

***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, 2013 AND 2012***



***CITY OF MONTEBELLO***  
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*FINANCIAL SECTION*

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SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

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

## 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

### Report on the Financial Statements

We have audited the accompanying financial statements of the Proposition A Local Return Fund (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), and Transportation Development Act Article 3 Fund (TDAA3F) of the City of Montebello, California (City) as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



As discussed in Note 2, the financial statements present only the PALRF, PCLRF, MRLRF, and TDAA3F and do not purport to, and do not, present fairly the financial position of the City of Montebello, California, as of June 30, 2013 and 2012, 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.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the PALRF, PCLRF, MRLRF, and TDAA3F of the City of Montebello, California, as of June 30, 2013 and 2012, and the respective changes in their financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Montebello, California's PALRF, PCLRF, MRLRF, and TDAA3F 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 supplemental information is the responsibility of management and was derived from and relates 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.

### **Other Reporting Required by Governmental Auditing Standards**

In accordance with *Government Auditing Standards*, we have issued our report dated November 8, 2013, 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, 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.

A handwritten signature in cursive script that reads "Simpson &amp; Simpson".

Los Angeles, California  
November 8, 2013

**CITY OF MONTEBELLO**

**PROPOSITION A LOCAL RETURN FUND**

**BALANCE SHEETS**

**JUNE 30**

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and investments	\$ 2,373,686	\$ 1,683,177
Accounts receivable	13,555	-
Due from MTA	<u>-</u>	<u>93,722</u>
Total assets	<u>\$ 2,387,241</u>	<u>\$ 1,776,899</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ <u>48,200</u>	\$ <u>24,469</u>
Total liabilities	<u>48,200</u>	<u>24,469</u>
<b>Fund Balance</b>		
Restricted	<u>2,339,041</u>	<u>1,752,430</u>
Total fund balance	<u>2,339,041</u>	<u>1,752,430</u>
Total liabilities and fund balance	<u>\$ 2,387,241</u>	<u>\$ 1,776,899</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>2013</u>	<u>2012</u>
<b>REVENUES</b>		
Proposition A	\$ 1,016,478	\$ 961,255
Interest income	<u>6,578</u>	<u>9,630</u>
Total revenues	<u>1,023,056</u>	<u>970,885</u>
<b>EXPENDITURES</b>		
Various projects	<u>436,445</u>	<u>1,255,822</u>
Total expenditures	<u>436,445</u>	<u>1,255,822</u>
Excess (deficiency) of revenues over expenditures	586,611	(284,937)
Fund balance at beginning of year	<u>1,752,430</u>	<u>2,037,367</u>
Fund balance at end of year	<u>\$ 2,339,041</u>	<u>\$ 1,752,430</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, 2013

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2012)

Project Code	Project Name	2013			2012 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
110-01	Fixed Route Transit	\$ 596,621	\$ -	\$ 596,621	\$ 1,100,000
150-01	Bus Stop Improvements	50,000	25,130	24,870	24,469
170-01	Bus Stop Repairs & Maintenance	140,000	114,871	25,129	-
200-01	CNG Bus Purchase Project	-	-	-	131,353
220-01	Transit Security Program	100,000	-	100,000	-
270-05	San Gabriel Valley COG Restructuring Study	40,000	21,050	18,950	-
360-01	Metrolink Station Bus Terminal & Park & Ride Lot	310,000	140,394	169,606	-
370-01	Metrolink Revitalization Project	150,000	135,000	15,000	-
	Total expenditures	<u>\$ 1,386,621</u>	<u>\$ 436,445</u>	<u>\$ 950,176</u>	<u>\$ 1,255,822</u>

See accompanying independent auditor's report.

**CITY OF MONTEBELLO**

PROPOSITION A LOCAL RETURN FUND

SUPPLEMENTAL INFORMATION  
SCHEDULE OF CAPITAL ASSETS

June 30, 2013

Date Acquired	Description	Balance 7/1/2012	Additions	Deletions	Balance 6/30/2013
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
Total		\$ <u>2,229,771</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,229,771</u>

See accompanying independent auditor's report.

**CITY OF MONTEBELLO**

**PROPOSITION C LOCAL RETURN FUND**

**BALANCE SHEETS**

**JUNE 30**

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and investments	\$ <u>1,870,991</u>	\$ <u>2,330,533</u>
Total assets	\$ <u><u>1,870,991</u></u>	\$ <u><u>2,330,533</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ <u>92,545</u>	\$ <u>49,376</u>
Total liabilities	<u>92,545</u>	<u>49,376</u>
 <b>Fund Balance</b>		
Restricted	<u>1,778,447</u>	<u>2,281,157</u>
Total fund balance	<u>1,778,447</u>	<u>2,281,157</u>
 Total liabilities and fund balance	 \$ <u><u>1,870,992</u></u>	 \$ <u><u>2,330,533</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>2013</u>	<u>2012</u>
<b>REVENUES</b>		
Proposition C	\$ 845,062	\$ 798,968
Interest income	7,375	10,190
Other income	1,775	-
Total revenues	<u>854,212</u>	<u>809,158</u>
<b>EXPENDITURES</b>		
Various projects	<u>1,356,922</u>	<u>880,235</u>
Total expenditures	<u>1,356,922</u>	<u>880,235</u>
Excess (deficiency) of revenues over expenditures	(502,710)	(71,077)
Fund balance at beginning of year	<u>2,281,157</u>	<u>2,352,234</u>
Fund balance at end of year	<u>\$ 1,778,447</u>	<u>\$ 2,281,157</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, 2013

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2012)

Project Code	Project Name	2013		Variance Favorable (Unfavorable)	2012 Actual
		Metro Budget	Actual		
140-01	Recreational Field Trips	\$ 25,000	\$ 21,650	\$ 3,350	\$ 14,050
150-02	Street Improvements Various Locations	25,000	-	25,000	-
180-28	Finance System Replacement	-	-	-	19,261
270-02	Circulation Element of the General Plan	1	-	1	-
270-04	San Gabriel Valley Cog Participation	20,000	18,857	1,143	18,838
350-01	Beverly Blvd. Widening Financial Feasibility Analysis	1	-	1	-
350-2	Beverly Blvd. Widening - Phase III	-	-	-	105,000
440-37	Bridge Repair - Ongoing Bridge Maintenance	100,000	28,479	71,521	4,546
440-41	Streets Improvement Project	482,250	439,816	42,434	53,125
440-42	Transit Impact Mitigation	490,000	392,235	97,765	
450-39	Washington Blvd. Street Improvements	28,012	28,012	-	657,170
450-40	Beverly Blvd. Street Improvements	210,670	24,242	186,428	-
450-41	Washington Blvd. Phase II	134,825	121,660	13,165	-
450-42	Garfield Avenue Phase II	133,000	122,742	10,258	-
450-43	Flotilla Street Improvements	57,500	-	57,500	-
460-01	Traffic Signal Improvements (Montebello Blvd. & Washington Blvd.)	145,000	1,312	143,688	8,245
480-01	Direct Administration	157,917	157,917	-	-
	Total expenditures	\$ 2,009,176	1,356,922	652,254	880,235

See accompanying independent auditor's report.

**CITY OF MONTEBELLO**

PROPOSITION C LOCAL RETURN FUND

SUPPLEMENTAL INFORMATION  
SCHEDULE OF CAPITAL ASSETS

June 30, 2013

Date Acquired	Description	Balance 7/1/2012	Additions	Deletions	Balance 6/30/2013
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	351,212	-	-	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	66,472	-	-	66,472
2009-10	Beverly Blvd. Street Improvement	89,400	-	-	89,400
2009-10	Washington Blvd. St. Improvement	843,620	-	-	843,620
2010-11	Beverly Blvd. Widening Phase-III	150,000	-	-	150,000
2011-12	Streets Improvement Project	53,125	-	-	53,125
	<b>Total</b>	<b>\$ 6,531,275</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,531,275</b>

See accompanying independent auditor's report.

**CITY OF MONTEBELLO**

**MEASURE R LOCAL RETURN FUND**

**BALANCE SHEETS**

**JUNE 30**

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and investments	\$ 694,381	\$ 806,553
Due from MTA	<u>-</u>	<u>58,333</u>
Total assets	<u>\$ 694,381</u>	<u>\$ 864,886</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 46,942	\$ 15,777
Total liabilities	<u>46,942</u>	<u>15,777</u>
<b>Fund Balance</b>		
Restricted	<u>647,439</u>	<u>849,109</u>
Total fund balance	<u>647,439</u>	<u>849,109</u>
Total liabilities and fund balance	<u>\$ 694,381</u>	<u>\$ 864,886</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>2013</u>	<u>2012</u>
<b>REVENUES</b>		
Measure R	\$ 631,598	\$ 594,133
Interest income	<u>2,667</u>	<u>4,371</u>
Total revenues	<u>634,265</u>	<u>598,504</u>
<b>EXPENDITURES</b>		
Various projects	<u>835,935</u>	<u>675,747</u>
Total expenditures	<u>835,935</u>	<u>675,747</u>
Excess (deficiency) of revenues over expenditures	(201,670)	(77,243)
Fund balance at beginning of year	<u>849,109</u>	<u>926,352</u>
Fund balance at end of year	<u>\$ 647,439</u>	<u>\$ 849,109</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, 2013  
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2012)

Project Code	Project Name	2013		Variance Favorable (Unfavorable)	2012 Actual
		Metro Budget	Actual		
1.05	Street Rehabilitation	\$ 150,000	\$ 29,117	\$ 120,883	\$ 46,948
1.05	Maple Ave. Rehabilitation	-	-	-	312,996
1.05	Local Street Rehabilitation	254,164	196,755	-	-
2.03	Signal Synchronization	15,000	10,392	-	-
2.29	Whittier/Mtb. Blvd.	-	-	-	104,829
3.05	Bike/Ped Facilities	750	-	750	-
3.05	Eastmont School	-	-	-	33,346
3.05	Sidewalk/Pothole Program	368,441	376,613	(8,172)	99,540
3.05	Wilcox La Merced	150,000	153,976	(3,976)	78,088
7.10	Bike Lane Feasibility Study	7,000	7,020	(20)	-
7.10	Planning start up costs	208,500	12,782	195,718	-
8.10	Fund Administration	50,000	49,280	720	-
	Total expenditures	<u>\$ 1,203,855</u>	<u>\$ 835,935</u>	<u>\$ 305,903</u>	<u>\$ 675,747</u>

See accompanying independent auditor's report.

**CITY OF MONTEBELLO**

**MEASURE R LOCAL RETURN FUND**

**SUPPLEMENTAL INFORMATION  
SCHEDULE OF CAPITAL ASSETS**

June 30, 2013

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 7/1/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2013</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>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and investments	\$ <u>29,235</u>	\$ <u>-</u>
Total assets	\$ <u><u>29,235</u></u>	\$ <u><u>-</u></u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Unearned revenue	\$ <u>29,235</u>	\$ <u>-</u>
Total liabilities	<u>29,235</u>	<u>-</u>
<b>Fund Balance</b>		
Restricted	<u>-</u>	<u>-</u>
Total fund balance	<u>-</u>	<u>-</u>
Total liabilities and fund balance	\$ <u><u>29,235</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

STATEMENTS OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE

For the Fiscal Years Ended June 30

	<u>2013</u>	<u>2012</u>
<b>REVENUES</b>		
Payment from prior year reserve	\$ 58,103	\$ -
Allocation from FY 2012-13	17,576	-
	<u>-</u>	<u>-</u>
Total revenues	<u>75,679</u>	<u>-</u>
<b>EXPENDITURES</b>		
Sidewalk Removal	<u>75,679</u>	<u>-</u>
Total expenditures	<u>75,679</u>	<u>-</u>
Excess 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, 2013

<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>					
Sidewalk Removal	2013	\$ 75,679	\$ 75,679	\$ -	Complete
	Total	<u>\$ 75,679</u>	<u>\$ 75,679</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, 2013 and 2012**

#### **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, MRLRF, 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) on its external investment pool.

**CITY OF MONTEBELLO**

**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2013 and 2012  
(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, 2013 and 2012 consisted of the following:

	2013	2012
FY 2011-12 reserve	\$ 58,051	\$ -
FY 2012-13 allocation	46,811	-
	<u>\$ 104,862</u>	<u>\$ -</u>

**CITY OF MONTEBELLO**

**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2013 and 2012  
(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, 2013 and 2012, the City has funds on reserve as follows:

	2013	2012
FY 2010/11	\$ -	\$ 26,407
FY 2011/12	-	31,696
Available reserve balance	<u>\$ -</u>	<u>\$ 58,103</u>

**NOTE 9 – SUBSEQUENT EVENTS**

The City has evaluated events or transactions that occurred subsequent to June 30, 2013 through November 8, 2013 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  
BRAINARD C. SIMPSON, CPA  
MELBA W. SIMPSON, CPA

**Independent Auditor's 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, 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, the financial statements of the Proposition A Local Return Fund (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), and Transportation Development Act Article 3 (TDAA3F) Fund of the City of Montebello, California (City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated November 8, 2013.

**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 local return funds and TDAA3F 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 any 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.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our 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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Simpson &amp; Simpson".

Los Angeles, California  
November 8, 2013

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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

### Report on Compliance

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, 2013.

### *Management's Responsibility*

Management is responsible for the City's compliance with those guidelines.

### *Auditor's Responsibility*

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 on compliance. Our audit does not provide a legal determination of City's compliance with those requirements.

### *Opinion on Each Local Return Program and Transportation Development Act Article 3*

In our opinion, 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 (TDAA3F) Fund for the year ended June 30, 2013.



## Report on Internal Control Over Compliance

Management of the City of Montebello, California (City) is responsible for establishing and maintaining effective internal control over compliance with the Requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the Requirements that could have a direct and material effect on the Local Return programs and the TDAA3F to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Requirements, 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 under the Requirements on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance under the Requirements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the Requirements that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that we consider to 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.

A handwritten signature in cursive script that reads "Simpson &amp; Simpson".

Los Angeles, California  
November 8, 2013

**CITY OF MONTEBELLO**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2013

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, 2013  
(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	
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, 2013  
(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

***CITY OF MONTEBELLO***

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
June 30, 2013

No findings were no noted.

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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, 2013

An exit conference was held on December 2, 2013 with the City of Montebello. Those in attendance were:

***Simpson & Simpson Representative:***

Caprice McGuire, Staff Auditor

***City's Representative:***

David Kim, Finance Director

Manuel Carrillo, Revenue Supervisor

***Matters Discussed:***

Results of the audit, no findings were noted.

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

David Kim, Finance Director

Manuel Carrillo, Revenue Supervisor