

***CITY OF MONTEREY PARK
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 MONTEREY PARK
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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 Monterey Park, 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 Monterey Park, 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 Monterey Park, 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 Monterey Park, 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 Monterey Park, 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 Monterey Park'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 MONTEREY PARK

PROPOSITION A LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

| | <u>2015</u> | <u>2014</u> |
|---|---------------------|---------------------|
| ASSETS | | |
| Cash and investments | \$ 2,331,336 | \$ 1,935,530 |
| Interest receivable | <u>2,432</u> | <u>4,642</u> |
| Total assets | <u>\$ 2,333,768</u> | <u>\$ 1,940,172</u> |
| LIABILITIES AND FUND BALANCE | | |
| Liabilities | | |
| Accounts payable | \$ 59,427 | \$ 31,907 |
| Accrued payroll | <u>9,975</u> | <u>10,834</u> |
| Total liabilities | <u>69,402</u> | <u>42,741</u> |
| Fund Balance | | |
| Restricted | <u>2,264,366</u> | <u>1,897,431</u> |
| Total fund balance | <u>2,264,366</u> | <u>1,897,431</u> |
| Total liabilities and fund balance | <u>\$ 2,333,768</u> | <u>\$ 1,940,172</u> |

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

CITY OF MONTEREY PARK

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 | \$ 1,086,672 | \$ 1,042,832 |
| Proposition A Discretionary Incentive Grants (Note 7) | 113,243 | 109,852 |
| Project generated revenue (Note 8) | 97,395 | 85,896 |
| Interest income | 10,440 | 7,043 |
| Sale of transit vehicles | - | 5,675 |
| Total revenues | <u>1,307,750</u> | <u>1,251,298</u> |
| EXPENDITURES | | |
| Various projects | <u>940,815</u> | <u>1,036,955</u> |
| Total expenditures | <u>940,815</u> | <u>1,036,955</u> |
| Excess (deficiency) of revenues over expenditures | 366,935 | 214,343 |
| Fund balance at beginning of year | <u>1,897,431</u> | <u>1,683,088</u> |
| Fund balance at end of year | <u>\$ 2,264,366</u> | <u>\$ 1,897,431</u> |

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

CITY OF MONTEREY PARK

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 | Fixed Route Transit | \$ 409,490 | \$ 380,666 | \$ 28,824 | \$ 452,205 |
| 120-02 | Dial-A-Ride Service | 520,752 | 506,821 | 13,931 | 490,136 |
| 130-03 | Recreational Transit | 39,000 | 879 | 38,121 | - |
| 140-03 | Downtown Bus Benches and Bike Racks | 15,000 | 11,956 | 3,044 | 11,626 |
| 170-06 | Bus Shelter Maintenance | 46,459 | - | 46,459 | 41,662 |
| 200-08 | New CNG Bus Headsigns | 15,000 | - | 15,000 | - |
| 200-09 | Transit Bus Replacement | 76,300 | - | 76,300 | - |
| 250-04 | MTA Stamp Subsidy | 42,000 | 40,493 | 1,507 | 38,222 |
| 300-24 | Monterey Park Transit Facility at ELAC | - | - | - | 3,104 |
| | Total expenditures | <u>\$ 1,164,001</u> | <u>\$ 940,815</u> | <u>\$ 223,186</u> | <u>\$ 1,036,955</u> |

See accompanying independent auditor's report.

CITY OF MONTEREY PARK

PROPOSITION A LOCAL RETURN FUND

SUPPLEMENTAL INFORMATION
SCHEDULE OF CAPITAL ASSETS

June 30, 2015

| Date Acquired | Description | Restated Balance 7/1/2014 | Additions | Deletions | Balance 6/30/2015 |
|------------------|-------------------------------|---------------------------------|-------------|-------------|----------------------|
| 06/1996 | Eighty (80) Bus Benches | \$ 16,454 | \$ - | \$ - | \$ 16,454 |
| 06/1997 | Eighteen (18) Bus Benches | 4,066 | - | - | 4,066 |
| 05/1997 | Twenty-Two (22) Bus Benches | 4,937 | - | - | 4,937 |
| 05/1999 | 1999 Chevrolet Express Van | 22,295 | - | - | 22,295 |
| 12/1999 | MAVICA FD83 Digital Camera | 680 | - | - | 680 |
| 11/2001 | 2001 Chevrolet Van | 20,170 | - | - | 20,170 |
| 03/2005 | 2004 Blue Bird Bus L4RE2911 | 14,816 | - | - | 14,816 |
| 03/2005 | 2004 Blue Bird Bus L4RE2911 | 14,816 | - | - | 14,816 |
| 03/2005 | 2004 Blue Bird Bus L4RE2911 | 14,816 | - | - | 14,816 |
| 12/2006 | 2007 El Dorado Aerotech 220 | 57,147 | - | - | 57,147 |
| 03/2008 | 2008 Toyota Prius | 6,249 a | - | - | 6,249 |
| 04/2008 | 2008 Toyota Prius | 6,249 a | - | - | 6,249 |
| 06/2010 | 2010 El Dorado Amerivan PT | 40,696 | - | - | 40,696 |
| 05/2013 | 2013 El Dorado E-Z Rider II | 166,667 | - | - | 166,667 |
| 05/2013 | 2013 El Dorado E-Z Rider II | 166,668 | - | - | 166,668 |
| 05/2013 | 2013 El Dorado E-Z Rider II | 155,651 | - | - | 155,651 |
| 06/2012 | ELAC Transit Facility Phase I | 97,756 | - | - | 97,756 |
| | Total | \$ 810,133 | \$ - | \$ - | \$ 810,133 |

* The restated fixed asset is a result of the City's reconciliation of the updated inventory log.

a Total cost of 2 Vehicles \$ 49,992
Less: Amount funded by the vehicle grant 37,494
Net amount funded by PALRF \$ 12,498
Amount of each vehicle 6,249

b Total cost of Vehicle \$ 405,504
Less: Amount funded by other grant 238,837
Net amount funded by PALRF \$ 166,667

See accompanying independent auditor's report.

CITY OF MONTEREY PARK

PROPOSITION A LOCAL RETURN FUND

**SUPPLEMENTAL INFORMATION
SCHEDULE OF CAPITAL ASSETS**

(Continued)

June 30, 2014

| | | | |
|---|------------------------------------|----|-----------------------|
| c | Total cost of Vehicle | \$ | 405,504 |
| | Less: Amount funded by other grant | | <u>238,837</u> |
| | Net Amount funded by PALRF | \$ | <u><u>166,667</u></u> |
| d | Total cost of Vehicle | \$ | 405,504 |
| | Less: Amount funded by other grant | | <u>249,853</u> |
| | Net Amount funded by PALRF | \$ | <u><u>155,651</u></u> |

See accompanying independent auditor's report.

CITY OF MONTEREY PARK

PROPOSITION C LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

| | <u>2015</u> | <u>2014</u> |
|-------------------------------------|-------------------|-------------------|
| ASSETS | | |
| Cash and investments | \$ 861,893 | \$ 892,290 |
| Interest receivable | 914 | 1,910 |
| Total assets | <u>\$ 862,807</u> | <u>\$ 894,200</u> |
| LIABILITIES AND FUND BALANCE | | |
| Liabilities | | |
| Accounts payable | \$ - | \$ 112,484 |
| Total liabilities | <u>-</u> | <u>112,484</u> |
| Fund Balance | | |
| Restricted | <u>862,807</u> | <u>781,716</u> |
| Total fund balance | <u>862,807</u> | <u>781,716</u> |
| Total liabilities and fund balance | <u>\$ 862,807</u> | <u>\$ 894,200</u> |

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

CITY OF MONTEREY PARK

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 | \$ 903,442 | \$ 866,913 |
| Interest income | <u>4,194</u> | <u>2,958</u> |
| Total revenues | <u>907,636</u> | <u>869,871</u> |
| EXPENDITURES | | |
| Various projects | <u>826,545</u> | <u>831,357</u> |
| Total expenditures | <u>826,545</u> | <u>831,357</u> |
| Excess (deficiency) of revenues over expenditures | 81,091 | 38,514 |
| Fund balance at beginning of year | <u>781,716</u> | <u>743,202</u> |
| Fund balance at end of year | <u>\$ 862,807</u> | <u>\$ 781,716</u> |

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

CITY OF MONTEREY PARK

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) | |
| 110-01 | Fixed Route Transit | \$ 774,180 | 704,227 | 69,953 | \$ 758,996 |
| 160-01 | Catch Basin Structure | - | - | - | - |
| 210-01 | Traffic Signal Upgrade | 151,227 | 73,853 | 77,374 | 14,473 |
| 270-05 | Transportation Planning | 26,820 | 20,385 | 6,435 | 22,763 |
| 300-01 | Signage Way Finding Program | - | - | - | - |
| 360-07 | Cal State LA Metrolink Station | 29,870 | 28,080 | 1,790 | 28,081 |
| 440-11 | Street Repair and Maintenance | 20,000 | - | 20,000 | 7,044 |
| 440-12 | Garvey Ave/Corporate Center Dr Rehabilitation | 41,000 | - | 41,000 | - |
| 460-24 | Overhead Street Name Signs | 16,528 | - | 16,528 | - |
| | Total expenditures | <u>\$ 1,059,625</u> | <u>826,545</u> | <u>233,080</u> | <u>\$ 831,357</u> |

See accompanying independent auditor's report.

CITY OF MONTEREY PARK

PROPOSITION C LOCAL RETURN FUND

**SUPPLEMENTAL INFORMATION
SCHEDULE OF CAPITAL ASSETS**

June 30, 2015

| <u>Date Acquired</u> | <u>Description</u> | <u>Restated Balance 7/1/2014</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance 6/30/2015</u> |
|--------------------------|-----------------------------|--|------------------|------------------|------------------------------|
| 06/2004 | Bus Stop Improvements | \$ 25,875 | \$ - | \$ - | \$ 25,875 |
| 03/2005 | 2004 Blue Bird Bus L4RE2911 | 1,121 | - | - | 1,121 |
| 03/2005 | 2004 Blue Bird Bus L4RE2911 | 1,121 | - | - | 1,121 |
| 03/2005 | 2004 Blue Bird Bus L4RE2911 | 177,119 | - | - | 177,119 |
| 06/2013 | Bus Shelters & Sign | 100,048 | - | - | 100,048 |
| 06/2003 | Battery Backup System | 77,276 | - | - | 77,276 |
| | Total | \$ <u>382,560</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>382,560</u> |

See accompanying independent auditor's report.

CITY OF MONTEREY PARK

MEASURE R LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

| | <u>2015</u> | <u>2014</u> |
|-------------------------------------|---------------------|---------------------|
| ASSETS | | |
| Cash and investments | \$ 1,629,188 | \$ 1,269,807 |
| Interest receivable | <u>1,739</u> | <u>3,018</u> |
| Total assets | <u>\$ 1,630,927</u> | <u>\$ 1,272,825</u> |
| LIABILITIES AND FUND BALANCE | | |
| Liabilities | | |
| Account payable | \$ 36,885 | \$ 33,652 |
| Accrued Payroll | <u>1,465</u> | <u>2,230</u> |
| Total liabilities | <u>38,350</u> | <u>35,882</u> |
| Fund Balance | | |
| Restricted | <u>1,592,577</u> | <u>1,236,943</u> |
| Total fund balance | <u>1,592,577</u> | <u>1,236,943</u> |
| Total liabilities and fund balance | <u>\$ 1,630,927</u> | <u>\$ 1,272,825</u> |

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

CITY OF MONTEREY PARK

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 | \$ 676,178 | \$ 645,544 |
| Interest income | <u>7,173</u> | <u>4,524</u> |
| Total revenues | <u>683,351</u> | <u>650,068</u> |
| EXPENDITURES | | |
| Various projects | <u>327,717</u> | <u>713,629</u> |
| Total expenditures | <u>327,717</u> | <u>713,629</u> |
| Excess of revenues over expenditures | 355,634 | (63,561) |
| Fund balance at beginning of year | <u>1,236,943</u> | <u>1,300,504</u> |
| Fund balance at end of year | <u>\$ 1,592,577</u> | <u>\$ 1,236,943</u> |

The accompanying notes are an integral part of the financial statements

CITY OF MONTEREY PARK

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 | 01-001 Slurry seal of various streets | \$ 417,288 | 12,491 | \$ 404,797 | \$ 262,029 |
| 1.05 | 01-002 Road repair supplies (asphalt, emulsion, and crack sealing material) | 63,334 | 104,800 | (41,466) | 161,322 |
| 1.05 | 01-003 Localized pavement repairs | 11,834 | 12,491 | (657) | 109,180 |
| 3.05 | 03-001 Sidewalk Construction | 76,834 | 18,567 | 58,267 | 124,241 |
| 3.05 | 03-002 Ackley St curb and sidewalk improvement | 120,000 | 130,902 | (10,902) | - |
| 5.05 | Bus Stop Maintenance | - | - | - | 18,252 |
| 5.90 | 05-001 Repaving of bus fueling station area | 50,000 | 8,556 | 41,444 | - |
| 7.90 | 07-001 Traffic survey update | 71,748 | 39,910 | 31,838 | 38,605 |
| | Total expenditures | <u>\$ 811,038</u> | <u>327,717</u> | <u>\$ 483,321</u> | <u>\$ 713,629</u> |

See accompanying independent auditor's report.

CITY OF MONTEREY PARK
MEASURE R 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 |
|------------------|-----------------------|---------------------|-----------|-----------|----------------------|
| 06/2004 | Bus Stop Improvements | \$ 22,552 | \$ - | \$ - | \$ 22,552 |
| | Total | \$ 22,552 | \$ - | \$ - | \$ 22,552 |

See accompanying independent auditor's report.

CITY OF MONTEREY PARK

**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 | \$ | \$ 48,000 |
| Accounts receivable | | - |
| Total assets | \$ | \$ 48,000 |
| LIABILITIES AND FUND BALANCE | | |
| Liabilities | | |
| Due to other fund | \$ | \$ 48,000 |
| Total liabilities | | 48,000 |
| Fund Balance | | |
| Reserved | | - |
| Total fund balance (deficit) | | - |
| Total liabilities and fund balance | \$ | \$ 48,000 |

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

CITY OF MONTEREY PARK

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 | \$ - | \$ 48,000 |
| Total revenues | <u>-</u> | <u>48,000</u> |
| EXPENDITURES | | |
| Sidewalk Reconstruction | <u>-</u> | <u>48,000</u> |
| Total expenditures | <u>-</u> | <u>48,000</u> |
| Excess of revenues over expenditures | <u>-</u> | <u>-</u> |
| Fund balance (deficit) 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 MONTEREY PARK

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 Reconstruction | 2015 | \$ - | \$ - | \$ - | Ongoing |
| | | <u> </u> | <u> </u> | <u> </u> | |
| | Total | <u>\$ -</u> | <u>\$ -</u> | - | |
| Fund balance at beginning of year | | | | <u>-</u> | |
| Fund balance at end of year | | | | <u>\$ -</u> | |

See accompanying independent auditor's report.

CITY OF MONTEREY PARK

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).

CITY OF MONTEREY PARK

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 – PROPOSITION A DISCRETIONARY INCENTIVE GRANT

Proposition A Discretionary Incentive Grant amounting to \$113,243 and \$109,852 for the years ended June 30, 2015 and 2014, respectively, represent additional funds received from Metro for participating in the National Transit Database Reporting Program.

The Proposition A Discretionary Incentive Grant was recorded under PALRF.

CITY OF MONTEREY PARK

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

NOTE 8 – PROJECT GENERATED REVENUE

PALRF project generated revenue amounting to \$97,395 and \$85,896 for the years ended June 30, 2015 and 2014 respectively, consisted of bus fares from Fixed Route Transit Service.

NOTE 9 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION

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

| | <u>2015</u> | <u>2014</u> |
|-------------------------|-------------|------------------|
| FY 2011-12 reserve | - | 15,422 |
| FY 2012-13 reserve | - | 32,578 |
| FY 2013-14 reserve | - | - |
| FY 2014-15 reserve | - | - |
| Total Payment requested | \$ <u>-</u> | \$ <u>48,000</u> |

NOTE 10 – 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:

| | <u>2015</u> | <u>2014</u> |
|---------------------------|-------------------|-------------------|
| FY 2011/12 allocation | \$ - | \$ 15,422 |
| FY 2012/13 allocation | 13,696 | 46,274 |
| FY 2013/14 allocation | 49,795 | 49,795 |
| FY 2014/15 allocation | 40,555 | - |
| Available reserve balance | \$ <u>104,046</u> | \$ <u>111,491</u> |

NOTE 11 – 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 Monterey Park, 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 Monterey Park, 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 Monterey Park, California and the
Los Angeles County Metropolitan Transit Authority

Report on Compliance

We have audited the compliance of the City of Monterey Park, 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 Art 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, except as noted in the Compliance Matrix and the Schedule of Findings and Recommendations, the City of Monterey Park 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.



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 no. F-15-01. Our opinion on each local return program 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 Monterey Park, 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. However, we identified certain deficiencies in internal control over compliance as described in the accompanying Schedule of Findings and Recommendations as finding numbers F-15-01.

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

Los Angeles, California
November 24, 2015

CITY OF MONTEREY PARK
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 | | 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 | |

CITY OF MONTEREY PARK
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. 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 | See Schedule of Findings and Recommendations, F-15-01. |
| 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 | |

CITY OF MONTEREY PARK
COMPLIANCE MATRIX
Year Ended June 30, 2015
(Continued)

| Compliance Requirement | | In Compliance | | Questioned Costs | If no, provide details and management response. |
|---|---|---------------|----|------------------|---|
| | | Yes | No | | |
| 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 | |
| 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 MONTEREY PARK

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
June 30, 2015

Finding No. F-15-01 – Expenditures were not approved before being incurred

Criteria:

According to Measure R Local Return Guidelines, Section B (VII.A, Financial and Compliance Provisions), “The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines:

Verification that funds were expended with Metro’s Approval.”

Condition:

The expenditures for the Measure R Transportation Services project in the amount of \$12,491 were incurred prior to the approval from LACMTA. However, the project was subsequently approved by LACMTA on October 6, 2015.

Cause:

Form R forms have Macros built into the spreadsheets that sometimes do not function properly with City software. While the project code 1.05, Localized Pavement Repairs, was identified in the Form One budget, costs associated for that project were inadvertently left out.

Effect:

The expenditures for Measure R Local Return programs were incurred prior to LACMTA’s approval. Incurred expenditures prior to LACMTA’s approval resulted in questioned costs of \$12,491.

Questioned Costs:

None

Recommendation:

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

Management’s Response:

Staff will revise the mapping spreadsheet to incorporate the budget expenditures in order to identify discrepancies with the actual expenditures prior to submittal to MTA. In addition, a review will be properly done by both Program and Finance personnel to ensure proper data submittal.

EXIT CONFERENCE

CITY OF MONTEREY PARK

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 9, 2015 with the City of Monterey Park. Those in attendance were:

Simpson & Simpson Representative:

Channing Wong, Auditor

City's Representative:

Annie Yaung, Controller

Matters Discussed:

Results of the audit disclosed no significant financial issue and one (1) compliance issue.

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

Annie Yaung, Controller