

***CITY OF BELL  
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 BELL***  
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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 Bell, 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 Bell, California (City) as of and for the years ended 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 Bell, 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 Bell, 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. Our opinion is not modified with respect to this matter.

### ***Other Matters***

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bell, 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 5, 2015, on our consideration of the City of Bell'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 5, 2015

**CITY OF BELL**

**PROPOSITION A LOCAL RETURN FUND**

**BALANCE SHEETS**

**JUNE 30**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and investments	\$ -	\$ 111,249
Accounts receivable	-	389
Interest receivable	-	54
Due from other fund	2,069	86
Total assets	<u>\$ 2,069</u>	<u>\$ 111,778</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 143,679	\$ 50,189
Due to General Funds	28,735	-
Accrued wages and benefits	177	300
Total liabilities	<u>172,591</u>	<u>50,489</u>
<b>Fund Balance</b>		
Restricted	<u>(170,522)</u>	<u>61,289</u>
Total fund balance	<u>(170,522)</u>	<u>61,289</u>
Total liabilities and fund balance	<u>\$ 2,069</u>	<u>\$ 111,778</u>

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

**CITY OF BELL**

**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>
<b>REVENUES</b>		
Proposition A	\$ 632,833	\$ 607,302
Interest income	83	471
Unrealized (loss) gain on investments	(29)	28
Project generated revenue (Note 7)	<u>36,778</u>	<u>35,744</u>
Total revenues	<u>669,665</u>	<u>643,545</u>
 <b>EXPENDITURES</b>		
Various projects	<u>901,476</u>	<u>595,971</u>
Total expenditures	<u>901,476</u>	<u>595,971</u>
 (Deficiency) excess of revenues over (under) expenditures	(231,811)	47,574
 Fund balance at beginning of year	<u>61,289</u>	<u>13,715</u>
 Fund balance at end of year	\$ <u><u>(170,522)</u></u>	\$ <u><u>61,289</u></u>

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

**CITY OF BELL**

**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)	
110-01	Bell Fixed Route Transit Services	\$ 135,127	\$ 135,127	\$ -	\$ -
110-02	Bus Rental	2,345	2,345	-	-
120-01	Dial-A-Ride	384,000	309,636	74,364	411,677
140-04	Recreation Transit	25,000	22,164	2,836	22,520
170-02	Bus Shelter Maintenance	278,500	177,584	100,916	83,899
200-01	Fixed Route Bus Replacement	100,000	95,952	4,048	-
250-03	Bus Pass Subsidy Program	97,657	97,657	-	65,042
270-01	Fixed Route Rest Stop Design Work	2,400	2,400	-	-
480-03	Administration	57,931	57,931	-	12,833
500-01	MTA Audit Consulting	680	680	-	-
	Total expenditures	<u>\$ 1,083,640</u>	<u>\$ 901,476</u>	<u>\$ 182,164</u>	<u>\$ 595,971</u>

See accompanying independent auditor's report.



**CITY OF BELL**

**PROPOSITION A 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>
3/31/2004	Imaginistics Copier	\$ 10,534	\$ -	\$ -	\$ 10,534
6/29/2010	1 2010 Braun Entervan Bus	30,000	-	-	30,000
6/29/2010	2 2010 Goshen Buses	60,000	-	-	60,000
12/1/2014	Class E-27 Ford-550 El Dorado	-	87,103	-	87,103
12/1/2014	Decals for Ford-550 El Dorado	-	8,041	-	8,041
	Total	\$ <u>100,534</u>	\$ <u>95,144</u>	\$ <u>-</u>	\$ <u>195,678</u>

See accompanying independent auditor's report.

**CITY OF BELL**

**PROPOSITION C LOCAL RETURN FUND**

**BALANCE SHEETS**

**JUNE 30**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and investments	\$ 1,708,549	\$ 2,142,820
Interest receivable	<u>685</u>	<u>1,058</u>
Total assets	<u>\$ 1,709,234</u>	<u>\$ 2,143,878</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ <u>4,630</u>	\$ <u>496,396</u>
Total liabilities	<u>4,630</u>	<u>496,396</u>
<b>Fund Balance</b>		
Restricted	<u>1,704,604</u>	<u>1,647,482</u>
Total fund balance	<u>1,704,604</u>	<u>1,647,482</u>
Total liabilities and fund balance	<u>\$ 1,709,234</u>	<u>\$ 2,143,878</u>

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

**CITY OF BELL**

**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>
<b>REVENUES</b>		
Proposition C	\$ 527,428	\$ 506,156
Interest income	2,683	5,803
Unrealized (loss) gain on investments	(189)	561
Total revenues	<u>529,922</u>	<u>512,520</u>
<b>EXPENDITURES</b>		
Various projects	<u>472,800</u>	<u>592,469</u>
Total expenditures	<u>472,800</u>	<u>592,469</u>
Excess (deficiency) of revenues over (under) expenditures	<u>57,122</u>	<u>(79,949)</u>
Fund balance at beginning of year, as previously reported	1,647,482	1,744,447
Prior period adjustment (Note 8)	<u>-</u>	<u>(17,016)</u>
Fund balance at the beginning of year, as restated	<u>1,647,482</u>	<u>1,727,431</u>
Fund balance at end of year	<u>\$ 1,704,604</u>	<u>\$ 1,647,482</u>

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

**CITY OF BELL**

**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)	
270-3	Local Return Arterial and Transit Component of Major Corridor Study	\$ 100,000	\$ -	\$ 100,000	\$ 18,510
440-01	City Striping	100,000	-	100,000	-
440-02	Florence Avenue A.C. Overlay	191,000	34,742	156,258	-
440-03	Gage Avenue Rehabilitation Project	-	-	-	550,941
440-04	Gage and Walker Improvement	157,100	32,885	124,215	-
440-05	Pavement Rehab Project (2014/15)	654,000	405,173	248,827	-
480-03	Administration	-	-	-	23,018
	Total expenditures	<u>\$ 1,202,100</u>	<u>\$ 472,800</u>	<u>\$ 729,300</u>	<u>\$ 592,469</u>

See accompanying independent auditor's report.

**CITY OF BELL**

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
6/30/2002	Eastern Avenue Overlay	\$ 229,629	\$ -	\$ -	\$ 229,629
6/30/2002	Florence/Otis	37,022	-	-	37,022
6/30/2002	Eastern/Bandini Cabinet	50,442	-	-	50,442
6/30/2002	Florence/Otis Signal	17,805	-	-	17,805
6/30/2002	Florence/Walker Signal	36,057	-	-	36,057
6/30/2002	Gage/Orchard Signal	17,550	-	-	17,550
6/30/2002	LED Signal - Citywide	93,198	-	-	93,198
6/30/2003	Florence Atlantic AC Overlay	225,222	-	-	225,222
6/30/2003	Atlantic/Bell/Brompton Signals	52,280	-	-	52,280
6/30/2004	Atlantic at Gage Signal Bus Shelter	81,748	-	-	81,748
6/30/2004	Bus Shelter - Installation and Rehabilitation	47,444	-	-	47,444
6/30/2004	Florence/Walker Signal	173,532	-	-	173,532
6/30/2005	Flora at Florence Signal	23,339	-	-	23,339
6/30/2005	Gage at Orchard Signal	20,205	-	-	20,205
6/30/2006	Florence at Vinevale Signal	91,558	-	-	91,558
6/30/2006	Florence at Wilcox Signal	153,687	-	-	153,687
6/30/2008	Atlantic Avenue at Bell Brompton Signal	23,134	-	-	23,134
6/30/2008	Atlantic Avenue at Bell Plaza Signal	38,238	-	-	38,238
6/30/2008	Atlantic Avenue at Shopping Center Signal	50,720	-	-	50,720
6/30/2008	Wilcox at Acacia Signal	135,771	-	-	135,771
6/30/2009	Slauson at 710 Freeway	20,934	-	-	20,934
6/30/2009	Florence at Otis Traffic Signal	98,205	-	-	98,205
6/30/2014	Florence Avenue - Atlantic - Wilcox	369,787	-	-	369,787
5/21/2015	Pavement Rehabilitation Project (2014/15)	-	405,176	-	405,176
Total		\$ 2,087,507	\$ 405,176	\$ -	\$ 2,492,683

See accompanying independent auditor's report.

**CITY OF BELL**

**MEASURE R LOCAL RETURN FUND**

**BALANCE SHEETS**

**JUNE 30**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and investments	\$ 467,688	\$ 738,387
Interest receivable	<u>205</u>	<u>375</u>
Total assets	<u>\$ 467,893</u>	<u>\$ 738,762</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ <u>-</u>	\$ <u>121,465</u>
Total liabilities	<u>-</u>	<u>121,465</u>
<b>Fund Balance</b>		
Restricted	<u>467,893</u>	<u>617,297</u>
Total fund balance	<u>467,893</u>	<u>617,297</u>
Total liabilities and fund balance	<u>\$ 467,893</u>	<u>\$ 738,762</u>

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

**CITY OF BELL**

**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>
<b>REVENUES</b>		
Measure R	\$ 393,778	\$ 375,938
Interest income	1,002	2,156
Unrealized (loss) gain on investments	(89)	199
Total revenues	<u>394,691</u>	<u>378,293</u>
<b>EXPENDITURES</b>		
Various projects	<u>571,873</u>	<u>684,246</u>
Total expenditures	<u>571,873</u>	<u>684,246</u>
Deficiency of revenues over (under) expenditures	(177,182)	(305,953)
<b>OTHER FINANCING SOURCES</b>		
Transfer in from General Fund (Note 9)	<u>27,778</u>	<u>-</u>
Change in net asset	(149,404)	(305,953)
Fund balance at beginning of year	<u>617,297</u>	<u>923,250</u>
Fund balance at end of year	<u>\$ 467,893</u>	<u>\$ 617,297</u>

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

**CITY OF BELL**

**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			2014 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	Reconstruct/Overlay of Various Streets	\$ -	\$ -	\$ -	\$ 203,397
1.05	Pavement Rehabilitation Project 13/14	11,000	-	11,000	476,676
1.05	Pavement Rehabilitation Project 14/15	585,500	563,167	22,333	-
8.10	Fund Administration (20% cap)	8,706	8,706	-	4,173
	Total expenditures	<u>\$ 605,206</u>	<u>\$ 571,873</u>	<u>\$ 33,333</u>	<u>\$ 684,246</u>

See accompanying independent auditor's report.



**CITY OF BELL**

**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>
5/21/2015	Pavement Rehabilitation Project	\$ -	\$ 563,167	\$ -	\$ 563,167
	Total	\$ -	\$ 563,167	\$ -	\$ 563,167

See accompanying independent auditor's report.

**CITY OF BELL**

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

**BALANCE SHEETS  
JUNE 30**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash	\$ -	\$ -
Total assets	\$ -	\$ -
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts Payable	-	-
Total liabilities	\$ -	\$ -
 <b>Fund Balance</b>		
Restricted	-	-
Total fund balance	-	-
Total liabilities and fund balance	\$ -	\$ -

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

**CITY OF BELL**

**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>
<b>REVENUES</b>		
Payment from prior year reserve	\$ 27,000	\$ -
Total revenues	<u>27,000</u>	<u>-</u>
<b>EXPENDITURES</b>		
Various projects	<u>27,000</u>	<u>-</u>
Total expenditures	<u>27,000</u>	<u>-</u>
Excess of revenues over expenditures	-	-
<b>OTHER FINANCING SOURCES</b>		
Transfer in from General Fund (Note 10)	-	1,618
Fund balance (deficit) at beginning of year	<u>-</u>	<u>(1,618)</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>

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

**CITY OF BELL**

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>
<b>Local allocations</b>					
Pavement Rehabilitation Project	2014-15	\$ 27,000	\$ 27,000	\$ -	Complete
Total		<u>\$ 27,000</u>	<u>\$ 27,000</u>	-	
Unexpended interest accumulated to date				-	
Fund balance at beginning of year				<u>-</u>	
Fund balance at end of year				<u>\$ -</u>	

See accompanying independent auditor's report.

**CITY OF BELL**

**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 pools.

**CITY OF BELL**

**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.

**NOTE 7 – PROJECT GENERATED REVENUE – PALRF**

Project generated revenues for the fiscal years ended June 30, 2015 and 2014 consisted of the following:

	2015	2014
MTA Bus Passes	\$ <u>36,778</u>	\$ <u>35,744</u>
Total	\$ <u><u>36,778</u></u>	\$ <u><u>35,744</u></u>

**CITY OF BELL**

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

**NOTE 8 – PRIOR PERIOD ADJUSTMENT - PCLRF**

The prior period adjustment reported under PCLRF represents the adjustment of the fund’s expenditures incurred for Florence Avenue A.C. Overlay project in fiscal year ended June 30, 2013 for a total amount of \$17,016. The result is a restatement of the beginning fund balance account in the financial statement adjusted to \$1,727,431 for the year ended June 30, 2013.

**NOTE 9 – TRANSFER IN FROM GENERAL FUND – MRLRF**

The amount of \$27,778 represents reimbursement from General Fund to MRLRF resulting from Finding No. 13-02 in fiscal year ended June 30, 2013, lack of supporting documentation for the overhead cost allocated to the fund.

**NOTE 10 – TRANSFER IN FROM GENERAL FUND – TDAA3F**

Funds were transferred to TDAA3F in the amount of \$1,618 to eliminate the amount payable to General Fund and negative fund balance for the fiscal year ended June 30, 2014.

**NOTE 11 – 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 2010-11 allocation	\$ 15,601	\$ -
FY 2011-12 allocation	11,399	-
Total	<u>\$ 27,000</u>	<u>\$ -</u>

**NOTE 12 – 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 2010-11 allocation	\$ -	\$ 15,601
FY 2011-12 allocation	7,339	18,738
FY 2012-13 allocation	27,664	27,664
FY 2013-14 allocation	29,003	29,003
FY 2014-15 allocation	23,625	-
Available reserve balance	<u>\$ 87,631</u>	<u>\$ 91,006</u>

***CITY OF BELL***

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

**NOTE 13 – SUBSEQUENT EVENTS**

The City has evaluated events or transactions that occurred subsequent to June 30, 2015 through November 5, 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 Bell, 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 Bell, 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 5, 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 is 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 5, 2015

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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 Bell, California and the  
Los Angeles County Metropolitan Transit Authority

### Report on Compliance

We have audited the compliance of the City of Bell, 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 (collectively, the 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 on compliance. 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 Bell 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 Fund for the year ended June 30, 2015.



## ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and which are described in the accompanying Schedule of Findings and Recommendations as Finding Nos. 15-01 and 15-02. Our opinion on Proposition A Local Return Fund is not modified with respect to these matters.

The City's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Recommendations. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Report on Internal Control Over Compliance**

Management of the City of Bell 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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal controls over compliance that we consider to be material weaknesses.

*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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Recommendations as Finding Nos. 15-01 and 15-02 to be material weaknesses.

The responses by the City to the internal control over compliance findings identified in our audits are described in the accompanying Schedule of Findings and Recommendations. The responses by the City were not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.



The purpose of this report on internal control over compliance is solely to describe the scope of our testing on internal control over compliance and the results of that testing based on the Guidelines. Accordingly, this report is not suitable for any other purpose.

*Simpson & Simpson*

Los Angeles, California  
November 5, 2015

**CITY OF BELL**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2015

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	See Finding No. 15-01 at the Schedule of Findings and Recommendations.
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	See Finding No. 15-02 at the Schedule of Findings and Recommendations.
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) and listing of Recreational Transit Services, if applicable, were 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	

**CITY OF BELL**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2015  
(Continued)

Compliance Requirement		In Compliance		Questioned Costs	If no, provide details and management response.
		Yes	No		
11.	Revenues received including allocations, project generated revenues, and interest income were properly credited to the PALRF and PCLRF accounts.	X		None	
<b>A. 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.	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	



**CITY OF BELL**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2015  
(Continued)

Compliance Requirement		In Compliance		Questioned Costs	If no, provide details and management response.
		Yes	No		
11.	Funds were not used to supplant existing local revenues being used for transportation purpose.	X		None	
<b>A. 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.	X		None	

***CITY OF BELL***

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

June 30, 2015

**Finding No. 15-01 - Fund: PALRF**

***Criteria:***

According to Proposition A and C Local Return Guidelines, Section I (B.3), “If Local Return Funds have been expended prior to Metro approval and/or used for ineligible purposes, Jurisdictions will be required to reimburse their Proposition A or C Local Return account...”

***Condition:***

The expenditures for PALRF’s Bus Rental and MTA Audit Consulting projects in the amounts of \$2,345 and \$680, respectively, were incurred prior to the approval from LACMTA for fiscal year 2014-15. However, the City subsequently received LACMTA’s approval on the PALRF projects on October 19, 2015.

This condition was noted in fiscal years ended June 30, 2012, 2013, and 2014 for PALRF.

***Cause:***

The Current Acting Community Services Director was new to the program and was not aware of guidelines and requirements approvals.

***Effect:***

The City did not comply with the Guidelines when expenditures for PALRF projects are incurred without LACMTA’s approval.

***Questioned Costs:***

None

***Recommendation:***

We recommend that the City establish procedures to ensure that it obtains approval from LACMTA prior to implementing any Proposition A Local Return projects. Form B (Annual Project Summary Report) should be properly prepared and submitted before the due date of August 1st so that the City’s expenditures of Proposition A Local Return Funds are in accordance with LACMTA’s approval and the Guidelines. In accordance with the Guidelines, the City should include all approved on-going and carryover Local Return projects in Form B.

***Management’s Response:***

The City management is aware of the guidelines and will ensure that the fiscal year 2015-16 audit will be in compliance.

***CITY OF BELL***

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

June 30, 2015

(Continued)

**Finding No. 15-02 - Fund: PALRF**

***Criteria:***

According to Proposition A and C Local Return Guidelines, Section I (C), Project Description Form (Form A), Item 5: “Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: a 25 percent or greater change in an approved Local Return project budget or scope on all operating or capital Local Return projects.”

***Condition:***

The City exceeded more than 25 percent of Metro's approved budget on PALRF's Bell Fixed Route Transit Services, Bus Pass Subsidy Program and Administration projects in the amounts of \$110,127, \$28,907, and \$20,431, respectively. However, the City filed Project Description Form's (Form A) to obtain approval on the budget amendment for the projects from LACMTA. The Form A for Bell Fixed Route Transit Services project was subsequently approved by LACMTA on October 19, 2015 while the Form A for the Bus Pass Subsidy Program and Administration projects were subsequently approved by LACMTA on November 5, 2015.

This condition was noted in fiscal years ended June 30, 2013 and 2014.

***Cause:***

The Current Acting Community Services Director was new to the program and was not aware of guidelines and requirements approvals.

***Effect:***

The City's PALRF project expenditures exceeded 25 percent of LACMTA's approved budget without LACMTA's approval and the City did not comply with the Guidelines.

***Questioned Costs:***

None

***Recommendation:***

We recommend that the City establish procedures and controls to ensure that project expenditures are within the 25 percent cap of the LACMTA's approved budget. If a project cost will exceed the 25 percent cap, an amended Form A (Project Description Form) should be properly prepared and submitted prior to the expenditure of funds.

***Management's Response:***

The City management is aware of the guidelines and will ensure that the fiscal year 2015-16 audit will be in compliance.

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***EXIT CONFERENCE***

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***CITY OF BELL***

**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 17, 2015 via telephone conference. Those in attendance were:

***Simpson & Simpson Representative:***

Yung Dang, Semi-Senior Auditor

***City's Representative:***

Hector Vasquez, Accounting Manager

***Matters Discussed:***

Results of the audit disclosed two (2) material weaknesses and two (2) non-compliance issues 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:

Hector Vasquez, Accounting Manager

Shally Lin, Interim Finance Director