

***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, 2015 AND 2014***



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
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 <i>Government Auditing Standards</i>	21
COMPLIANCE SECTION	
Independent Auditor's Report On Compliance	23
Compliance Matrix	25
Schedule of Findings and Recommendations	28
EXIT CONFERENCE	30

FINANCIAL SECTION



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 then June 30, 2015 and 2014, 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.





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, 2015 and 2014, 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.

Emphasis of Matter

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, 2015 and 2014, 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.

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 24, 2015, 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 & Simpson".

Los Angeles, California
November 24, 2015

CITY OF MONTEBELLO

PROPOSITION A LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and investments	\$ 696,994	\$ 1,990,828
Due from other fund	-	13,555
Total assets	<u>\$ 696,994</u>	<u>\$ 2,004,383</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ 1,326
Accrued liabilities	-	506,000
Total liabilities	<u>-</u>	<u>507,326</u>
Fund Balance		
Restricted	<u>696,994</u>	<u>1,497,057</u>
Total fund balance	<u>696,994</u>	<u>1,497,057</u>
Total liabilities and fund balance	<u>\$ 696,994</u>	<u>\$ 2,004,383</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>2015</u>	<u>2014</u>
REVENUES		
Proposition A	\$ 1,117,427	\$ 1,072,346
Interest income	<u>2,829</u>	<u>5,656</u>
Total revenues	<u>1,120,256</u>	<u>1,078,002</u>
EXPENDITURES		
Various projects	<u>1,920,319</u>	<u>1,919,986</u>
Total expenditures	<u>1,920,319</u>	<u>1,919,986</u>
(Deficiency) excess of revenues over expenditures	(800,063)	(841,984)
Fund balance at beginning of year	<u>1,497,057</u>	<u>2,339,041</u>
Fund balance at end of year	<u>\$ 696,994</u>	<u>\$ 1,497,057</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, 2015

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2014)

Project Code	Project Name	2015			2014 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
270-05	San Gabriel Valley COG Restructuring Study \$	-	\$ -	\$ -	\$ 18,955
360-01	Metrolink Station Bus Terminal & Park & Ride Lot	537,978	373,909	164,069	383,463
370-02	Metrolink Rail Station	-	-	-	11,568
405-04	Fund Exchange - Bellflower (Note 7)	40,410	40,410	-	-
405-02	Fund Exchange - Pasadena (Note 7)	506,000	506,000	-	506,000
405-03	Fund Exchange - Commerce (Note 7)	1,000,000	1,000,000	-	1,000,000
480-02	Direct Administration	50,000	-	50,000	-
	Total expenditures	<u>\$ 2,134,388</u>	<u>\$ 1,920,319</u>	<u>\$ 214,069</u>	<u>\$ 1,919,986</u>

See accompanying independent auditor's report.

CITY OF MONTEBELLO

PROPOSITION A LOCAL RETURN FUND

SUPPLEMENTAL INFORMATION
SCHEDULE OF CAPITAL ASSETS

June 30, 2015

Date Acquired	Description	Balance 7/1/2014	Additions	Deletions	Balance 6/30/2015
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
2012-13	Metrolink Revitalization Project	-	135,000	-	135,000
2012-13	Bus Stop Improvements	-	25,130	-	25,130
2013-14	ADA Improvements at Metrolink Rail Station	-	11,568	-	11,568
Total		\$ 2,229,771	\$ 171,698	\$ -	\$ 2,401,469

See accompanying independent auditor's report.

CITY OF MONTEBELLO

PROPOSITION C LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and investments	\$ <u>1,437,763</u>	\$ <u>2,075,751</u>
Total assets	\$ <u><u>1,437,763</u></u>	\$ <u><u>2,075,751</u></u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ <u>-</u>	\$ <u>107,705</u>
Total liabilities	<u>-</u>	<u>107,705</u>
 Fund Balance		
Restricted	<u>1,437,763</u>	<u>1,968,046</u>
Total fund balance	<u>1,437,763</u>	<u>1,968,046</u>
 Total liabilities and fund balance	 \$ <u><u>1,437,763</u></u>	 \$ <u><u>2,075,751</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>2015</u>	<u>2014</u>
REVENUES		
Proposition C	\$ 928,586	\$ 890,964
Interest income	<u>3,948</u>	<u>5,311</u>
Total revenues	<u>932,534</u>	<u>896,275</u>
EXPENDITURES		
Various projects	<u>1,462,817</u>	<u>706,676</u>
Total expenditures	<u>1,462,817</u>	<u>706,676</u>
Excess (deficiency) of revenues over expenditures	(530,283)	189,599
Fund balance at beginning of year	<u>1,968,046</u>	<u>1,778,447</u>
Fund balance at end of year	<u>\$ 1,437,763</u>	<u>\$ 1,968,046</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, 2015

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2014)

Project Code	Project Name	2015			2014 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
140-01	Recreational Field Trips	\$ 25,000	\$ 24,035	\$ 965	\$ 23,545
270-04	San Gabriel Valley Cog Participation	20,000	19,058	942	-
270-06	Gateway Cities COG Participation	16,000	16,689	(689)	16,689
440-44	Via Campo From Garfield to Wilcox	303,875	331,390	(27,515)	47,500
450-40	Beverly Blvd. Street Improvements	-	-	-	91,398
450-41	Washington Blvd. Phase II	901,723	7,950	893,773	14,340
450-42	Garfield Avenue Phase II	1,099,836	553,538	546,298	325,223
450-43	Flotilla Street Improvements	-	-	-	43,250
450-44	Flotilla Construction Phase	440,700	340,023	100,677	91,967
460-01	Traffic Signal Improvements (Montebello Blvd. & Washington Blvd.)	191,771	13,134	178,637	2,764
480-01	Direct Administration	157,000	157,000	-	50,000
	Total expenditures	<u>\$ 3,155,905</u>	<u>1,462,817</u>	<u>1,693,088</u>	<u>706,676</u>

See accompanying independent auditor's report.

CITY OF MONTEBELLO

PROPOSITION C LOCAL RETURN FUND

SUPPLEMENTAL INFORMATION
SCHEDULE OF CAPITAL ASSETS

June 30, 2015

Date Acquired	Description	Balance 7/1/2014	Additions	Deletions	Balance 6/30/2015
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	17,210	-	83,682
2009-10	Beverly Blvd. Street Improvement	89,400	115,640	-	205,040
2009-10	Washington Blvd. St. Improvement	843,620	28,012	-	871,632
2010-11	Beverly Blvd. Widening Phase-III	150,000	-	-	150,000
2011-12	Streets Improvement Project	53,125	439,816	-	492,941
2012-13	Garfield Ave. Phase II	-	1,001,503	-	1,001,503
2012-13	Washington Blvd. Phase II	-	143,950	-	143,950
2012-13	Transit Impact Mitigation	-	392,235	-	392,235
2013-14	Via Campo from Garfield to Wilcox	-	378,890	-	378,890
2013-14	Flotilla Street Improvement	-	475,240	-	475,240
Total		\$ 6,531,275	\$ 2,992,496	\$ -	\$ 9,523,771

See accompanying independent auditor's report.

CITY OF MONTEBELLO

MEASURE R LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and investments	\$ <u>588,890</u>	\$ <u>545,516</u>
Total assets	\$ <u><u>588,890</u></u>	\$ <u><u>545,516</u></u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ <u>8,022</u>	\$ <u>53,135</u>
Total liabilities	<u>8,022</u>	<u>53,135</u>
 Fund Balance		
Restricted	<u>580,868</u>	<u>492,381</u>
Total fund balance	<u>580,868</u>	<u>492,381</u>
 Total liabilities and fund balance	 \$ <u><u>588,890</u></u>	 \$ <u><u>545,516</u></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>2015</u>	<u>2014</u>
REVENUES		
Measure R	\$ 695,315	\$ 663,814
Interest income	<u>1,684</u>	<u>1,773</u>
Total revenues	<u>696,999</u>	<u>665,587</u>
EXPENDITURES		
Various projects	<u>608,512</u>	<u>820,645</u>
Total expenditures	<u>608,512</u>	<u>820,645</u>
Deficiency of revenues over expenditures	88,487	(155,058)
Fund balance at beginning of year	<u>492,381</u>	<u>647,439</u>
Fund balance at end of year	<u>\$ 580,868</u>	<u>\$ 492,381</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, 2015

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2014)

Project Code	Project Name	2015		Variance Favorable (Unfavorable)	2014 Actual
		Metro Budget	Actual		
1.05	Citywide Guardrail Repairs	\$ -	\$ -	\$ -	\$ 66,078
1.05	Local Street Rehabilitation	-	-	-	-
1.05	Rehabilitation of Bluff Rd from Upr to Whittier	246,414	216,081	30,333	33,248
1.05	Cleveland Avenue Emergency Street Repairs	-	-	-	31,432
1.05	Las Flores Emergency Street Repairs	-	-	-	27,501
1.05	Via Luneto street and sewer improvement Via Corona to Madison	200,231	-	200,231	-
1.05	Westmoreland Dr. pavement and concrete rehabilitation	488,070	75,682	412,388	-
1.10	Beverly Blvd Striping Project	-	-	-	46,829
1.20	SRTS Eastmont Route to Schools Project	-	-	-	3,771
3.16	Sidewalk Pothole Program	145,998	116,208	29,790	301,235
3.20	ADA Accessibility from Greenwood Ave. to Bluff Rd.	-	-	-	61,593
3.20	Concrete Program ADA Access Ramps	117,844	117,844	-	-
7.10	Traffic Safety Engineering Study	3,989	3,734	255	39,891
7.10	Feasibility Study of Ace Project	53,876	29,683	24,193	120,317
7.10	Pavement Management System Update	-	-	-	38,750
8.10	Fund Administration	50,000	49,280	720	50,000
	Total expenditures	\$ 1,306,422	\$ 608,512	\$ 697,910	\$ 820,645

See accompanying independent auditor's report.

CITY OF MONTEBELLO

MEASURE R LOCAL RETURN FUND

**SUPPLEMENTAL INFORMATION
SCHEDULE OF CAPITAL ASSETS**

June 30, 2015

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 7/1/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2015</u>
	Pavement and Concrete Improvement				
2010-2011	from Beverly Blvd	\$ -	\$ 34,410	\$ -	\$ 34,410
2011-2012	Street Rehabilitation	-	76,065	-	76,065
2011-2012	Maple Ave. Rehabilitation	-	312,996	-	312,996
2011-2012	Whittier/Mtb Blvd.	-	104,829	-	104,829
2011-2012	Eastmont School	-	33,346	-	33,346
2011-2012	Wilcox La Merced	-	232,064	-	232,064
2012-2013	Local Street Rehabilitation	-	196,755	-	196,755
	Rehabilitation of Bluff Road from Upr				
2013-2014	to Whittier	-	249,329	-	249,329
2013-2014	Beverly Blvd Striping Project	-	46,829	-	46,829
2013-2014	SRTS Easmont Route to Schools project	-	3,771	-	3,771
	ADA Accessibility from Greenwood				
2013-2014	Ave to Bluff Rd.	-	61,593	-	61,593
	Westmoreland Dr. Pavement and				
2014-2015	Concrete Rehabilitation	-	75,682	-	75,682
2014-2015	Concrete Program ADA Access Ramps	-	117,844	-	117,844
	Total	\$ -	\$ 1,545,513	\$ -	\$ 1,545,513

Notes:

Schedule of fixed assets was fairly stated. Prior years the fixed assets weren't provided. We are accounting for them now retroactively.

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>2015</u>	<u>2014</u>
ASSETS		
Cash and investments	\$ 56	\$ 80,438
Total assets	\$ <u>56</u>	\$ <u>80,438</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$	\$ 80,382
Deferred revenue	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>80,382</u>
Fund Balance		
Reserved	<u>56</u>	<u>56</u>
Total fund balance	<u>56</u>	<u>56</u>
Total liabilities and fund balance	\$ <u>56</u>	\$ <u>80,438</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>2015</u>	<u>2014</u>
REVENUES		
Payment from prior year reserve	\$ -	\$ -
Allocation from FY 2012-13	-	29,235
Allocation from FY 2013-14	-	51,203
	<u>-</u>	<u>80,438</u>
Total revenues	<u>-</u>	<u>80,438</u>
EXPENDITURES		
Sidewalk Removal	<u>-</u>	<u>80,382</u>
	<u>-</u>	<u>80,382</u>
Total expenditures	<u>-</u>	<u>80,382</u>
Excess of revenues over expenditures	-	56
Fund balance at beginning of year	<u>56</u>	<u>-</u>
Fund balance at end of year	<u>\$ 56</u>	<u>\$ 56</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, 2015

<u>Project Description</u>	<u>Program Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended Allocations</u>	<u>Project Status</u>
Local allocations					
Sidewalk Removal	2015	\$ -	\$ -	\$ -	
	Total	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	
Fund balance at beginning of year				<u>56</u>	
Fund balance at end of year				<u>\$ 56</u>	

See accompanying independent auditor's report.

CITY OF MONTEBELLO

NOTES TO FINANCIAL STATEMENTS For the Fiscal Years Ended June 30, 2015 and 2014

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, 2015 and 2014
(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.

CITY OF MONTEBELLO

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2015 and 2014
(Continued)

NOTE 7 – PROPOSITION A FUND EXCHANGE

During the fiscal year 2015, the City entered into agreements with the following three cities to exchange the City’s Proposition A Local Return Funds for the three cities General Funds:

Agreement Date	City	Proposition A Local Return Funds Sold	General Funds Received
02/09/2015	Bell Flower	\$ 40,410	\$ 30,308
09/24/2014	Commerce	1,000,000	750,000
05/28/2015	Pasadena	506,000	379,500
Total		\$ 1,546,410	\$ 1,159,808

NOTE 8 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION

The revenue allocation for the years ended June 30, 2015 and 2014 consisted of the following:

	2015	2014
FY 2012-13 allocation	\$ -	\$ 29,235
FY 2013-14 allocation	-	51,203
	<u>\$ -</u>	<u>\$ 80,438</u>

NOTE 9– 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, 2015 and 2014, the City has funds on reserve as follows:

	2015	2014
FY 2014/15	\$ 41,703	\$ -
Available reserve balance	<u>\$ 41,703</u>	<u>\$ -</u>

NOTE 10 – SUBSEQUENT EVENTS

The City has evaluated events or transactions that occurred subsequent to June 30, 2015 through November 24, 2015 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, 2015, and the related notes to the financial statements, and have issued our report thereon dated November 24, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's 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 all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However material weaknesses may exist that have not been identified.





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 & Simpson".

Los Angeles, California
November 24, 2015

COMPLIANCE SECTION



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, 2015.

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 and the transportation development Act Article 3 occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the 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, 2015.





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 & Simpson".

Los Angeles, California
November 24, 2015

CITY OF MONTEBELLO
COMPLIANCE MATRIX
Year Ended June 30, 2015

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	\$ 25,243.00	See Finding 15-01 on the Summary of Findings and Recommendations
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, 2015
(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.	Funds 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, 2015
 (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.	X		None

CITY OF MONTEBELLO

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

June 30, 2015

Finding 15-01 Fund: PALRF

Criteria:

According to Proposition A Local Return Guidelines, Section II, “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance” and Section V, “It is jurisdictions’ responsibility to maintain proper accounting records and documentation...”

In addition, LACMTA Local Return Program Manager issued a memo dated on April 29, 2014 to jurisdictions to provide recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines, those recommendations are “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and *this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.*” Also, “(4) *Where employees work on multiple activities or cost objectives, a distribution or their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:*

(b) A Federal award and non-Federal award.

(5) Personnel activity reports or equivalent documentation must meet the following standards:

(b) They must reflect an after the fact distribution of the actual activity of each employee,

(f) *Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:* (i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances.”

Condition:

To support the propriety of expenditures being charged to Proposition A Local Return Fund, payroll expenditures should be supported by properly executed payrolls, time records, activity reports, vouchers, or other official documentation evidencing in proper detail the nature of the charges. However, the total payroll expenditures of \$20,243 for Proposition A for Metrolink Station Bus Terminal & Park & Ride Lot were based on an old time study instead of employee’s actual working hours spent for the Proposition A project. The City provided us with the hours analysis and labor distribution schedule; however, it did not adequately support the actual hours or payroll expenditures charged to the project.

CITY OF MONTEBELLO

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

June 30, 2015

During the fiscal year, there was only one employee's payroll was charged to Proposition A Local Return Fund.

Cause:

The City was not aware that its practice of allocating salaries and fringe benefits to a project was not adequate to support labor costs claimed.

Effect:

The payroll costs claimed under the Proposition A Local Return Fund project may include expenditures which may not be an allowable Proposition A project expenditures.

Questioned Costs:

\$25,243

Recommendation:

In accordance with the Guidelines, we recommend that the City reimburse its Proposition A Local Return Fund account by \$25,243. In addition, we recommend that the City revise its current labor costs reporting procedures to ensure that labor costs charged to Local Return Funds are adequately supported by time sheets or similar documentation which includes employees' actual working hours.

Management's Response:

With the implementation of eSuites, electronic timecard software, we will now have the capability of utilizing project codes and/or unique organization sets to track projects, grants, unique shifts, and etc. We will launch this in FY15/16 and start the training process.

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, 2015

An exit conference was held on December 22, 2015 with the City of Montebello. Those in attendance were:

Simpson & Simpson Representative:

Caprice McGuire, Staff Auditor

City's Representative:

Steve Kwon, Interim Finance Director

Candice Hout, Accountant

Matters Discussed:

Results of the audit, one finding was 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:

Steve Kwon, Interim Finance Director

Candice Hout, Accountant