

***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, 2012 AND 2011***



***CITY OF MONTEBELLO***  
**TABLE OF CONTENTS**

<b>FINANCIAL SECTION</b>	<b>PAGE</b>
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 <i>Government Auditing Standards</i>	21
<b>COMPLIANCE SECTION</b>	
Independent Auditor’s Report On Compliance	23
Compliance Matrix	24
Schedule of Findings and Recommendations	27
<b>EXIT CONFERENCE</b>	28

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*FINANCIAL SECTION*

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## 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, 2012 and 2011, and the accompanying statements of revenues, expenditures, and changes in fund balance for the years 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 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinions.

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, 2012 and 2011, 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.

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, 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, 2012 and 2011, and the respective changes in their fund balances 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 accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2012 on our consideration of the City of Montebello'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 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Montebello, California'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 as a whole. 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 financial statements. The schedules of expenditures are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The supplemental 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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 cursive script, appearing to read 'Simpson' followed by a flourish and another 'Simpson'.

Los Angeles, California  
December 20, 2012

**CITY OF MONTEBELLO**

**PROPOSITION A LOCAL RETURN FUND**

**BALANCE SHEETS**

**JUNE 30**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash and investments	\$ 1,683,177	\$ 2,037,367
Due from MTA	<u>93,722</u>	<u>-</u>
Total assets	<u>\$ 1,776,899</u>	<u>\$ 2,037,367</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ <u>24,469</u>	\$ <u>-</u>
Total liabilities	<u>24,469</u>	<u>-</u>
 <b>Fund Balance</b>		
Restricted	<u>1,752,430</u>	<u>2,037,367</u>
Total fund balance	<u>1,752,430</u>	<u>2,037,367</u>
 Total liabilities and fund balance	 <u>\$ 1,776,899</u>	 <u>\$ 2,037,367</u>

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>2012</u>	<u>2011</u>
<b>REVENUES</b>		
Proposition A	\$ 961,255	\$ 888,129
Interest income	<u>9,630</u>	<u>5,893</u>
Total revenues	<u>970,885</u>	<u>894,022</u>
<b>EXPENDITURES</b>		
Various projects	<u>1,255,822</u>	<u>-</u>
Total expenditures	<u>1,255,822</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(284,937)	894,022
Fund balance at beginning of year	<u>2,037,367</u>	<u>1,143,345</u>
Fund balance at end of year	<u>\$ 1,752,430</u>	<u>\$ 2,037,367</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, 2012

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2011)

Project Code	Project Name	2012			2011 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
110-01	Fixed Route Transit	\$ 1,100,000	\$ 1,100,000	\$ -	\$ -
150-01	Bus Stop Improvements	50,000	24,469	25,531	-
170-01	Bus Stop Repairs & Maintenance	140,000	-	140,000	-
200-01	CNG Bus Purchase Project	175,000	131,353	43,647	-
360-01	Metrolink Station Bus Terminal & Park & Ride Lot	310,000	-	310,000	-
	Total expenditures	<u>\$ 1,775,000</u>	<u>\$ 1,255,822</u>	<u>\$ 519,178</u>	<u>\$ -</u>

See accompanying independent auditor's report.

**CITY OF MONTEBELLO**

PROPOSITION A LOCAL RETURN FUND

SUPPLEMENTAL INFORMATION  
SCHEDULE OF CAPITAL ASSETS

June 30, 2012

Date Acquired	Description	Balance 7/1/2011	Additions	Deletions	Balance 6/30/2012
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/Transmittions	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
2011-12	CNG Bus Purchase Project	-	131,353	-	131,353
2011-12	Bus Stop Sign Replacement Project	-	24,469	-	24,469
	<b>Total</b>	<b>\$ 2,073,949</b>	<b>\$ 155,822</b>	<b>\$ -</b>	<b>\$ 2,229,771</b>

See accompanying independent auditor's report.

**CITY OF MONTEBELLO**

**PROPOSITION C LOCAL RETURN FUND**

**BALANCE SHEETS**

**JUNE 30**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash and investments	\$ <u>2,330,533</u>	\$ <u>2,352,234</u>
Total assets	\$ <u><u>2,330,533</u></u>	\$ <u><u>2,352,234</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ <u>49,376</u>	\$ <u>-</u>
Total liabilities	<u>49,376</u>	<u>-</u>
 <b>Fund Balance</b>		
Restricted	<u>2,281,157</u>	<u>2,352,234</u>
Total fund balance	<u>2,281,157</u>	<u>2,352,234</u>
 Total liabilities and fund balance	 \$ <u><u>2,330,533</u></u>	 \$ <u><u>2,352,234</u></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>2012</u>	<u>2011</u>
<b>REVENUES</b>		
Proposition C	\$ 798,968	\$ 738,047
Interest income	<u>10,190</u>	<u>6,405</u>
Total revenues	<u>809,158</u>	<u>744,452</u>
<b>EXPENDITURES</b>		
Various projects	<u>880,235</u>	<u>234,440</u>
Total expenditures	<u>880,235</u>	<u>234,440</u>
Excess (deficiency) of revenues over expenditures	(71,077)	510,012
Fund balance at beginning of year	<u>2,352,234</u>	<u>1,842,222</u>
Fund balance at end of year	<u>\$ 2,281,157</u>	<u>\$ 2,352,234</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, 2012

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2011)

Project Code	Project Name	2012		Variance Favorable (Unfavorable)	2011 Actual
		Metro Budget	Actual		
140-01	Recreational Field Trips	\$ 25,000	\$ 14,050	\$ 10,950	\$ 14,050
180-28	Finance System Replacement	19,261	19,261	-	19,261
270-02	Circulation Element of the General Plan	33,971	-	33,971	-
270-04	San Gabriel Valley Cog Participation	20,000	18,838	1,162	-
350-01	Beverly Blvd. Widening Financial Feasibility Analysis	135,750	-	135,750	-
350-2	Beverly Blvd. Widening - Phase III	1,064,128	105,000	959,128	105,000
440-37	Bridge Repair - Ongoing Bridge Maintenance	25,000	4,546	20,454	4,546
440-41	Streets Improvement Project	67,750	53,125	14,625	53,125
450-37	Garfield Avenue Reconstruction Project	1	-	1	-
450-39	Washington Blvd. Street Improvements	1,043,320	657,170	386,150	657,170
450-40	Beverly Blvd. Street Improvements	1	-	1	-
460-01	Traffic Signal Improvements (Montebello Blvd. & Washington Blvd.)	69,503	8,245	61,258	8,245
	<b>Total expenditures</b>	<b>\$ 2,503,685</b>	<b>880,235</b>	<b>1,623,450</b>	<b>861,397</b>

See accompanying independent auditor's report.

**CITY OF MONTEBELLO**

PROPOSITION C LOCAL RETURN FUND

SUPPLEMENTAL INFORMATION  
SCHEDULE OF CAPITAL ASSETS

June 30, 2012

Date Acquired	Description	Balance 7/1/2011	Additions	Deletions	Balance 6/30/2012
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	19,261	-	351,212
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	978,500	-	-	978,500
2008-09	MTB Way Traffic Signal	58,227	8,245.00	-	66,472
2009-10	Beverly Blvd. Street Improvement	89,400	-	-	89,400
2009-10	Washington Blvd. St. Improvement	186,450	657,170	-	843,620
2010-11	Beverly Blvd. Widening Phase-III	45,000.00	105,000	-	150,000
2011-12	Streets Improvement Project	-	53,125	-	53,125
Total		\$ 5,688,474	\$ 842,801	\$ -	\$ 6,531,275

See accompanying independent auditor's report.

**CITY OF MONTEBELLO**

**MEASURE R LOCAL RETURN FUND**

**BALANCE SHEETS**

**JUNE 30**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash and investments	\$ 806,553	\$ 871,848
Due from MTA	<u>58,333</u>	<u>54,504</u>
Total assets	<u>\$ 864,886</u>	<u>\$ 926,352</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ <u>15,777</u>	\$ <u>-</u>
Total liabilities	<u>15,777</u>	<u>-</u>
 <b>Fund Balance</b>		
Restricted	<u>849,109</u>	<u>926,352</u>
Total fund balance	<u>849,109</u>	<u>926,352</u>
 Total liabilities and fund balance	 <u>\$ 864,886</u>	 <u>\$ 926,352</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>2012</u>	<u>2011</u>
<b>REVENUES</b>		
Measure R	\$ 594,133	\$ 550,647
Interest income	<u>4,371</u>	<u>3,363</u>
Total revenues	<u>598,504</u>	<u>554,010</u>
<b>EXPENDITURES</b>		
Various projects	<u>675,747</u>	<u>48,910.00</u>
Total expenditures	<u>675,747</u>	<u>48,910.00</u>
Excess (deficiency) of revenues over expenditures	(77,243)	505,100
Fund balance at beginning of year	<u>926,352</u>	<u>421,252</u>
Fund balance at end of year	<u>\$ 849,109</u>	<u>\$ 926,352</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, 2012

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2011)

Project Code	Project Name	2012			2011 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	Street Rehabilitation	\$ 300,000	\$ 46,948	\$ 253,052	\$ -
1.05	Maple Ave. Rehabilitation	362,845	312,996	49,849	-
1.05	Pavement and Concrete Improvement form Beverly Blvd.	-	-	-	34,410
2.01	Signal Synchronization	-	-	-	14,500
2.05	Signal Synchronization	25,000	-	25,000	-
2.29	Whittier/Mtb. Blvd.	110,500	104,829	5,671	-
3.05	Eastmont School	26,629	33,346	(6,717)	-
3.05	Sidewalk/Pothole Program	100,000	99,540	460	-
3.90	Wilcox La Merced	91,578	78,088	13,490	-
	Total expenditures	<u>\$ 1,016,552</u>	<u>\$ 675,747</u>	<u>\$ 340,805</u>	<u>\$ 48,910</u>

See accompanying independent auditor's report.

**CITY OF MONTEBELLO**

**MEASURE R LOCAL RETURN FUND**

**SUPPLEMENTAL INFORMATION  
SCHEDULE OF CAPITAL ASSETS**

June 30, 2012

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 7/1/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2012</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

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>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash and investments	\$ -	\$ -
Total assets	\$ -	\$ -
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
<b>Fund Balance</b>		
Reserved	-	-
Total fund balance	-	-
Total liabilities and fund balance	\$ -	\$ -

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>2012</u>	<u>2011</u>
<b>REVENUES</b>		
Payment from prior year reserve	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>		
Various projects	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</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>

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, 2012

<u>Project Description</u>	<u>Program Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended Allocations</u>	<u>Project Status</u>
<b>Local allocations</b>					
None	2012	\$ -	\$ -	\$ -	
	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, 2012 and 2011

**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.

**CITY OF MONTEBELLO**

**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2012 and 2011  
(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, 2012 and 2011 consisted of the following:

	2012	2011
FY 2010-11 allocation	\$ <u>          -</u>	\$ <u>          -</u>
FY 2011-12 allocation	-	-
	\$ <u>          -</u>	\$ <u>          -</u>

**CITY OF MONTEBELLO**

**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2012 and 2011  
(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, 2012 and 2011, the City has funds on reserve as follows:

	2012	2011
FY 2010/11	\$ 26,407	\$ 26,407
FY 2011/12	31,696	-
Available reserve balance	<u>\$ 58,103</u>	<u>\$ 26,407</u>

**NOTE 9 – SUBSEQUENT EVENTS**

The City has evaluated events or transactions that occurred subsequent to June 30, 2012 through December 20, 2012 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  
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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***

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, 2012, and have issued our report thereon dated December 20, 2012. 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 opinions 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.

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.



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## 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 one instance 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 'Shimpson &amp; Shimpson'.

Los Angeles, California  
December 20, 2012

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*COMPLIANCE SECTION*

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SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

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

## Independent Auditor's Report On Compliance

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, 2012. 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 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 the Guidelines referred to in the preceding paragraph. Those standards and the Guidelines 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 local return program occurred. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination of City's compliance with those requirements.

In our opinion, except as noted in the Compliance Matrix and the Schedule of Findings and Recommendations, the City of Montebello complied, in all material respects, with the compliance requirements referred to above that apply to Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, and Transportation Development Act Article 3 (TDA 3) Fund for the year ended June 30, 2012.

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.

Los Angeles, California  
December 20, 2012



**CITY OF MONTEBELLO**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2012

Compliance Requirement	In Compliance		Questioned Costs	If no, provide details and management response.	
	Yes	No			
<b>A. Proposition A and Proposition C Local Return Funds</b>					
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, 2012  
(Continued)

Compliance Requirement		In Compliance		Questioned Costs	If no, provide details and management response.
		Yes	No		
<b>B. Measure R Local Return Fund</b>					
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	See Finding No. 1 at the Schedule of Findings and Recommendations.
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, 2012  
(Continued)

Compliance Requirement	In Compliance		Questioned Costs	If no, provide details and management response.
	Yes	No		
<b>C. Transportation Development Act Article 3 Fund</b>				
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.

**CITY OF MONTEBELLO**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

June 30, 2012

**Finding No 1 - Fund: MRLRF**

***Compliance Reference:***

According to Measure R Local Return Guidelines, Section B (II.1), "Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually by August 1<sup>st</sup> of each year."

***Condition:***

The City did not meet the August 1, 2011 deadline for submission of Form One. However, the City submitted the Form One on August 4, 2011.

***Cause:***

The City was not aware of the importance of submitting Form One to meet the compliance requirements of the Measure R Local Return guidelines.

***Effect:***

The City's Form One was not submitted timely.

***Questioned Costs:***

None

***Recommendation:***

We recommend that the City establish procedures to ensure that the Form One (Expenditure Plan) is properly prepared and submitted before the due date of August 1st so that the City's expenditures of the Measure R Local Return Funds will be in accordance with LACMTA's approval and the Guidelines.

***Management's Response:***

The City will submit all required reports on a timely basis.

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*EXIT CONFERENCE*

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***CITY OF MONTEBELLO***

PROPOSITION A, PROPOSITION C, MEASURE R LOCAL RETURN FUNDS, AND  
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND  
EXIT CONFERENCE  
June 30, 2012

An exit conference was held on December 20, 2012 via telephone conference. Those in attendance were:

***Simpson & Simpson Representative:***

Lauren Choi, Senior Auditor

***City's Representative:***

Steve Kwon, Accounting Supervisor

***Matters Discussed:***

Results of the audit disclosed issues of non-compliance with LACMTA's Guidelines

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

Steve Kwon, Accounting Supervisor

Simpson & Simpson, CPAs  
3600 Wilshire Boulevard Suite 1710  
Los Angeles, CA 90010

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, 2012 AND 2011

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, 2012 and 2011 for the City of Montebello and agree with the contents of the report except as indicated below:

(Attach additional pages if necessary)

Very truly yours,



Francesca Schuyler  
City administrator/Interim Finance Director  
January 17, 2013