



CITY OF MONTEBELLO

ANNUAL FINANCIAL REPORT OF ITS

PROPOSITION A LOCAL RETURN FUND
PROPOSITION C LOCAL RETURN FUND
MEASURE R LOCAL RETURN FUND
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND

YEARS ENDED JUNE 30, 2010 AND 2009

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	1
Proposition A Local Return Fund:	
Basic Financial Statements	
Balance Sheet	3
Statement 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 Sheet	7
Statement 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 Sheet	11
Statement of Revenues, Expenditures and Changes in Fund Balance	12
Transportation Development Act Article 3 Fund:	
Basic Financial Statements	
Balance Sheet	13
Statement of Revenues, Expenditures and Changes in Fund Balance	14
NOTES TO FINANCIAL STATEMENTS	15-17
Report of Independent Auditors 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	18-19
COMPLIANCE SECTION	
Report of Independent Auditors	21
Compliance Matrix	22-23
EXIT CONFERENCE	25



To the Honorable Members of the City Council of the
City of Montebello, California and the
Los Angeles County Metropolitan Transit Authority

Independent Auditor's Report

We have audited the balance sheets of the Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund and the Transportation Development Act Article 3 Fund, of the City of Montebello, California (the "City") as of June 30, 2010, and the accompanying statements of revenues, expenditures, and changes in fund balance for the year then ended. These statements are the responsibility of the City's management. Our responsibility is to express an opinion 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

As discussed in Note 2, the financial statements present only the Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund and the Transportation Development Act Article 3 Fund, and do not purport to, and do not, present fairly the City's financial position as of June 30, 2010 and 2009, and the changes in fund balances for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The financial statements of the City for the year ended June 30, 2009 were audited by other auditors, whose report dated December 30, 2009, expressed an unqualified opinion on those financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund and Transportation Development Act Article 3 Fund, of the City of Montebello, California as of June 30, 2010, and the changes in their fund balances for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 20, 2010 on our consideration of the City of Montebello, California's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.

The Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund and the Transportation Development Act Article 3 Fund, of the City has not presented a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of the basic financial statements.

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 basic financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City of Montebello and the Los Angeles County Metropolitan Transportation Authority and is not intended to be and should not be used by anyone other than these specified parties.

Lopez and Company, LLP

Pasadena, California
December 20, 2010

CITY OF MONTEBELLO
PROPOSITION A LOCAL RETURN FUND
BALANCE SHEET
JUNE 30, 2010 and 2009

		June 30	
		2010	2009
Assets			
Cash and Investments	\$	418,345	\$ 451,568
Due from other funds		725,000	-
Due from MTA		-	72,097
Total Assets	\$	1,143,345	\$ 523,665
 LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	-	\$ -
Total Liabilities		-	-
 Fund Balance			
Restricted		1,143,345	523,665
Total Fund Balance		1,143,345	523,665
Total Liabilities and Fund Balance	\$	1,143,345	\$ 523,665

See notes to financial statements

CITY OF MONTEBELLO

PROPOSITION A LOCAL RETURN FUND

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE**

JUNE 30, 2010 and 2009

	Years ended June 30	
	2010	2009
Revenue		
Proposition A	\$ 835,474	\$ 947,469
Interest income	8,273	10,015
Total Revenues	843,747	957,484
Expenditures		
Various projects	244,485	796,041
Total Expenditures	244,485	796,041
Excess of revenue over expenditures	599,262	161,443
Fund balance at beginning of year, as previously reported	523,665	362,222
Prior period adjustment	20,418	-
Fund balance at beginning of year, as restated	544,083	362,222
Fund balance at end of year	\$ 1,143,345	\$ 523,665

CITY OF MONTEBELLO

**PROPOSITION A LOCAL RETURN FUND
SUPPLEMENTAL INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET**

FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

Project Code	Project Name	Metro Budget	Actual	Variance	2009 Actual
110-03	Fixed Route Transit	\$ 1,278,172	\$ 244,485	\$ 1,033,687	\$ 705,143
130-01	Dial-A-Ride	-	-	-	6,009
140-01	Recreational Field Trips	-	-	-	25,000
270-04	San Gabriel Valley COG Participation	-	-	-	5,251
300-09	Transit Facility Improvements	-	-	-	-
360-05	Metrolink Station and Bus Stops	-	-	-	54,638
	Total Expenditures	\$ <u>1,278,172</u>	\$ <u>244,485</u>	\$ <u>1,033,687</u>	\$ <u>796,041</u>

CITY OF MONTEBELLO

**PROPOSITION A LOCAL RETURN FUND
SUPPLEMENTAL INFORMATION
SCHEDULE OF CAPITAL ASSETS**

FOR THE YEAR ENDED JUNE 30, 2010

<u>Date Acquired</u>	<u>Descripton</u>	<u>Balance Jul 1, '09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Jun 30, '10</u>
1990	Computer Equipment	\$ 4,000	\$ -	\$ -	\$ 4,000
1990	Facsimile 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 Diver 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 System 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
Total \$		<u>2,073,949</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,073,949</u>

CITY OF MONTEBELLO
PROPOSITION C LOCAL RETURN FUND
BALANCE SHEET
JUNE 30, 2010 and 2009

		June 30	
		2010	2009
Assets			
Cash and Investments	\$	57,222	\$ 2,246,212
Due from other funds		1,785,000	-
Due from Metro		-	59,821
Total Assets	\$	1,842,222	\$ 2,306,033
LIABILITIES AND FUND BALANCE			
Liabilities			
Due to Metro	\$	-	\$ 37,240
Total Liabilities		-	37,240
Fund Balance			
Restricted		1,842,222	2,268,793
Total Fund Balance		1,842,222	2,268,793
Total Liabilities and Fund Balance	\$	1,842,222	\$ 2,306,033

See notes to financial statements

CITY OF MONTEBELLO

PROPOSITION C LOCAL RETURN FUND

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE**

JUNE 30, 2010 and 2009

	Years ended June 30	
	2010	2009
Revenue		
Proposition C	\$ 693,062	\$ 790,253
Interest income	21,049	53,243
Other revenue	54,283	-
Total Revenues	768,394	843,496
Expenditures		
Various projects	1,232,205	1,118,745
Total Expenditures	1,232,205	1,118,745
Deficiency of revenue over expenditures	(463,811)	(275,249)
Fund balance at beginning of year, as previously reported	2,268,793	2,544,042
Prior period adjustment	37,240	-
Fund balance at beginning of year, as restated	2,306,033	2,544,042
Fund balance at end of year	\$ <u>1,842,222</u>	\$ <u>2,268,793</u>

CITY OF MONTEBELLO

**PROPOSITION C LOCAL RETURN FUND
SUPPLEMENTAL INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET**

FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

Project Code	Project Name	Metro Budget	Actual	Variance Positive (Negative)	2009 Actual
130-01	Dial-A-Ride	\$ 150,000	\$ 153,383	\$ 3,383	\$ -
140-01	Recreation Field Trips	25,000	11,169	(13,831)	-
180-28	Finance System Replacement	27,043	7,783	(19,260)	61,349
270-2	Circulation Element of the General Plan	50,000	-	(50,000)	-
270-04	San Gabriel Valley COG Participation	10,000	-	(10,000)	-
280-4	Transit Bus Schedules	40,000	27,489	(12,511)	-
360-05	Metrolink Station & Bus Stops	139,720	79,000	(60,720)	-
380-21	Beverly Rio Hondo Bridge	25,000	1,678	(23,322)	18,382
410-6	Metrolink Railfeeder Services	300,000	300,000	-	-
440-37	Bridge Repair - Ongoing Bridge Maintenance	25,000	-	(25,000)	-
450-23	Telegraph & Slauson Intersection Improvement	65,000	-	(65,000)	697,621
440-38	Montebello Way Reconstruction	80,000	67,710	(12,290)	-
450-37	Garfield Ave Reconstruction Project	430,000	209,197	(220,803)	126,900
460-1	Montebello Way Traffic Signal Improvement	269,770	186,450	(83,320)	51,967
450-40	Beverly Blvd. Street Improvement	200,070	89,400	(110,670)	-
460-1	Montebello Way Traffic Signal Improvement	75,770	92	(75,678)	-
460-33	Traffic Signal at Garfield and Via San Clemente	60,000	18,854	(41,146)	82,525
480-38	Direct Administration	80,000	80,000	-	80,000
Total Expenditures		\$ 2,052,373	\$ 1,232,205	\$ (820,168)	\$ 1,118,744

CITY OF MONTEBELLO

**PROPOSITION C LOCAL RETURN FUND
SUPPLEMENTAL INFORMATION
SCHEDULE OF CAPITAL ASSETS**

FOR THE YEAR ENDED JUNE 30, 2010

Date Acquired	Description	Balance Jul 1, '09	Additions	Deletions	Balance Jul 1, '10
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
1995-96	Olympic Blvd. Road Resurfacing	37,992	-	-	37,992
1996-97	Flotilla Street Extension	35,000	-	-	35,000
1996-97	Beverly/Montebello Phase Signal	40,345	-	-	40,345
1996-00	Street Structural Analysis	3,560	-	-	3,560
1996-97	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	262,819	7,783	-	270,602
2006-07	Garfield Ave. Traffic Signals	99,600	-	-	99,600
2007-08	Beverly Bridge	-	1,678	-	1,678
2007-08	Montebello Way Reconstruction	94,960	67,710	-	162,670
2007-08	Telegraph/Slauson Intersection	102,592	-	-	102,592
2007-08	Whittier Blvd. Improvement Phase IV	150,081	-	-	150,081
2008-09	Garfield /San Clemente Traffic Signal	-	89,663	-	89,663
2008-09	Garfield Ave Reconstruction	-	775,491	-	775,491
2008-09	MTB Way Traffic Signal	-	92	-	92
2009-10	Beverly Blvd, Street Improvement	-	89,400	-	89,400
2009-10	Washington Blvd. St. Improvement	-	186,450	-	186,450
	Subtotal	\$ 3,248,927	\$ 1,218,267	\$ -	\$ 4,467,194
Additional assets identified as acquired prior to 2010 (See note below):					
2006-07	GEMS Financial Software	-	61,349	-	61,349
2007-08	Beverly Bridge	-	73,641	-	73,641
2007-08	Montebello Way Reconstruction	-	697,621	-	697,621
2008-09	Garfield /San Clemente Traffic Signal	-	82,525	-	82,525
2008-09	Garfield Ave Reconstruction	-	126,900	-	126,900
2008-09	MTB Way Traffic Signal	-	51,968	-	51,968
	Subtotal	-	1,094,004	-	1,094,004
	Total	<u>3,248,927</u>	<u>2,312,271</u>	<u>-</u>	<u>5,561,198</u>

Note: The City identified assets acquired prior to 2010 and made corrective actions to reconcile audited balances with City's books of account as of June 30, 2010.

CITY OF MONTEBELLO
MEASURE R LOCAL RETURN FUND
BALANCE SHEET
JUNE 30, 2010

		<u>June 30</u>
		<u>2010</u>
Assets		
Cash and Investments		\$ <u>421,252</u>
	Total Assets	<u><u>421,252</u></u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable		\$ <u>-</u>
	Total Liabilities	<u>-</u>
 Fund Balance		
Restricted		<u>421,252</u>
	Total Fund Balance	<u>421,252</u>
	Total Liabilities and Fund Balance	\$ <u><u>421,252</u></u>

See notes to financial statements

CITY OF MONTEBELLO

MEASURE R LOCAL RETURN FUND

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE**

JUNE 30, 2010

	Year ended June 30
	<u>2010</u>
Revenues	
Measure R	\$ 416,999
Interest income	4,253
Total Revenues	<u>421,252</u>
 Expenditures	
Various projects	<u>-</u>
Total Expenditures	<u>-</u>
 Excess of revenues over expenditures	421,252
 Fund balance at beginning of year	<u>-</u>
 Fund balance at end of year	<u><u>\$ 421,252</u></u>

CITY OF MONTEBELLO

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

BALANCE SHEET

JUNE 30, 2010 AND 2009

		June 30	
		2010	2009
Assets			
Due from Metro		\$ -	\$ -
	Total Assets	<u>-</u>	<u>-</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Due to other fund		\$ -	\$ -
	Total Liabilities	<u>-</u>	<u>-</u>
Fund Balance			
Restricted		-	-
	Total Fund Balance	<u>-</u>	<u>-</u>
	Total Liabilities and Fund Balance	<u><u>-</u></u>	<u><u>-</u></u>

See notes to financial statements

CITY OF MONTEBELLO
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
JUNE 30, 2010 AND 2009

	Years ended June 30	
	2010	2009
Revenue		
Intergovernmental allocations:		
Article 3	\$ 28,321	\$ 37,891
Total Revenues	28,321	37,891
 Expenditures		
Construction	28,321	37,891
Total Expenditures	28,321	37,891
 Excess of revenue over expenditures	-	-
 Fund balance at beginning of year	-	-
 Fund balance at end of year	\$ -	\$ -

CITY OF MONTEBELLO

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The operations of the Proposition A Local Return Fund (PALRF), Proposition C Local Return Fund (PCLRF) and Measure R Local Return Fund (MRLRF) Transportation Development Act Article 3 Fund (TDAA3F) are accounted for in separate sets of self-balancing accounts that comprise their assets, liabilities, fund balance, revenue 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 ½ cent Measure R 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.

Basis of Accounting

PALRF, PCLRF, MRLRF and the 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 MONTEBELLO

NOTES TO FINANCIAL STATEMENTS

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 CASH EQUIVALENTS

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 monthly balances to the total of the pooled cash and investments.

CITY OF MONTEBELLO

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION

The revenue allocation for the years ended June 30, 2010 and 2009 consisted of the following:

	2010	2009
FY 2008/09 allocation	\$ -	\$ 37,891
FY 2009/10 allocation	28,321	-
	<u>\$ 28,321</u>	<u>\$ 37,891</u>

NOTE 8 - TRANSPORTATION DEVELOPMENT ACT FUNDS RESERVED

In accordance with TDA Article 3 (SB821) Guidelines, funds not spent during the fiscal year have been placed on reserve in the Local Transportation Fund (LTF) account with the County Auditor-Controller to be drawn down whenever the funds become eligible for a specific project and an approved drawdown request is received by Metro. As of June 30, 2010 and 2009, the City has no funds on reserve.

NOTE 9 - SUBSEQUENT EVENTS

The City has evaluated subsequent events through March 2, 2011, the date the financial statements were available to be issued, and concluded an event that requires disclosure.

As of June 30, 2010, the City transferred monies, as a short term borrowing in the amounts of \$500,000 and \$1,785,000 from its PALRF and PCLRF, respectively, to its General and Enterprise Fund to correct negative cash positions. Subsequently, the City repaid these funds in February, 2011.



Lopez and Company, LLP
Certified Public Accountants and Business Consultants

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 Transportation Authority

We have audited the financial statements of the Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund and the Transportation Development Act Article 3 Fund, of the City of Montebello, California (the "City") as of and for the year ended June 30, 2010, and have issued our report thereon dated December 20, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return fund, and Transportation Development Act Article 3 Fund, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the compliance section.

This report is intended solely for the information and use of the City and the Los Angeles County Metropolitan Transportation Authority and is not intended to be and should not be used by anyone other than these specified parties.

Lopez and Company, LLP

Pasadena, California
December 20, 2010

COMPLIANCE SECTION



Independent Auditor's Report

To the Honorable Members of the City Council of the
City of Montebello, California and the
Los Angeles County Metropolitan Transportation Authority

We have audited the compliance of the City of Montebello, California (the "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 Transportation Development Act Article 3 Bicycle and Pedestrian Funds (Guidelines) for the year ended June 30, 2010. Management is responsible for the City's compliance with those guidelines. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit in accordance with the Guidelines and attestation standards published by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with these requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provide a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, except as noted in the Compliance Matrix, the City of Montebello complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2010.

The report is intended solely for the information and use of the City of Montebello and Los Angeles County Metropolitan Transportation Authority and is not intended to be and should not be used by anyone other than these specified parties.

Lopez and Company, LLP

Pasadena, California
December 20, 2010

**City of Montebello
Compliance Matrix
Year ended June 30, 2010**

Compliance Requirements	In Compliance		Questioned costs	If no, provide details and management response
	Yes	No		
A. Proposition A and Proposition C Local Return Fund				
1. Timely use of funds.	X		None	
2. Expenditures approved before being incurred.	X		None	
3. Funds were used on approved projects only.	X		None	
4. Expenditures did not exceed 25% of Metro approved budget.	X		None	
5. Administrative expenses are 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 and cash equivalents are maintained.	X		None	
10. Accounting procedures, record keeping and documentation are adequate.	X		None	
B. Measure R Local Return Fund				
1. Timely use of funds.	X		N/A	
2. Expenditures approved before being incurred.	X		N/A	
3. Funds were used on approved projects only.	X		N/A	
4. Funds were not substituted for property tax.	X		N/A	
5. Administrative expenses are within 20% of cap.	X		N/A	

N/A – Not applicable as City did not expend funds.

**City of Montebello
Compliance Matrix
Year ended June 30, 2010**

Compliance Requirements	In Compliance		Questioned costs	If no, provide details and management response
	Yes	No		
B. Measure R Local Return Fund				
6. Expenditure Plan (Form One) was submitted on time.	X		None	
7. Expenditure Report (Form Two) was submitted on time.	X		None	<p>Finding: The City submitted the Form Two on November 10, 2010 which is 26 days after the October 15, 2010.</p> <p>Management response: Additional procedures will be implemented by the City to better ensure timely submission of required reports in the future.</p>
8. Cash and cash equivalents are maintained.	X		None	
9. Accounting procedures, record keeping and documentation are adequate.	X		None	
C. Transportation Development Act				
1. Timely use of funds.	X		None	
2. Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.	X		None	

EXIT CONFERENCE

An exit conference was held on December 20, 2010. Those in attendance were:

Lopez & Company, LLP representatives:
Robert Hollis-Brau – Senior Auditor

City of Montebello representative:
Fione Ly, Financial Analyst

Matters discussed:

Results of the compliance audit disclosed an issue of non-compliance with Metro's Guidelines.

A copy of this report was forwarded to the following City of Montebello representatives for their comments prior to the issuance of the final report:

Francesca Schuyler – Finance Director
Fione Ly – Finance Analyst

Lopez & Company, LLP
3452 E. Foothill Blvd., Suite 820
Pasadena CA, 91107

RE: CITY OF MONTEBELLO, CALIFORNIA ANNUAL FINANCIAL REPORT OF THE PROPOSITION A LOCAL RETURN FUND, PROPOSITION C LOCAL RETURN FUND, MEASURE R LOCAL RETURN FUND AND TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND FOR THE YEARS ENDED JUNE 30, 2010.

I have received the annual financial report of the Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, and Transportation Development Act Article 3 Fund, for the years ended June 30, 2010 for the City of Montebello and agreed with the contents of the report except as indicated below:

(Attach additional pages if necessary)

Very truly yours,

Name

Title

Date