08	Transit Facility Improvements	20,993	-	-	20,993
		<u>Total \$ 2,073,949</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,073,949</u>

See accompanying independent auditor's report.

CITY OF MONTEBELLO

PROPOSITION C LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and investments	\$ 2,352,234	\$ 57,222
Due from other funds	<u>-</u>	<u>1,785,000</u>
Total assets	<u>\$ 2,352,234</u>	<u>\$ 1,842,222</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ <u>-</u>	\$ <u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
Fund Balance		
Restricted	<u>2,352,234</u>	<u>1,842,222</u>
Total fund balance	<u>2,352,234</u>	<u>1,842,222</u>
Total liabilities and fund balance	<u>\$ 2,352,234</u>	<u>\$ 1,842,222</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MONTEBELLO

PROPOSITION C LOCAL RETURN FUND

**STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**

For the Fiscal Years Ended June 30

	<u>2011</u>	<u>2010</u>
REVENUES		
Proposition C	\$ 738,047	\$ 693,062
Interest income	6,405	21,049
Other revenue		54,283
Total revenues	<u>744,452</u>	<u>768,394</u>
EXPENDITURES		
Various projects	<u>234,440</u>	<u>1,232,205</u>
Total expenditures	<u>234,440</u>	<u>1,232,205</u>
Excess (deficiency) of revenues over expenditures	<u>510,012</u>	<u>(463,811)</u>
Fund balance at beginning of year, as previously reported	1,842,222	2,268,793
Prior period adjustment (Note 9)	<u>-</u>	<u>37,240</u>
Fund balance at beginning of year, as restated	<u>1,842,222</u>	<u>2,306,033</u>
Fund balance at end of year	<u>\$ 2,352,234</u>	<u>\$ 1,842,222</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MONTEBELLO

PROPOSITION C LOCAL RETURN FUND

SUPPLEMENTAL INFORMATION

SCHEDULE OF EXPENDITURES

ACTUAL AND METRO APPROVED PROJECT BUDGET

For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2010)

Project Code	Project Name	2011		Variance Favorable (Unfavorable)	2010 Actual
		Metro Budget	Actual		
130-01	Dial-A Ride	\$ -	\$ -	\$ -	\$ 153,383
140-01	Recreational Field Trips	25,000	20,905	4,095	11,169
150-01	Metrolink Station Repairs	14,500	14,500	-	-
180-28	Finance System Replacement	19,261		19,261	7,783
270-02	Circulation Element of the General Plan	50,000		50,000	-
270-04	San Gabriel Valley COG Participation	20,000	19,734	266	-
280-04	Transit Bus Schedules	-	-	-	27,489
350-01	Beverly Blvd. Widening Financial Feasibility Analysis	150,000	45,000	105,000	-
360-05	Metrolink Station & Bus Stops	-	-	-	79,000
380-21	Beverly Rio Hondo Bridge	-	-	-	1,678
410-06	Metrolink Railfeeder Services	-	-	-	300,000
440-37	Bridge Repair - Ongoing Bridge Maintenance	25,000		25,000	
440-38	Montebello Way Reconstruction	-	-	-	67,710
440-39	Union Street Repairs	13,000	12,025	975	
450-37	Garfield Avenue Reconstruction Project	341,051	76,109	264,942	209,197
450-39	Washington Blvd. Street Improvement	93,320		93,320	
450-40	Beverly Blvd. Street Improvements	110,670		110,670	89,400
460-01	Traffic Signal Improvements (Montebello Blvd and Washington Blvd)	75,670	6,167	69,503	186,450
460-01	Montebello Way Traffic Signal Improvement	-	-	-	92
460-33	Traffic Signal at Garfield and Via San Clemente	-	-	-	18,854
470-26	Pavement Management System Update	40,000	40,000	-	-
480-38	Direct Administration	-	-	-	80,000
	Total expenditures	\$ 977,472	\$ 234,440	\$ 743,032	\$ 1,232,205

See accompanying independent auditor's report.

CITY OF MONTEBELLO

PROPOSITION C LOCAL RETURN FUND

**SUPPLEMENTAL INFORMATION
SCHEDULE OF CAPITAL ASSETS**

June 30, 2011

Date Acquired	Description	Balance 7/1/2010	Additions	Deletions	Balance 6/30/2011
1995-96	Commuter Rail Station	\$ 787,874	\$ -	\$ -	\$ 787,874
1995-96	Telegraph Road Resurfacing	127,334	-	-	127,334
1996-97	Montebello Road Resurfacing	6,620	-	-	6,620
1996-97	Olympic Blvd. Road Resurfacing	37,992	-	-	37,992
1995-96	Flotilla Street Extension	35,000	-	-	35,000
1996-97	Beverly/Montebello Phase Signal	40,345	-	-	40,345
1996-97	Street Structural Analysis	3,560	-	-	3,560
1996-00	Whittier Blvd. Widening	924,924	-	-	924,924
1996-97	Town Center Drive	224,251	-	-	224,251
1997-00	Miscellaneous Street Improvements	301,016	-	-	301,016
1997-98	Pavement Management System	3,633	-	-	3,633
1998-99	Paramount/Montebello Intersection	3,000	-	-	3,000
2003-04	Street Survey Monuments	19,551	-	-	19,551
2003-04	Washington Blvd. Widening	23,775	-	-	23,775
2006-07	GEMS Financial Software	331,951	-	-	331,951
2006-07	Garfield Ave. Traffic Signals	99,600	-	-	99,600
2007-08	Beverly Bridge	75,319	-	-	75,319
2007-08	Montebello Way Reconstruction	860,291	-	-	860,291
2007-08	Tele. & Slauson Improvements	102,592	-	-	102,592
2007-08	Whittier Blvd. Improvements	150,081	-	-	150,081
2008-09	Garfield/San Clemente Traffic Signal	172,188	-	-	172,188
2008-09	Garfield Ave. Reconstruction	902,391	76,109	-	978,500
2008-09	MTB Way Traffic Signal	52,060	6,167	-	58,227
2009-10	Beverly Blvd. Street Improvement	89,400	-	-	89,400
2009-10	Washington Blvd. St. Improvement	186,450	-	-	186,450
2010-11	Beverly Blvd. Widening Phase-III	-	45,000	-	45,000
Total		\$ 5,561,198	\$ 127,276	\$ -	\$ 5,688,474

See accompanying independent auditor's report.

CITY OF MONTEBELLO

MEASURE R LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and investments	\$ 871,848	\$ 421,252
Due from MTA	<u>54,504</u>	<u>-</u>
Total assets	<u>\$ 926,352</u>	<u>\$ 421,252</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ <u>-</u>	\$ <u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
Fund Balance		
Restricted	<u>926,352</u>	<u>421,252</u>
Total fund balance	<u>926,352</u>	<u>421,252</u>
Total liabilities and fund balance	<u>\$ 926,352</u>	<u>\$ 421,252</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MONTEBELLO

MEASURE R LOCAL RETURN FUND

**STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**

For the Fiscal Years Ended June 30

	<u>2011</u>	<u>2010</u>
REVENUES		
Measure R	\$ 550,647	\$ 416,999
Interest income	<u>3,363</u>	<u>4,253</u>
Total revenues	<u>554,010</u>	<u>421,252</u>
EXPENDITURES		
Various projects	<u>48,910</u>	<u>-</u>
Total expenditures	<u>48,910</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	505,100	421,252
Fund balance at beginning of year	<u>421,252</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 926,352</u></u>	<u><u>\$ 421,252</u></u>

The accompanying notes are an integral part of the financial statements

CITY OF MONTEBELLO

MEASURE R LOCAL RETURN FUND

SUPPLEMENTAL INFORMATION

SCHEDULE OF EXPENDITURES

ACTUAL AND METRO APPROVED PROJECT BUDGET

For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2010)

Project Code	Project Name	2011			2010 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	Pavement and Concrete Improvement from Beverly Blvd	\$ 392,595	\$ 34,410	\$ 358,185	\$ -
2.01	Signal Synchronization	125,000	14,500	110,500	-
	Total expenditures	<u>\$ 517,595</u>	<u>\$ 48,910</u>	<u>\$ 468,685</u>	<u>\$ -</u>

See accompanying independent auditor's report.

CITY OF MONTEBELLO

MEASURE R LOCAL RETURN FUND

SUPPLEMENTAL INFORMATION
SCHEDULE OF CAPITAL ASSETS

June 30, 2011

<u>Date</u> <u>Acquired</u>	<u>Description</u>	<u>Balance</u> <u>7/1/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2011</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report.

CITY OF MONTEBELLO

**TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
(PURSUANT TO PUBLIC UTILITIES CODE SECTION 99234)**

**BALANCE SHEETS
JUNE 30**

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and investments	\$ -	\$ -
Account receivable	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>
 Fund Balance		
Reserved	-	-
Total fund balance	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MONTEBELLO

TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND

**STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**

For the Fiscal Years Ended June 30

	<u>2011</u>	<u>2010</u>
REVENUES		
Payment from FY 2009-10 apportionment	\$ -	\$ 28,321
Payment from FY 2010-11 apportionment	-	-
Total revenues	<u>-</u>	<u>28,321</u>
EXPENDITURES		
Various projects	<u>-</u>	<u>28,321</u>
Total expenditures	<u>-</u>	<u>28,321</u>
Excess (deficiency) of revenues over expenditures	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF MONTEBELLO

TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
SUPPLEMENTAL INFORMATION

SCHEDULE OF TRANSPORTATION DEVELOPMENT ACT
ALLOCATION FOR SPECIFIC PROJECTS

For the Fiscal Year Ended June 30, 2011

<u>Project Description</u>	<u>Program Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended Allocations</u>	<u>Project Status</u>
Local allocations					
None	2011	\$ -	\$ -	\$ -	
	Total	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	
Fund balance at beginning of year				<u>-</u>	
Fund balance at end of year				<u>\$ -</u>	

See accompanying independent auditor's report.

CITY OF MONTEBELLO

NOTES TO FINANCIAL STATEMENTS For the Fiscal Years Ended June 30, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The operations of the Proposition A Local Return Fund (PALRF) and Proposition C Local Return Funds (PCLRF), Measure R Local Return Fund (MRLRF), and Transportation Development Act Article 3 Fund (TDAA3F) 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 represents 15% of the 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.

Transportation Development Act Article 3 Fund (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

PALRF, PCLRF, MRLFR, and TDAA3F are accounted for using the modified accrual basis of accounting whereby revenues are recognized when they become both measurable and available to finance expenditures of the current period and expenditures are generally recognized when the related fund liabilities are incurred.

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.

Unrealized Gain (Loss)

In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, local governments are required to use fair value (instead of amortized costs) for financial reporting purposes. As a result of such implementation, the City recognizes the unrealized gain (loss).

CITY OF MONTEBELLO

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2011 and 2010
(Continued)

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 their compliance with the Proposition A and Proposition C Local Return Program Guidelines, Measure R Local Return Program Guidelines, Transportation Development Act Article 3, and the Los Angeles County Metropolitan Transportation Authority Funding and Allocation Guidelines for Transportation Development Act Article 3 Bicycle and Pedestrian Funds.

NOTE 3 – PROPOSITION A AND PROPOSITION C LOCAL RETURN COMPLIANCE REQUIREMENTS

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.

NOTE 4 – MEASURE R LOCAL RETURN COMPLIANCE REQUIREMENTS

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.

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.

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.

NOTE 7 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION

The revenue allocation for the years ended June 30, 2011 and 2010 consisted of the following:

	2011	2010
FY 2009-10 allocation	\$ -	\$ 28,321
FY 2010-11 allocation	-	-
	\$ -	\$ 28,321

CITY OF MONTEBELLO

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2011 and 2010
(Continued)

NOTE 8 – TRANSPORTATION DEVELOPMENT ACT FUNDS RESERVED

In accordance with TDA Article 3 (SB821) Guidelines, funds not 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 Metro. As of June 30, 2011 and 2010, the City has funds on reserve as follows:

	2011	2010
FY 2009/10	\$ -	\$ -
FY 2010/11	26,407	-
Available reserve balance	\$ <u>26,407</u>	\$ <u>-</u>

NOTE 9 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment was recorded in fiscal 2010 to correct an accounting error related to corrections made in fiscal 2009. As a result of its CAFR audit in 2009 the City increased its Prop A Local Return fund balance and its Prop C Local Return fund balance by \$20,418 and \$37,240, respectively. The adjustments were to properly reflect an increase in cash for the Prop. A Local Return fund, and a reduction in the Due To MTA account for the Prop. C Local Return fund, respectively, at June 30, 2009.

NOTE 10 – SUBSEQUENT EVENTS

The City has evaluated events or transactions that occurred subsequent to June 30, 2011 through November 01, 2011, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined no subsequent matters require disclosure or adjustment to the accompanying financial statements.



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRANARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

3600 WILSHIRE BOULEVARD, SUITE 1710
LOS ANGELES, CA 90010
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

**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***

To the Honorable Members of the City Council of the
City of Montebello, California and the
Los Angeles County Metropolitan Transit Authority

We have audited the financial statements of the Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, and Transportation Development Act Article 3 (TDA 3) Fund of the City of Montebello, California (City) as of and for the year ended June 30, 2011, and have issued our report thereon dated November 1, 2011. 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.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting of the local return funds and TDA 3 local fund as a basis for designing our auditing procedures for the purpose of expressing our opinion on these funds' financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting of these funds. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting of the local return funds and TDA 3 local fund.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's local return funds and TDA 3 local fund financial statements will not be prevented, or detected and corrected on a timely basis.



The CPA. Never Underestimate The Value.™



Our consideration of internal control over financial reporting 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 financial reporting of the local return funds and TDA 3 local fund that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting of these funds that we consider to be material weaknesses, as defined above.

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 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*.

This report is intended solely for the information and use of the City of Montebello and the Los Angeles County Metropolitan Transportation Authority and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read 'Stimpson' followed by a flourish.

Los Angeles, California
November 1, 2011

COMPLIANCE SECTION



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRANARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

3600 WILSHIRE BOULEVARD, SUITE 1710
LOS ANGELES, CA 90010
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

Independent Auditor's Report

To the Honorable Members of the City Council of the
City of Montebello, California and the
Los Angeles County Metropolitan Transit Authority

We have audited the compliance of the City of Montebello, California (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 the Transportation Development Act Article 3 Bicycle and Pedestrian Funds (Guidelines) for the year ended June 30, 2011. Management is responsible for the City's compliance with those guidelines. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit in accordance with the Guidelines and standards generally accepted in the United States, and contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence about the City's compliance with these 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. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, as noted in the Compliance Matrix, the City of Montebello complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2011.

This report is intended solely for the information and use of the City of Montebello and Los Angeles County Metropolitan Transportation Authority and is not intended to be and should not be used by anyone other than these specified parties.

Los Angeles, California
November 1, 2011



The CPA. Never Underestimate The Value.™

CITY OF MONTEBELLO
COMPLIANCE MATRIX
Year Ended June 30, 2011

Compliance Requirement	In Compliance		Questioned Costs	If no, provide details and management response.
	Yes	No		
A. Proposition A and Proposition C Local Return Funds				
1. Timely use of funds.	X		None	
2. Expenditures were approved before being incurred.	X		None	
3. Funds were used on approved projects only and expenditures were supported and allowable per Guidelines.	X		None	
4. Expenditures did not exceed 25% of Metro's approved budget.	X		None	
5. Administrative expenses were within the 20% cap.	X		None	
6. All on-going and carryover projects were reported in Form B.	X		None	
7. Annual Project Summary Report (Form B) was submitted on time.	X		None	
8. Annual Expenditure Report (Form C) was submitted on time.	X		None	
9. Cash or cash equivalents were maintained.	X		None	
10. Accounting procedures, record keeping and documentation were adequate.	X		None	
11. Revenues received including allocations, project generated revenues, and interest income were properly credited to the PALRF and PCLRF accounts.	X		None	

CITY OF MONTEBELLO
COMPLIANCE MATRIX
Year Ended June 30, 2011
(Continued)

Compliance Requirement	In Compliance		Questioned Costs	If no, provide details and management response.
	Yes	No		
B. Measure R Local Return Fund				
1. Timely use of funds.	X		None	
2. Expenditures were approved before being incurred.	X		None	
3. Funds were used on approved projects only and expenditures were supported and allowable per Guidelines.	X		None	
4. Fund were not substituted for property tax.	X		None	
5. Administrative expenses were within the 20% cap.	X		None	
6. Expenditure Plan (Form One) was submitted on time.	X		None	
7. Expenditure Report (Form Two) was submitted on time.	X		None	
8. Cash or cash equivalents were maintained.	X		None	
9. Accounting procedures, record keeping and documentation were adequate.	X		None	
10. Revenues received including allocations, project generated revenues, and interest income were properly credited to the Measure R account.	X		None	
11. Funds were not used to supplant existing local revenues being used for transportation purpose.	X		None	

CITY OF MONTEBELLO
COMPLIANCE MATRIX
 Year Ended June 30, 2011
 (Continued)

Compliance Requirement	In Compliance		Questioned Costs	If no, provide details and management response.
	Yes	No		
C. Transportation Development Act Article 3 Fund				
1.	Timely use of funds.	X		None
2.	Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.	N/A		None

N/A - Not applicable as the City did not expend funds.

EXIT CONFERENCE

CITY OF MONTEBELLO

**PROPOSITION A, PROPOSITION C, MEASURE R LOCAL RETURN FUNDS, AND
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND**

EXIT CONFERENCE

June 30, 2011

An exit conference was held on January 5, 2012 with the City of Montebello. Those in attendance were:

Simpson & Simpson Representative:

Lauren Choi, Senior Auditor
Carina Udarbe, Staff Auditor

City's Representative:

Francesca Schuyler, Director of Finance

Matters Discussed:

Results of the audit disclosed no significant financial or compliance issues.

A copy of this report was forwarded to the following City representative(s) for their comments prior to the issuance of the final report:

Francesca Schuyler, Director of Finance



City of Montebello

Simpson & Simpson, CPAs
3600 Wilshire Boulevard #1710
Los Angeles, CA90010

RE: CITY OF MONTEBELLO ANNUAL FINANCIAL REPORT OF THE PROPOSITION A LOCAL RETURN FUND, PROPOSITION C LOCAL RETURN FUND, MEASURE R LOCAL RETURN FUND, AND TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

I have received the annual financial report of the Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, and Transportation Development Act Article 3 Fund for the years ended June 30, 2011 and 2010 for the City of Montebello and agree with the contents of the report except as indicated below:

Very truly yours,

Francisca Schuyler

Name

Director of Finance

Title

11/5/2012

Date