

CITY OF MONTEBELLO, CALIFORNIA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2007**

Prepared by:
Department of Finance

CITY OF MONTEBELLO
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December 10, 2007

Honorable Mayor, Members of the City Council
City of Montebello

The Comprehensive Annual Financial Report of the City of Montebello for the fiscal year ended June 30, 2007 is submitted as prepared by the City's Finance Department. The report is published to provide to our citizens, the City Council, and the investment community detailed information about the financial condition and operating results of the City as measured by the financial activity of its various funds.

The CAFR is presented in three (3) sections: the **Introductory Section**, the **Financial Section**, and the **Statistical Section**. The *Introductory Section* contains a table of contents, this letter of transmittal, a list of elected officials, an organization chart and a copy of the Certificate of Achievement for Excellence in Financial Reporting awarded for the 2005-06 City of Montebello CAFR. The *Financial Section* contains our independent auditor's, Diehl, Evans & Company, LLP, opinion letter, the general purpose financial statements, and relevant supplemental financial statements and schedules for 2006-07. The *Statistical Section* presents historical, financial, analytical, economic and demographic information, which may be useful for further analysis and comparisons.

Responsibility for both the accuracy of the financial report and the completeness and fairness of the presentation rests with the City. To the best of our knowledge, the information presented is accurate in all material aspects and includes all disclosures necessary to enable the reader to gain an understanding of the City's financial activities.

The City prepared the CAFR using the new financial reporting requirements outlined in the Governmental Accounting Standards Board (GASB) Statement No. 34. This statement requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors in the financial section of the CAFR.

GENERAL INFORMATION AND ECONOMIC OUTLOOK

The City of Montebello was incorporated on October 16, 1920, and conducts its operations as a general law, Council/Administrator City. The City is governed by a Council of five members elected at large and serve for staggered four-year terms. The City Clerk and City Treasurer are also elected to four-year terms. The City Mayor, Mayor Pro Tem, City Administrator and City Attorney are appointed by the City Council.

GENERAL INFORMATION AND ECONOMIC OUTLOOK (CONTINUED)

Montebello is located nine miles east of the Los Angeles Civic Center and has access to three freeways – the Santa Ana Freeway to the south, the Pomona Freeway to the north, and the San Gabriel River Freeway to the east. The City has a population of approximately 65,000 living in an area of 8.2 square miles. The City is a balanced community with light industry, residential areas, and commercial centers.

According to the 2007 estimate of the California Department of Finance, the City's population showed an increase of 0.27 percent over last year. The 2006-07 assessed valuation of \$4.0 billion represents an increase of 9.1 percent over the preceding year; increase during the past five years have averaged 7.1 percent. The Consumers Price Index for the Los Angeles-Riverside-Orange County area of which Montebello is a part increased 2.9 percent. Sales taxes of \$12.6 million for 2006-07 indicated an increase of 4.8 percent when compared to the preceding year; increases during the past five years have averaged 6.5 percent.

Sales tax is a major revenue source for the City and is broad based with a major shopping mall anchored by Macy's, Penny's and Mervyn's, another shopping center anchored by Sears Roebuck and Costco, a large petroleum company, a major paper products distributor and two auto agencies. Sales tax will continue to be a solid revenue source, particularly because of Montebello's ability to attract strong sales tax producers to the City.

SIGNIFICANT ACCOMPLISHMENTS

In addition to our ongoing programs and projects, the Redevelopment Agency's major accomplishments for 2006-07 include the following:

- ❖ Continued to manage the \$200,000 US-EPA Brownfields Pilot Program Grant dealing with the former Chapin Road landfill.
- ❖ Monitored the entitlement process of BJ's Brewery into the Montebello Town Center
- ❖ Worked with landowners to promote high revenue companies to locate along Telegraph Road.
- ❖ Completion of FY 2006-2007 Consolidated Annual Performance and Evaluation Report (CAPER).
- ❖ Completed the Phase I and began the Construction Drawings for Phase II of the Whittier Boulevard Revitalization Streetscape Project.
- ❖ Implemented and administer a commercial rehab loan and façade grant programs for Whittier Boulevard.

GOALS FOR FISCAL YEAR 2007-2008

- ❖ Work with owners of the Montebello Plaza to add high-volume retail anchors;
- ❖ Continue to monitor and staff the development and implementation of the Specific Plan for Whittier Boulevard;
- ❖ Monitor Garfield Financial Corporation's development of 24 low-to-moderate detached single family homes at 125 East Whittier Boulevard;

GOALS FOR FISCAL YEAR 2007-2008 (CONTINUED)

- ❖ Continue to promote retail commercial corridor along Telegraph Road adjacent to the Santa Ana Freeway (I-5);
- ❖ Pursue additional US_EPA Grant to implement cleanup of contaminated sites along Chapin Road southern portion of the City;
- ❖ Continue to attract industries with more jobs to the south industrial district; and\
- ❖ Develop the property located on 100-104 Washington with the Olson Company for retail and residential units.

ONGOING PROGRAMS AND PROJECTS

- ❖ Continue to monitor the Los Angeles County Tax Assessor to monitor appeals that have had an adverse effect on Agency revenues;
- ❖ Continue the City's outreach program consisting of presentations by the Economic Development's staff to the Chamber of Commerce, School District, homeowner's associations, Board of Realtors, and other community organizations;
- ❖ Continue offering job placement assistance to Montebello merchants and residents via the Job Assistance Program;
- ❖ Creation of Whittier Boulevard Streetscape Plans and Specifications; and\
- ❖ Continue to work with property owners on Whittier Boulevard to develop mixed-use projects.

THE FUTURE 07-08

Economic Development Activities

Overall, the goal of every program and initiative, whether economic development or housing, is to fulfill our strategic mission of creating a strong tax base, the creation of jobs, and improving the quality of life for Montebello businesses and residents. The major objectives of the City's Economic Development Department (EDD) are to retain existing businesses, help existing businesses remain competitive, and to expand and attract new businesses.

Over the next year, EDD staff will assist with the:

- Complete the final stages of Whittier Boulevard Streetscape construction phase II.
- Complete the Downtown Plaza project consisting of 50 affordable senior apartments and 27 thousand square feet of commercial.
- Continue to aggressively market and recruit potential retail outlets into The Montebello Plaza shopping center to reduce vacancy rates.
- Work with the property owners on Whittier Boulevard to develop their properties.

In addition, EDD staff will continue to emphasize the opportunities found in the City's southern industrial sector, particularly, the Telegraph road corridor and other key vacant industrial parcels.

THE FUTURE 07-08 (CONTINUED)

Housing Activities

During Fiscal Year 2006-2007, EDD staff will continue to implement its award-winning housing and neighborhood revitalization programs aimed at improving the quality of life for the City's low and moderate-income residents. Listed below are the major activities to be undertaken in the upcoming fiscal year:

- Continue to monitor the sell of 24 single detached family homes on 125 E. Whittier Boulevard.
- To continue to work with property owners to develop housing opportunities.
- Offer the Housing Mediation Board's services.
- Continue with implementation of the Home Improvement & Preservation Program (HIPP).
- Continue with implementation of the rental Rehabilitation Program (RRP).

FINANCIAL INFORMATION

The Financial Reporting Entity

This report includes all funds and account groups of the City, including the Montebello Redevelopment Agency (Agency), Montebello Public Improvement Corporation, and Montebello Public Financing Authority.

The City provides a full range of municipal services including police and fire protection, street maintenance, planning and development, parks and recreation services, and general administration. Montebello also operates enterprise funds for its golf course, transportation system, detention facility, and water services. These operations are financed from user charges and subsidies from other governmental agencies.

Accounting System

The modified accrual basis of accounting is followed for governmental fund types and the accrual basis is followed for proprietary fund types.

In developing and changing the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable but not absolute assurance regarding:

The safeguarding of assets against losses from authorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets.

The concept of reasonable assurance recognized that the cost control procedure should not exceed the benefits likely to be derived and that the evaluation of costs and benefits require estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

FINANCIAL INFORMATION (CONTINUED)

Budgetary Control

In addition to internal accounting controls, the City also maintains budgetary controls. The objective of these budgetary controls is to insure compliance with the City's budget policy embodied in the annual appropriated budget approved by the City Council. Activities of the general fund, special revenue funds, debt service funds, and capital projects funds are included in the annual approved budget.

Budgetary control is maintained at a functional level by division within department through use of object level account appropriations. Actual expenditures are compared to these appropriations. When purchase orders, contracts and other commitments are approved, appropriations are encumbered. Encumbrances and expenditures, which would cause an overrun of appropriations, require an approved budget transfer. Encumbrances at year-end are reported as reservations of fund balance.

A three-year capital plan is included in the City's published budget with each improvement monitored on a project-by-project basis. Capital projects are further appropriated annually.

Encumbrances and expenditures, which would cause an annual project appropriation overrun, require an approved budget transfer. Encumbrances at year-end are reported as reservations of fund balance.

As demonstrated in the financial statements and schedules included in the financial section of this report, the City is continuing to meet its responsibility for sound financial management.

APPROPRIATION LIMIT

In 1979, Proposition 4, the "Gann" initiative, was passed. This measure, which was intended to control government spending, established a limit calculated on a fiscal year 1978-79 base year amount adjusted each succeeding year by Consumer Price Index and population changes. In 1989-90, proposition 111 was passed, which changed the base year to 1987-88 and allows cities to adjust their limit annually by either the change in the California per capita income or the percentage change in growth in total assessed valuation due to nonresidential construction. For population changes, cities now have the option of using either the percentage increase of the City or the percent increase of the entire county. The law also allows for the exclusion from the limit of "qualified capital outlay" which includes any appropriation for fixed assets costing over \$100,000. The limit has increased steadily from its base of \$7.5 million to \$37.7 million. The City's actual appropriations subject to the limit are within the legal requirement.

PENSION PLAN

The employees of the City of Montebello are covered under the Public Employee Retirement System, which is administered by the State. Nonsafety employees are also covered under the System, which is administered by the Social Security system. The City's share of contributions to the pension plans for all employees are covered by a voter approved levy.

DEBT ADMINISTRATION

At June 30, 2007 the City had general long-term debt amounting to \$104.2 million, which is detailed in the Notes to the Financial Statements. This includes \$60.9 million for tax allocation bonds, \$23.9 million for Certificates of Participation, \$16.6 million for Revenue Bonds, and \$2.8 million for the noncurrent portion of accumulated vacation and sick leave. The City has no general obligation debt. The City also issued \$8.5 million Tax and Revenue Anticipation Notes to cover its cash flow needs in 2006-07. These Notes were paid off on June 30, 2007.

CASH AND INVESTMENT MANAGEMENT

The City has an investment policy, which is submitted to the City Council annually for approval. Investment objectives in order of priority are safety, liquidity, and yield.

The City invests its pooled funds and Redevelopment Agency funds, except for bond funds, debt service reserves and deferred employee compensation, which are maintained by appointed fiscal agents. The City directs its bond fund and debt service fund investments.

Investment yield for the City and the Community Redevelopment Agency was 5.0 percent and 5.0 percent respectively. It is the City's policy to maintain a diversified investment portfolio.

City and Redevelopment Agency investment portfolios at June 30, 2007, are shown in the following schedule:

	<u>City</u>	<u>Community Redevelopment Agency</u>
Savings Account	\$ 11,175	\$ 11,175
Money Market Fund	2,155,759	2,202,862
Treasury Bills/Federal Agency Issues	4,058,260	4,534,120
Certificates of Deposit	5,700,000	3,200,000
State Treasurer's Investment Pool	<u>9,920,134</u>	<u>13,356,146</u>
Total	<u>\$ 21,845,328</u>	<u>\$ 23,304,303</u>

RISK MANAGEMENT

The City of Montebello has established a Self-Insurance Fund for the payment of workers' compensation and liability claims. The City annually contracts with an independent actuary to determine required funding for the City's self-insurance program. The results of the 2006-07 review show that the self-insurance fund is fully funded. The City finances the fund through user charges based on the results of the actuarial studies. In addition, the City uses a variety of risk control techniques including employee accident prevention training, which has had very positive results.

OTHER INFORMATION

The City requires that its financial statements be audited by a Certified Public Accountant selected by the City Council. This requirement has been satisfied, and the auditor's opinion is included in the financial section of this report.

In addition, the City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Nonprofit Organizations." This requirement has also been satisfied and there were no material exceptions noted in the report.

The Comprehensive Annual Report is presented in three sections: Introductory, Financial and Statistical. The Introductory section includes this transmittal letter, the City's Organization Chart and a list of principal officials. The Financial section includes the auditor's report, general purpose financial statements, and the combining and individual fund and account group financial statements and schedules. The Statistical section includes selected financial and demographic information, generally presented on a multiyear basis.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Montebello for its comprehensive annual financial report for the fiscal year ended June 30, 2006. This is the nineteenth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish as easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

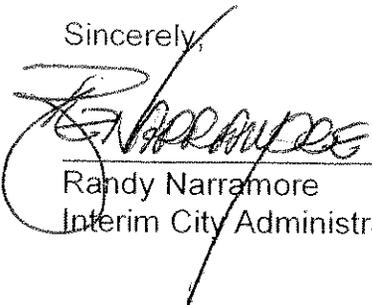
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

The efforts of the entire Montebello Finance Department staff are greatly appreciated, as this report could not have been prepared without their dedicated effort. Staff's desire to constantly upgrade the quality of financial reporting for the City of Montebello have led to improved quality of financial information available to the City Council and citizens.

In closing, we want to express our thanks to the City Council for their support, leadership and concern for the financial stability of this community.

Sincerely,

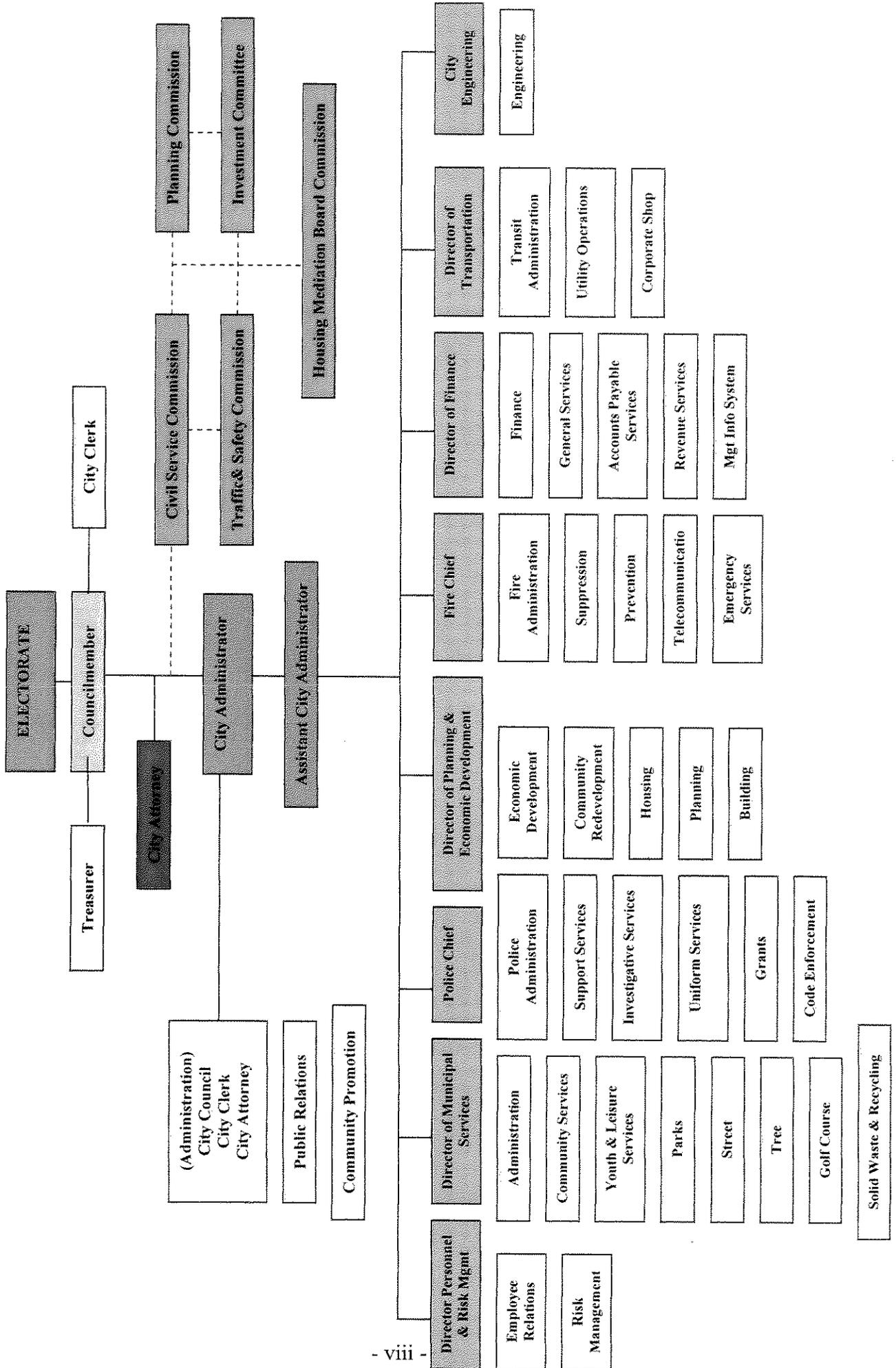


Randy Narramore
Interim City Administrator



Chickwan Tam
Director of Finance

City of Montebello Table of Organization



CITY OF MONTEBELLO
Officials of the City of Montebello
June 30, 2007

City Council

Norman Lopez-Reid– Mayor
William M. Molinari
Rosemarie Vasquez
Jeff Siccama
Robert Bagwell

Elected Officials

City Clerk
City Treasurer

Robert J. King
Gerri Guzman

Administration and Department Heads

Interim City Administrator
Assistant City Administrator
Police Chief
Interim Fire Chief
Director of Finance
Director of Planning & Economic Development
Director of Transportation
Director of Municipal Services
City Engineer

Randy Narramore
Diane Albert
Garry Couso-Vasquez
James Murphy
Chickwan Tam
Mike Huntley
Allan Pollock
Norma Salinas
Tom Melendrez

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Montebello
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



DIEHL, EVANS & COMPANY, LLP
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*HARVEY J. SCHROEDER, CPA
KENNETH R. AMES, CPA

*A PROFESSIONAL CORPORATION

November 8, 2007

INDEPENDENT AUDITORS' REPORT

The Honorable City Council
of the City of Montebello
Montebello, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Montebello, California, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Montebello's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Montebello, California, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

- 1 -

OTHER OFFICES AT:

2965 ROOSEVELT STREET
CARLSBAD, CALIFORNIA 92008-2389
(760) 729-2343 • FAX (760) 729-2234

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In accordance with Government Auditing Standards, we have also issued our report dated November 8, 2007 on our consideration of the City of Montebello's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 and not to provide an opinion on the 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.

The management's discussion and analysis and the budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures to the management's discussion and analysis, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The budgetary comparison 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Montebello's basic financial statements. The introductory section, other supplemental information and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other 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. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Diehl, Evans and Company, LLP

CITY OF MONTEBELLO

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

As management of the City of Montebello, California (City), we offer readers of the City of Montebello's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report, and with the City's financial statements, which follow this discussion.

Financial Highlights

- The assets of the City exceeded its liabilities, at June 30, 2007, by \$47.9 million (*net assets*) and the government's total net assets increased by \$9.2 million during the fiscal year ended June 30, 2007.
- As of June 30, 2007, the City's governmental funds reported combined ending fund balances of \$55.7 million, an increase of \$6.1 million in comparison with the prior year. Approximately 45.9% of this total amount, \$25.6 million is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund reserve (Capital Improvement) was \$5.2 million.
- The City's total long-term liabilities decreased by \$3.3 million during the current fiscal year. The key factor in this decrease was scheduled principal reduction on debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The *government wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases in the net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

See independent auditors' report.

Government-wide financial statements (Continued)

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements present information about the functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the City and the Montebello Redevelopment Agency, a blended component unit, include general government, public safety, public works, parks and recreation, and housing and community development. Business-type activities of the City include water, golf course, transportation, hotel and detention operation.

The government-wide financial statements can be found immediately following this discussion and analysis.

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The City maintains various individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet, and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, for the General Fund, the Grants Special Revenue Fund, the Montebello Redevelopment Agency Debt Service, the Capital Improvements Capital Projects Fund, and the Montebello Redevelopment Agency Capital Projects Fund, all of which are considered to be major funds. Data from other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these other governmental funds is provided in the form of combining statements elsewhere in this report.

See independent auditors' report.

Fund financial statements (Continued)

Governmental funds (Continued). The City adopts an annual appropriated budget for its major funds. The basic financial statements include budgetary comparison statements for the General Fund and Special Revenue Funds. Budgetary comparison statements have been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found immediately following the government-wide financial statements.

Proprietary funds. Proprietary funds are generally used to account for services for which the City charges outside customers, or internal departments of the City. Proprietary funds provide the same type of information as shown in the government-wide statements, only in more detail. The City maintains the following two types of proprietary funds.

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of water, golf course, transportation, Montebello Hilton and detention facility.
- **Internal service funds** are used to report activities that provide internal services for the City. The City uses internal service funds to account for its liabilities, workers' compensation, and vehicle maintenance and replacement. Because internal service funds predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The basic fiduciary fund financial statements can be found immediately following the basic proprietary fund financial statements.

Notes to basic financial statements

The notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found immediately following the basic fiduciary fund financial statements.

Other information

The combining statements referred to earlier in connection with other governmental funds and internal service funds are presented for all other Special Revenue Funds, all other Debt Service Funds, other Capital Projects Funds, and all Internal Service Funds. These combining fund statements and the schedules of revenues, expenditures and changes in fund balance - budget and actual for individual funds can be found immediately following the required supplementary information.

See independent auditors' report.

Other information (Continued)

The *blended component units* referred to earlier in connection with the government-wide financial statements, although legally separate, function at the discretion and direction of the City's management. Their financial position and results of operations, therefore, have been included as an integral part of the primary government, and are presented in the fund financial statements.

Government-wide Financial Analysis

The government wide financial statements provide long-term and short-term information about the City's overall financial condition. This analysis addresses the financial statements of the City as a whole.

The largest portion of the City's net assets \$45.7 million, reflects its investment in capital assets (e.g., land, buildings, improvements other than buildings, equipment, infrastructure, and construction in progress); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Montebello
Summary of Net Assets
June 30,
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006 Restated	2007	2006 Restated
Assets:						
Current and other assets	\$ 83,638	\$ 75,512	\$ 7,677	\$ 7,101	\$ 91,315	\$ 82,613
Capital assets	66,810	66,819	34,398	36,328	101,208	103,147
Total assets	150,448	142,331	42,075	43,429	192,523	185,760
Liabilities:						
Long-term liabilities	105,732	109,156	5,345	5,477	111,077	114,633
Other liabilities	28,536	28,140	4,987	4,268	33,523	32,408
Total liabilities	134,268	137,296	10,332	9,745	144,600	147,041
Net Assets:						
Invested in capital assets, net of related debt	16,757	16,757	28,924	30,706	45,681	47,463
Restricted	51,951	45,942	-	-	51,951	45,942
Unrestricted	(52,528)	(57,664)	2,819	2,978	(49,709)	(54,686)
Total net assets	\$ 16,180	\$ 5,035	\$ 31,743	\$ 33,684	\$ 47,923	\$ 38,719

Net assets of the City increased 23.7% from \$38.7 million last year to \$47.9 million this year, of which \$45.7 million is invested in capital assets such as equipment, buildings and infrastructure. Of the remaining total, \$52.0 million is restricted to specifically stipulated spending agreements originated by law, contract or other agreements with external parties.

See independent auditors' report.

Government-wide Financial Analysis (Continued)

City of Montebello
Summary of Changes in Net Assets
For the Years Ended June 30,
(in thousands)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2007	2006	2007	2006 Restated	2007	2006 Restated
Revenues:						
Program revenues:						
Charges for services	\$ 10,622	\$ 9,465	\$ 15,390	\$ 14,585	\$ 26,012	\$ 24,050
Operating grants and contributions	9,041	6,007	15,746	16,944	24,787	22,951
Capital grants and contributions	-	-	122	3,358	122	3,358
General revenues:						
Sales taxes	12,620	12,120	-	-	12,620	12,120
Property taxes	22,851	21,696	-	-	22,851	21,696
Other taxes	6,261	5,971	-	-	6,261	5,971
Other revenue	4,579	3,240	-	-	4,579	3,240
Investment revenue	3,052	2,591	115	56	3,167	2,647
Total Revenues	69,026	61,090	31,373	34,943	100,399	96,033
Expenses:						
General government	7,665	7,327	-	-	7,665	7,327
Public Safety	26,246	25,635	-	-	26,246	25,635
Public Works	4,455	8,350	-	-	4,455	8,350
Parks, Recreation and Culture	4,628	6,933	-	-	4,628	6,933
Housing and Community						
Development	7,245	3,130	-	-	7,245	3,130
Transit	-	-	26,033	24,541	26,033	24,541
Golf Course	-	-	3,311	3,036	3,311	3,036
Hilton	-	-	3,411	3,209	3,411	3,209
Water Utility	-	-	1,274	1,174	1,274	1,174
Detention Facility	-	-	356	470	356	470
Interest on long-term debt	5,988	5,725	-	-	5,988	5,725
Unallocated infrastructure depreciation	583	507	-	-	583	507
Total Expenses	56,810	57,607	34,385	32,430	91,195	90,037
Change in net assets before transfers	12,216	3,483	(3,012)	2,513	9,204	5,996
Transfers	(1,071)	273	1,071	(273)	-	-
Change in net assets	11,145	3,756	(1,941)	2,240	9,204	5,996
Net assets - Beginning of Year	5,035	1,279	33,684	31,444	38,719	32,723
Net assets - End of Year	\$ 16,180	\$ 5,035	\$ 31,743	\$ 33,684	\$ 47,923	\$ 38,719

See independent auditors' report.

Government-wide Financial Analysis (Continued)

The following items impacted citywide revenues for the fiscal year ended June 30, 2007:

- Program revenues for charges for services and operating grants and contributions accounted for 99.2% of total business-type activities revenues, as a result of amounts received for the operating revenues from transit, Hilton and golf course enterprise fund.
- The largest general revenue, property taxes, accounted for 33.1% of total governmental revenues.

Overall, increases in related expenditures reflected inflation effects and growth in the demand for services. Public Works expenditures were 4.9% of total expenditures; Public Safety expenditures accounted for 28.8% of the expenditures, while Transit expenditures were 28.5% of total expenditures.

Governmental Activities

Governmental activities increased the City's net assets by \$11.1 million. Key factors of this increase were \$6.2 million HUD Section 108 loan created to provide fund for a major street widening and intersection improvement project.

- Property tax revenues increased approximately \$1.2 million or 5.3%. This is mainly attributable to a \$500,000 increase in Redevelopment Project Area tax increments. General Fund property tax revenues increased approximately \$700,000 or 31.2%, due to adjustments of Educational Revenue Augmentation Fund (ERAF) refunds.
- Sales Tax revenues increased \$500,000 or 4.1% due to a continuing improvement in the economy.
- Other Taxes increased \$290,000 or 4.9% mainly due to an increase in oil company franchise fees which are based on related revenues.
- Investment income was up \$461,000 or 17.8% as a result of high interest rate.
- Governmental activities expenses increased mainly due to rising public safety costs along with increased labor costs from negotiated salary increases.

Business-Type Activities

Business-type activities decreased the City of Montebello's net assets by \$1.9 million, accounting for 5.9% of the total reduction net assets. The City's Transit System is the largest business-type operation, followed by the Golf Course and Montebello Hilton Hotel.

Approximately 24.5% of Transit financing for operations is generated from bus fares and special contracts, with the remaining 75.5% coming from State and Federal subsidies. Total fiscal year operating revenues were \$5.9 compared to \$5.6 million in 2006 or up approximately 5.9%. This is the result of general ridership.

See independent auditors' report.

Government-wide Financial Analysis (Continued)

Business-Type Activities (Continued)

Operating expenses show an increase from \$25.3 million to \$25.9, or up \$600,000 or 2.0% Personnel Services were up \$537,000 or 4.4%. Other increases were shown for Vehicle Services up \$264,000, Administrative Cost up \$220,000 and Other Expenses decreased of \$361,000.

The Golf Course has shown a net decrease in net assets of \$17,000 compared to \$157,000 increased for the same period last year. Revenues were up \$30,000 with increase in operating revenues for Rents and Concessions and Other Revenues. Expenses showed an increase of \$261,000. Increases were shown for labor and fringe benefits, repairs and maintenance, utilities and contract services.

The Montebello Hilton has shown a net loss of \$476,000 for the fiscal year compared to a net loss of \$297,000 for the same period last year resulting in an increase of \$179,000 for the period. Operating revenues were up by \$234,000. Expenses showed an increase of \$94,000. Increases were shown for labor and fringe benefit, utilities, repair and maintenance, and other expense.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information may be useful in assessing the City's financing requirements, in particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported total combined ending fund balances of \$55.7 million, an increase of \$6.1 million in comparison with the prior year. Approximately 45.9% of this total amount constitutes *unreserved fund balance*, which is available for spending at the government's direction. The remainder of the fund balance, \$30.1 million, is reserved to indicate that it is not available for new spending, because it has already been committed to: 1) liquidate contracts and purchase orders of the prior period \$1.7 million, 2) pay debt service \$13.9 million, 3) reserve for long-term notes receivable \$6.9 million, 4) investment in land held for resale \$7.0 million, 5) for a variety of other restricted purposes \$0.1 million and 6) providing employees retirement \$0.5 million.

The General Fund is the City's main operating funds. In 2006-07, the General Fund ended the year with a surplus of \$2.3 million compared to an operating surplus of \$2.4 million in 2005-06. Factors which contributed to this were a \$3.7 million or 10.5% increase in revenues. However, General Fund expenditures increased \$1.5 million or 3.7%. As shown in the following schedule, it is the City's policy to end the year with a zero fund balance in the General Fund. In order to accomplish this, the City was required to transfer the surplus of \$2.3 million to its financing fund.

See independent auditors' report.

Financial Analysis of the Government's Funds (Continued)

City of Montebello
General Fund
For the Years Ended June 30,
(in thousands)

	<u>2007</u>	<u>2006</u>	<u>Percent Change</u>
Operating Revenues	\$ 37,277	\$ 33,736	10.5 %
Operating Expenditures	<u>42,064</u>	<u>40,575</u>	3.7 %
Excess of Revenues Over (Under) Expenditures	(4,787)	(6,839)	30.0 %
Net Operating Transfers and Other	<u>7,065</u>	<u>9,213</u>	(23.3)%
Excess/(Deficit)	2,278	2,374	(4.0)%
Transfer from Reserve	(2,278)	(2,374)	4.0 %
Beginning Fund Balance	<u>-</u>	<u>-</u>	-
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	-

The redevelopment agency debt service fund has a total fund balance of \$7.6 million, all of which is reserved for the payment of debt service. The net increase in fund balance during the current year in the redevelopment agency debt service was \$1.2 million, \$0.5 million higher than last year's \$0.72 million. This was mainly due to increase in redevelopment project area tax increments of \$74,000 and increase in debt service payments and other financing uses of \$1.1 million.

The capital improvements capital projects fund has a total fund balance of \$7.0 million, of which \$1.8 million is reserved for encumbrances and investment in land held for resale and the remaining balance of \$5.2 is not reserved. The net increase in fund balance during the current year in the capital improvement capital projects fund was \$2.3 million.

The redevelopment agency capital projects fund has a total fund balance of \$29.5 million, of which \$6.9 million is reserved for long-term notes receivable, \$5.3 million for investments in land held for resale, \$0.6 million is reserved liquidate contracts and purchase orders, \$0.1 million is reserved for deposits, and the remaining balance of \$16.6 million is not reserved. The net increase in fund balance during the current year in the redevelopment agency capital projects fund was \$3.5 million.

The grants special revenue fund has a total deficit in fund balance of \$0.8 million. This is due to additional deferred revenue recorded in the current year for the excess grant money which was spent by the city in other projects. The net increase in fund balance during the current year in the grants special revenue fund was \$0.3 million.

See independent auditors' report.

Financial Analysis of the Government's Funds (Continued)

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The Transit System increased an operating loss of \$19.9 million, but non-operating revenues amounting to \$15.8 million help the Transit Systems net loss of \$1.7 million.

The City's Golf Course Fund has functioned at full capacity this year as a result of the reopening of the facility after renovation in 1999-2000. The Golf Course System showed operating income of \$395,000. However, non-operating items amounting to (\$378,000) resulted in a net loss for the Golf Course System of \$17,000.

The Montebello Hilton has shown a net deficit of \$476,000 for the fiscal year compared to a net loss of \$297,000 for the same period last year resulting in a decrease of \$179,000 for the current year. Operating revenues were up by \$234,000 while operating expenses showed an increase of \$201,000. Increases were shown for labor and fringe benefit, utilities, repair and maintenance and other expense.

General Fund Budgetary Highlights

Differences between the general fund original budget and the final amended budget were \$921,076 and can be briefly summarized as follows:

- \$437,102 in increased allocated to the Police Department in anticipation of additional training, overtime budget and the implementation of new program.
- \$300,974 in increased allocated to the Fire Department for the expansion of the government's fire safety and prevention citizen workshop program.
- \$183,000 in increased allocated to the Administration & Finance Department for contract services and additional interest expenses.

The increase was possible because of additional anticipated revenues. These revenues included increase in sales tax and other taxes.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of June 30, 2007 amounts to \$101.2 million, net of accumulated depreciation. This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total decrease in the City's investment in capital assets for the current fiscal year was 1.9%.

The implementation of GASB Statement 34 required the City to perform an inventory of its capital assets. The objective of this inventory was to develop cost data that could be used to comply with the infrastructure and capital asset reporting requirements.

See independent auditors' report.

Capital Asset and Debt Administration (Continued)

Capital Assets (Continued)

The following asset classes were inventoried:

- Sewer system, including sewer pipes, pumping stations, manholes, and laterals;
- Storm Drain system, including storm drain pipes, flood control channels, and catch basins;
- Streets, including pavement, curb and gutter, sidewalks, medians, greenways, block walls and traffic signals;
- Buildings, including buildings, building remodels, building lighting systems, building equipment, and building roofs; and
- Parks, including associated structures and infrastructure assets.

City of Montebello
Summary of Capital Assets, Net of Depreciation
For the Years Ended June 30,
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 2,366	\$ 2,366	\$ 6,213	\$ 6,213	\$ 8,579	\$ 8,579
Right of way	14,392	14,392	-	-	14,392	14,392
Construction in progress	-	1,129	-	-	-	1,129
Building and improvements	23,645	23,585	16,341	17,115	39,986	40,700
Machinery and equipment	12,016	11,849	11,844	13,000	23,860	24,849
Infrastructures	14,391	13,498	-	-	14,391	13,498
Total Net Capital Assets	\$ 66,810	\$ 66,819	\$ 34,398	\$ 36,328	\$ 101,208	\$ 103,147

Major capital asset transactions during the current fiscal year included the following:

- Additions to equipment acquisitions were \$3.3 million, primarily due to completion of construction of the citywide communication system, vehicles, telephone equipment and Strategic Technology Plan hardware and software.
- A major street widening and intersection improvement project at a cost of \$1.5 million.

Additional information on the City's capital assets can be found in the Note 3 of the notes to basic financial statements section of this report.

See independent auditors' report.

Capital Asset and Debt Administration (Continued)

Long-term Debt

At the end of fiscal year 2006-07, the City had total bond debt outstanding of \$116.5 million. Of this amount, \$60.9 million comprises debt backed by pledged tax revenues and \$55.6 million relates to revenue bond, certificates of participation, note payable, capital leases, non-current compensated leave and self-insurance payable. Outstanding bonded debt is summarized below and additional information can be found in Note 7 of the notes to basic financial statements section of this report.

City of Montebello
Summary of Long-term Debt
For the Years Ended June 30,
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Tax allocation bonds	\$ 60,887	\$ 61,956	\$ -	\$ -	\$ 60,887	\$ 61,956
Certificates of Participation	23,922	24,978	5,473	5,622	29,395	30,600
Revenue bonds, net	15,716	16,108	-	-	15,716	16,108
Capital lease	572	1,129	-	-	572	1,129
Notes payable	6,273	6,500	-	-	6,273	6,500
Compensated absences	2,818	2,699	825	799	3,643	3,498
Total Outstanding Debt	<u>\$ 110,188</u>	<u>\$ 113,370</u>	<u>\$ 6,298</u>	<u>\$ 6,421</u>	<u>\$ 116,486</u>	<u>\$ 119,791</u>

Economic Factors and Next Year's Budgets and Rates

- Property tax revenue continues to stay strong due to growth in real estate market value and sales, also Sales Taxes are at record high level.
- Inflation in the region for the year ended June 30, 2007 was 2.9 percent in comparison with the national index of 2.7 percent.
- Several business development plans are underway in the City of Montebello. This positive trend in the business market should lead to increased property and sales tax revenues to the City in the coming years.
- A constitutional amendment (Proposition 1A), passed by State voters on November 2, 2004, limits the City amounts of reductions of local government revenues in 2007 and future years.
- Retirement and health benefit costs have stabilized.

See independent auditors' report.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, 1600 West Beverly Boulevard, Montebello, CA 90640.

See independent auditors' report.

CITY OF MONTEBELLO
STATEMENT OF NET ASSETS

June 30, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and investments (Note 2)	\$ 40,253,626	\$ 4,162,960	\$ 44,416,586
Receivables:			
Interest	1,801,927	-	1,801,927
Accounts	3,109,312	3,105,125	6,214,437
Property tax	987,778	-	987,778
Notes (Note 5)	16,331,382	-	16,331,382
Property held for resale	7,008,600	-	7,008,600
Inventories	608,307	64,807	673,114
Prepaid items and deposits	24,302	29,427	53,729
Bond issue cost	807,443	-	807,443
Restricted assets (Note 2):			
Investment in bonds (Note 4)	4,757,015	-	4,757,015
Cash and investments with fiscal agent	7,948,142	315,471	8,263,613
Capital assets (Note 3):			
Land	2,365,644	6,212,744	8,578,388
Right of way	14,391,776	-	14,391,776
Infrastructure, net	14,391,392	-	14,391,392
Depreciable buildings and improvements, net	23,645,311	16,340,771	39,986,082
Depreciable machinery and equipment, net	12,015,763	11,844,200	23,859,963
TOTAL ASSETS	150,447,720	42,075,505	192,523,225
LIABILITIES:			
Accounts payable and accrued liabilities	2,192,335	3,228,673	5,421,008
Interest payable	1,194,166	-	1,194,166
Internal balances	1,136,107	(1,136,107)	-
Deposits payable	-	38,173	38,173
Unearned revenue	9,413,795	1,903,922	11,317,717
Claims payable (Note 10)	8,732,492	-	8,732,492
Notes payable	1,410,949	-	1,410,949
Noncurrent liabilities (Note 7):			
Due within one year	4,455,834	952,680	5,408,514
Due in more than one year	105,732,409	5,345,096	111,077,505
TOTAL LIABILITIES	134,268,087	10,332,437	144,600,524
NET ASSETS:			
Invested in capital assets, net of related debt	16,757,420	28,924,295	45,681,715
Restricted for:			
Special revenue	1,946,129	-	1,946,129
Debt service	12,723,237	-	12,723,237
Capital projects	37,280,470	-	37,280,470
Unrestricted	(52,527,623)	2,818,773	(49,708,850)
TOTAL NET ASSETS	\$ 16,179,633	\$ 31,743,068	\$ 47,922,701

See independent auditors' report and notes to basic financial statements.

CITY OF MONTEBELLO

STATEMENT OF ACTIVITIES

For the year ended June 30, 2007

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government	\$ 7,665,115	\$ 3,135,760	\$ 378,517	\$ -
Public safety	26,246,104	1,437,604	331,779	-
Public works	4,454,728	5,464,663	2,058,240	-
Parks, recreation and culture	4,628,107	476,112	-	-
Housing and community development	7,245,302	107,737	6,272,052	-
Unallocated infrastructure depreciation	582,928	-	-	-
Interest on long-term debt	5,987,723	-	-	-
Total governmental activities	<u>56,810,007</u>	<u>10,621,876</u>	<u>9,040,588</u>	<u>-</u>
Business-type activities:				
Transit	26,033,078	5,896,805	15,746,472	122,409
Golf course	3,310,810	3,399,226	-	-
Hilton	3,411,125	4,391,536	-	-
Water utility	1,274,298	1,526,153	-	-
Detention facility	355,927	176,290	-	-
Total business-type activities	<u>34,385,238</u>	<u>15,390,010</u>	<u>15,746,472</u>	<u>122,409</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 91,195,245</u>	<u>\$ 26,011,886</u>	<u>\$ 24,787,060</u>	<u>\$ 122,409</u>

General revenues:

Taxes:

Property taxes, levied for general purposes

Franchise taxes

Sales tax

Transient occupancy tax

Unrestricted intergovernmental revenue

Other revenues

Investment earnings

Transfers

Total general revenues and transfers

Change in net assets

Net assets - Beginning of year, as restated (Note 17)

Net assets - End of year

See independent auditors' report and notes to basic financial statements.

Net (Expense) Revenue and
Changes in Net Assets

Primary Government

Governmental Activities	Business-type Activities	Total
\$ (4,150,838)	\$ -	\$ (4,150,838)
(24,476,721)	-	(24,476,721)
3,068,175	-	3,068,175
(4,151,995)	-	(4,151,995)
(865,513)	-	(865,513)
(582,928)	-	(582,928)
(5,987,723)	-	(5,987,723)
<u>(37,147,543)</u>	<u>-</u>	<u>(37,147,543)</u>
-	(4,267,392)	(4,267,392)
-	88,416	88,416
-	980,411	980,411
-	251,855	251,855
-	(179,637)	(179,637)
<u>-</u>	<u>(3,126,347)</u>	<u>(3,126,347)</u>
<u>(37,147,543)</u>	<u>(3,126,347)</u>	<u>(40,273,890)</u>
22,851,037	-	22,851,037
1,228,866	-	1,228,866
12,620,273	-	12,620,273
263,457	-	263,457
4,768,533	-	4,768,533
4,578,393	-	4,578,393
3,052,086	114,890	3,166,976
(1,070,821)	1,070,821	-
<u>48,291,824</u>	<u>1,185,711</u>	<u>49,477,535</u>
11,144,281	(1,940,636)	9,203,645
<u>5,035,352</u>	<u>33,683,704</u>	<u>38,719,056</u>
<u>\$ 16,179,633</u>	<u>\$ 31,743,068</u>	<u>\$ 47,922,701</u>

CITY OF MONTEBELLO

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2007

	General	Special Revenue Fund Grants	Debt Service Fund Redevelopment Agency
ASSETS			
Cash and investments (Note 2)	\$ 755,245	\$ 167,257	\$ 4,037,732
Cash and investments with fiscal agent (Note 2)	-	-	2,961,018
Investment in bonds (Notes 2 and 4)	-	-	-
Receivables:			
Interest	204,294	-	35,917
Accounts	2,604,345	343,488	-
Property taxes	189,859	-	539,061
Notes (Note 5)	-	1,214,407	-
Due from other funds (Note 6)	-	-	-
Deposits	-	-	-
Inventory	36,598	-	-
Investment in land held for resale	-	-	-
TOTAL ASSETS	<u>\$ 3,790,341</u>	<u>\$ 1,725,152</u>	<u>\$ 7,573,728</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable and accrued liabilities	\$ 1,120,745	\$ -	\$ -
Due to other funds (Note 6)	1,900,000	-	-
Deferred revenue	769,596	2,534,407	-
Notes payable	-	-	-
TOTAL LIABILITIES	<u>3,790,341</u>	<u>2,534,407</u>	<u>-</u>
FUND BALANCES:			
Reserved for (Note 14):			
Encumbrances	-	331,946	-
Inventory	36,598	-	-
Retirement benefits	-	-	-
Debt service	-	-	7,573,728
Notes receivable	-	-	-
Deposits	-	-	-
Investment in land held for resale	-	-	-
Unreserved:			
General fund	(36,598)	-	-
Special revenue funds	-	(1,141,201)	-
Capital projects funds	-	-	-
TOTAL FUND BALANCES (DEFICIT)	<u>-</u>	<u>(809,255)</u>	<u>7,573,728</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,790,341</u>	<u>\$ 1,725,152</u>	<u>\$ 7,573,728</u>

See independent auditors' report and notes to basic financial statements.

Capital Projects Funds		Other	Total
Capital	Redevelopment	Governmental	Governmental
Improvements	Agency	Funds	Funds
\$ 888,094	\$ 19,417,421	\$ 7,057,326	\$ 32,323,075
-	18,784	4,968,340	7,948,142
4,757,015	-	-	4,757,015
-	1,541,129	20,587	1,801,927
-	17,583	133,896	3,099,312
-	39,301	219,557	987,778
-	15,116,975	-	16,331,382
2,976,522	-	-	2,976,522
-	10,500	-	10,500
-	-	-	36,598
1,688,448	5,320,152	-	7,008,600
<u>\$ 10,310,079</u>	<u>\$ 41,481,845</u>	<u>\$ 12,399,706</u>	<u>\$ 77,280,851</u>
\$ 564,871	\$ 106,732	\$ 7,100	\$ 1,799,448
2,000,000	2,976,522	-	6,876,522
-	8,216,713	-	11,520,716
710,949	700,000	-	1,410,949
<u>3,275,820</u>	<u>11,999,967</u>	<u>7,100</u>	<u>21,607,635</u>
172,054	682,880	528,781	1,715,661
-	-	-	36,598
-	-	546,246	546,246
-	-	6,343,675	13,917,403
-	6,900,262	-	6,900,262
-	10,500	-	10,500
1,688,448	5,320,152	-	7,008,600
-	-	-	(36,598)
-	-	4,209,571	3,068,370
5,173,757	16,568,084	764,333	22,506,174
<u>7,034,259</u>	<u>29,481,878</u>	<u>12,392,606</u>	<u>55,673,216</u>
<u>\$ 10,310,079</u>	<u>\$ 41,481,845</u>	<u>\$ 12,399,706</u>	<u>\$ 77,280,851</u>

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CITY OF MONTEBELLO

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS

June 30, 2007

Fund equity - total governmental funds \$ 55,673,216

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. 66,680,095

Long-term assets are not available as current resources, therefore, are reported as deferred in the governmental funds:

Interest receivable	\$ 1,341,404	
Accounts receivable	765,517	
	<u>2,106,921</u>	2,106,921

Long-term liabilities and related items are not due and payable in the current period and, therefore, are not reported in the governmental funds. Bond issuance costs are not current financial resources and are not reported in the governmental funds.

Balances at June 30, 2007 are:

Certificates of participation	(23,921,580)	
Tax allocation bonds	(60,887,079)	
Revenue bonds	(16,565,000)	
Lease payable	(572,288)	
Loans payable	(6,273,000)	
Compensated absences	(2,529,214)	
Bond issue costs	807,443	
Bond issuance discount	147,853	
Deferred amount on refunding	701,343	
Total long-term liabilities and related items	<u>(109,091,522)</u>	(109,091,522)

Internal service funds are used but management to charge the costs of various city activities to individual governmental and business-like funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets. Internal service funds net assets are

2,005,089

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

(1,194,166)

Net assets of governmental activities

\$ 16,179,633

See independent auditors' report and notes to basic financial statements.

CITY OF MONTEBELLO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the year ended June 30, 2007

	General	Special Revenue	Debt Service
		Fund	Fund
		Grants	Redevelopment Agency
REVENUES:			
Sales taxes	\$ 12,646,724	\$ -	\$ -
Property taxes	3,224,537	-	11,753,370
Other taxes	1,220,649	-	-
Franchise taxes	1,228,866	-	-
Licenses and permits	3,770,554	-	-
Fines and forfeitures	901,699	-	-
Investment income	644,681	-	174,241
Revenue from other agencies	4,768,533	4,534,224	-
Charges for services	4,976,745	-	-
Interfund revenue	2,991,563	-	-
Other revenue	902,845	-	-
TOTAL REVENUES	37,277,396	4,534,224	11,927,611
EXPENDITURES:			
Current:			
General government	4,593,619	-	-
Public safety	27,586,726	-	-
Public works	4,449,999	-	-
Parks and recreation	4,149,539	-	-
Housing and community development	1,284,727	-	-
Capital outlay	-	-	-
Debt service:			
Principal payments	-	-	1,910,000
Interest and fees	-	-	3,223,237
Cost of issuance	-	-	323,844
Other	-	-	-
TOTAL EXPENDITURES	42,064,610	-	5,457,081
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,787,214)	4,534,224	6,470,530
OTHER FINANCING SOURCES (USES):			
Transfers in	7,065,391	-	2,036,726
Transfers out	(2,278,177)	(4,195,324)	(7,578,674)
Refunding bonds issued	-	-	8,860,000
Payment to refunded bond escrow agent	-	-	(8,579,011)
TOTAL OTHER FINANCING SOURCES (USES)	4,787,214	(4,195,324)	(5,260,959)
NET CHANGE IN FUND BALANCES	-	338,900	1,209,571
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	-	(1,148,155)	6,364,157
FUND BALANCES (DEFICIT) - END OF YEAR	\$ -	\$ (809,255)	\$ 7,573,728

See independent auditors' report and notes to basic financial statements.

Capital Projects Funds		Other	Total
Capital	Redevelopment	Governmental	Governmental
Improvements	Agency	Funds	Funds
\$ -	\$ -	\$ -	\$ 12,646,724
-	1,891,808	6,040,744	22,910,459
-	-	-	1,220,649
-	-	-	1,228,866
-	-	-	3,770,554
-	-	-	901,699
993,968	901,166	507,142	3,221,198
-	-	3,866,026	13,168,783
-	-	-	4,976,745
-	-	-	2,991,563
1,072,198	632,644	-	2,607,687
<u>2,066,166</u>	<u>3,425,618</u>	<u>10,413,912</u>	<u>69,644,927</u>
-	-	-	4,593,619
-	-	-	27,586,726
-	-	-	4,449,999
-	-	-	4,149,539
-	2,536,595	-	3,821,322
7,765,069	-	-	7,765,069
783,630	-	1,276,280	3,969,910
187,704	257,775	1,923,322	5,592,038
-	-	-	323,844
-	503,885	39,868	543,753
<u>8,736,403</u>	<u>3,298,255</u>	<u>3,239,470</u>	<u>62,795,819</u>
<u>(6,670,237)</u>	<u>127,363</u>	<u>7,174,442</u>	<u>6,849,108</u>
11,648,166	7,578,674	3,788,060	32,117,017
(2,629,380)	(4,199,967)	(12,306,316)	(33,187,838)
-	-	-	8,860,000
-	-	-	(8,579,011)
<u>9,018,786</u>	<u>3,378,707</u>	<u>(8,518,256)</u>	<u>(789,832)</u>
2,348,549	3,506,070	(1,343,814)	6,059,276
4,685,710	25,975,808	13,736,420	49,613,940
<u>\$ 7,034,259</u>	<u>\$ 29,481,878</u>	<u>\$ 12,392,606</u>	<u>\$ 55,673,216</u>

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CITY OF MONTEBELLO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2007

Net change in fund balances - total governmental funds \$ 6,059,276

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	\$ 3,651,489	
Depreciation expense	<u>(3,660,365)</u>	(8,876)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. These amounts are the net effect of these differences in the treatment of long-term debt:

Refunding bonds issued	(8,860,000)	
Payment to refunding bond escrow agent	8,579,011	
Costs of issuance	323,844	
Capital accretion	(325,807)	
Principal payments on bonds and capital lease	<u>3,969,910</u>	3,686,958

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Net change in compensated absences for the current period	(75,110)	
Net change in accrued interest for the current period	23,307	
Amortization of deferred amount on refunding	(52,950)	
Amortization of bond issue costs	(31,705)	
Amortization of bond discount	<u>(8,530)</u>	(144,988)

Some revenues reported in the Statement of Activities are not considered to be available to finance current expenditures and therefore are not reported as revenues in the governmental funds:

Investment income	61,633	
Sales tax	<u>(26,451)</u>	35,182

Internal service funds are used by management to charge the costs of self-insurance and capital replacements to individual funds. A portion of the net income of the internal service funds is reported with governmental activities.

1,516,729

Change in net assets of governmental activities \$ 11,144,281

See independent auditors' report and notes to basic financial statements.

CITY OF MONTEBELLO

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2007

ASSETS	Business-type Activities Enterprise Funds		
	Transit	Golf Course	Montebello Hilton
CURRENT ASSETS:			
Cash and investments	\$ 1,037,912	\$ 1,044,382	\$ 563,486
Cash and investments with fiscal agent	-	315,471	-
Accounts receivable	2,605,440	117,990	138,800
Due from other funds	-	-	-
Inventories	-	63,220	1,587
Prepaid expenses and other current assets	-	-	29,427
TOTAL CURRENT ASSETS	3,643,352	1,541,063	733,300
NONCURRENT ASSETS:			
Capital assets:			
Land	3,807,744	2,370,000	-
Buildings and improvements	20,353,064	8,521,751	-
Machinery and equipment	25,755,433	1,456,289	-
Less allowance for depreciation	(22,984,519)	(5,437,311)	-
NET CAPITAL ASSETS	26,931,722	6,910,729	-
TOTAL ASSETS	30,575,074	8,451,792	733,300
LIABILITIES			
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable and accrued liabilities	338,850	201,772	2,618,758
Deposits payable	375	400	5,723
Claims payable	-	-	-
Compensated absences	718,886	77,611	-
Unearned revenue	1,903,922	-	-
Certificates of participation	-	156,080	-
TOTAL CURRENT LIABILITIES	2,962,033	435,863	2,624,481
LONG-TERM LIABILITIES:			
Compensated absences	21,223	5,120	-
Certificates of participation	-	5,317,340	-
TOTAL LONG-TERM LIABILITIES	21,223	5,322,460	-
TOTAL LIABILITIES	2,983,256	5,758,323	2,624,481
NET ASSETS (DEFICIT):			
Invested in capital assets, net of related debt	26,931,722	1,437,309	-
Unrestricted	660,096	1,256,160	(1,891,181)
TOTAL NET ASSETS (DEFICIT)	\$ 27,591,818	\$ 2,693,469	\$ (1,891,181)

Adjustment to reflect the consolidation of internal
service fund activities related to enterprise funds
Net assets of business-type activities

See independent auditors' report and notes to basic financial statements.

Business-type Activities Enterprise Funds (Continued)		Governmental Activities
Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 1,517,180	\$ 4,162,960	\$ 7,930,551
-	315,471	-
242,895	3,105,125	10,000
-	-	3,900,000
-	64,807	571,709
-	29,427	13,802
<u>1,760,075</u>	<u>7,677,790</u>	<u>12,426,062</u>
35,000	6,212,744	108,369
141,284	29,016,099	428,794
2,197,134	29,408,856	643,651
(1,818,154)	(30,239,984)	(1,051,023)
<u>555,264</u>	<u>34,397,715</u>	<u>129,791</u>
<u>2,315,339</u>	<u>42,075,505</u>	<u>12,555,853</u>
69,293	3,228,673	392,887
31,675	38,173	-
-	-	8,732,492
103	796,600	243,177
-	1,903,922	-
-	156,080	-
<u>101,071</u>	<u>6,123,448</u>	<u>9,368,556</u>
1,413	27,756	46,101
-	5,317,340	-
<u>1,413</u>	<u>5,345,096</u>	<u>46,101</u>
<u>102,484</u>	<u>11,468,544</u>	<u>9,414,657</u>
555,264	28,924,295	129,791
<u>1,657,591</u>	<u>1,682,666</u>	<u>3,011,405</u>
<u>\$ 2,212,855</u>		<u>\$ 3,141,196</u>

1,136,107
\$ 31,743,068

CITY OF MONTEBELLO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS

For the year ended June 30, 2007

	Business-type Activities Enterprise Funds		
	Transit	Golf Course	Montebello Hilton
OPERATING REVENUES:			
Charges for services	\$ 5,595,507	\$ 2,476,907	\$ 4,391,536
Other revenue	301,298	922,319	-
TOTAL OPERATING REVENUES	5,896,805	3,399,226	4,391,536
OPERATING EXPENSES:			
Labor and fringe benefits	12,641,278	1,062,153	917,669
Materials and supplies	-	123,769	-
Food and beverage	-	-	184,877
Repairs and maintenance	7,313,730	57,702	477,875
Purchased water	-	-	-
Utilities	288,831	560,967	152,039
Insurance claims and premiums	-	-	-
Contract services	695,381	461,014	-
Franchise fee	-	-	240,708
Marketing expense	-	-	309,122
Depreciation expense	1,791,136	327,205	-
Administrative expense	1,945,263	235,100	822,636
Other expenses	1,149,846	175,901	198,607
TOTAL OPERATING EXPENSES	25,825,465	3,003,811	3,303,533
OPERATING INCOME (LOSS)	(19,928,660)	395,415	1,088,003
NONOPERATING REVENUES (EXPENSES):			
Investment income	-	58,594	-
Federal and state grants	15,746,472	-	-
Interest expense	-	(306,999)	(107,592)
TOTAL NONOPERATING REVENUES (EXPENSES)	15,746,472	(248,405)	(107,592)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(4,182,188)	147,010	980,411
CAPITAL CONTRIBUTIONS	122,409	-	-
TRANSFERS IN	2,469,989	5,500	-
TRANSFERS OUT	(78,937)	(169,261)	(1,456,470)
CHANGE IN NET ASSETS	(1,668,727)	(16,751)	(476,059)
NET ASSETS (DEFICIT) - BEGINNING OF YEAR, AS RESTATED	29,260,545	2,710,220	(1,415,122)
NET ASSETS (DEFICIT) - END OF YEAR	\$ 27,591,818	\$ 2,693,469	\$ (1,891,181)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds Change in net assets of business-type activities (page 17)			

See independent auditors' report and notes to basic financial statements.

Business-type Activities Enterprise Funds (Continued)		Governmental Activities
Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 1,702,443	\$ 14,166,393	\$ 13,324,325
-	1,223,617	-
<u>1,702,443</u>	<u>15,390,010</u>	<u>13,324,325</u>
19	14,621,119	3,470,647
4,966	128,735	3,787,253
-	184,877	-
1,596	7,850,903	723,173
722,649	722,649	-
89,664	1,091,501	-
-	-	3,057,867
668,327	1,824,722	855,195
-	240,708	-
-	309,122	-
53,004	2,171,345	2,801
90,000	3,092,999	66,100
-	1,524,354	52,173
<u>1,630,225</u>	<u>33,763,034</u>	<u>12,015,209</u>
<u>72,218</u>	<u>(18,373,024)</u>	<u>1,309,116</u>
56,296	114,890	-
-	15,746,472	-
-	(414,591)	-
<u>56,296</u>	<u>15,446,771</u>	<u>-</u>
128,514	(2,926,253)	1,309,116
-	122,409	-
300,000	2,775,489	637,717
-	(1,704,668)	(637,717)
<u>428,514</u>	<u>(1,733,023)</u>	<u>1,309,116</u>
<u>1,784,341</u>		<u>1,832,080</u>
<u>\$ 2,212,855</u>		<u>\$ 3,141,196</u>

(207,613)
\$ (1,940,636)

CITY OF MONTEBELLO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the year ended June 30, 2007

	Business-type Activities Enterprise Funds		
	Transit	Golf Course	Montebello Hilton
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 5,595,507	\$ 2,492,118	\$ 4,357,039
Other receipts	301,298	922,319	-
Payments to suppliers	(14,033,272)	(1,554,274)	(917,669)
Payments to employees	(11,093,350)	(1,062,153)	(1,754,984)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(19,229,817)	798,010	1,684,386
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating grants received from federal and state	15,746,472	-	-
Transfers from other funds	2,469,989	5,500	-
Transfers to other funds	(78,937)	(169,261)	(1,456,470)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	18,137,524	(163,761)	(1,456,470)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Interest paid on revenue bonds	-	(306,999)	(107,592)
Principal paid on revenue bonds	-	(148,720)	-
Acquisition of capital assets	(122,409)	(107,523)	-
Federal and state capital grants	122,409	-	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	-	(563,242)	(107,592)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	-	58,594	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,092,293)	129,601	120,324
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,130,205	1,230,252	443,162
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,037,912	\$ 1,359,853	\$ 563,486

See independent auditors' report and notes to basic financial statements.

Business-type Activities Enterprise Fund (Continued)		Governmental Activities
Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 1,702,443	\$ 14,147,107	\$ 13,324,325
-	1,223,617	-
(1,695,350)	(18,200,565)	(5,708,792)
-	(13,910,487)	(3,298,512)
<u>7,093</u>	<u>(16,740,328)</u>	<u>4,317,021</u>
-	15,746,472	-
300,000	2,775,489	637,717
-	(1,704,668)	(637,717)
<u>300,000</u>	<u>16,817,293</u>	<u>-</u>
-	(414,591)	-
-	(148,720)	-
(11,278)	(241,210)	(2,962)
-	122,409	-
<u>(11,278)</u>	<u>(682,112)</u>	<u>(2,962)</u>
<u>56,296</u>	<u>114,890</u>	<u>-</u>
352,111	(490,257)	4,314,059
<u>1,165,069</u>	<u>4,968,688</u>	<u>3,616,492</u>
<u>\$ 1,517,180</u>	<u>\$ 4,478,431</u>	<u>\$ 7,930,551</u>

(Continued)

CITY OF MONTEBELLO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(CONTINUED)

For the year ended June 30, 2007

	Business-type Activities Enterprise Funds		
	Transit	Golf Course	Montebello Hilton
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (19,928,660)	\$ 395,415	\$ 1,088,003
Depreciation and amortization	1,791,136	327,205	-
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(1,018,568)	15,211	(34,497)
(Increase) decrease in due from other funds	-	-	-
(Increase) decrease in inventories	-	30,963	(1,587)
(Increase) decrease in prepaid expenses	-	-	(27,201)
Increase (decrease) in accounts payable and accrued liabilities including compensated absences	(61,019)	29,216	659,668
Increase (decrease) in claims payable	-	-	-
Increase (decrease) in unearned revenue	(12,706)	-	-
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>\$ (19,229,817)</u>	 <u>\$ 798,010</u>	 <u>\$ 1,684,386</u>

See independent auditors' report and notes to basic financial statements.

Business-type Activities Enterprise Funds (Continued)		Governmental Activities
Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 72,218	\$ (18,373,024)	\$ 1,309,116
53,004	2,171,345	2,801
(31,153)	(1,069,007)	-
-	-	2,800,000
-	29,376	(1,793)
-	(27,201)	5,141
(86,976)	540,889	49,805
-	-	151,951
-	(12,706)	-
<u>\$ 7,093</u>	<u>\$ (16,740,328)</u>	<u>\$ 4,317,021</u>

CITY OF MONTEBELLO

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND

June 30, 2007

	<u>Deposits Agency Fund</u>
ASSETS:	
Cash and investments	<u>\$ 1,364,790</u>
LIABILITIES:	
Deposits payable	<u>\$ 1,364,790</u>

See independent auditor's report and notes to basic financial statements.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Description of Financial Reporting Entity:

The basic financial statements of the City of Montebello include the activities of the City of Montebello (the City), Montebello Redevelopment Agency (the Agency), Montebello Public Improvement Corporation (MPIC) Montebello Public Financing Authority (the Authority) and Water System Improvement Corporation (WSIC).

The criteria used in determining the scope of the reporting entity are based on the provisions of Governmental Accounting Standards Board Statement 14. The City of Montebello is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the governing board of the component units and the City are the same, or because the component unit will provide a financial benefit or impose a financial burden on the City. The City has accounted for the Agency, MPIC, the Authority and WSIC as "blended" component units because the governing board of the component units are substantially the same as the City and the component units provide services exclusively to the City. Accordingly, these financial statements present the City and its component units, the Agency, MPIC, the Authority and WSIC. Each blended component unit has a June 30 year end.

The City of Montebello

The City of Montebello (the City) was incorporated on October 16, 1920, and conducts its operations as a general law, Council/Administrator City.

Montebello Redevelopment Agency

The Montebello Redevelopment Agency (the Agency) was formed in May, 1969. The primary purpose of the Agency is to eliminate blighted areas by encouraging development of residential, commercial, industrial, recreational, and public facilities. The Agency has established three redevelopment project areas encompassing approximately 1,615 acres.

Montebello Public Improvement Corporation

The Montebello Public Improvement Corporation (MPIC) was formed in June, 1990, as a nonprofit corporation. MPIC was formed for the purpose of acquisition and construction of various projects to be leased to the City under a Lease Agreement.

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

A. Description of Financial Reporting Entity (Continued):

Montebello Public Financing Authority

The Montebello Public Financing Authority (the Authority) was established pursuant to a Joint Exercise of Powers Agreement, dated September 2, 1997, entered into by the City and the Agency for the purpose, among other, of issuing its bonds to be used to provide financial assistance to its member.

Water System Improvement Corporation

The Water System Improvement Corporation (WSIC) was formed in July, 1972. WSIC was formed for the purpose of rendering assistance to the City by leasing to the City any asset acquired or improvement to the City's Water System facilities.

Complete financial statements for the Montebello Redevelopment Agency may be obtained from the City of Montebello, Finance Department, 1600 W. Beverly Boulevard, Montebello, CA 90640. Separate financial statements are not prepared for the Montebello Public Financing Authority, Montebello Public Improvement Corporation and the Water System Improvement Corporation.

B. Government-wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information about the reporting government as a whole, except for its fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government (including its blended component units) is reported separately from discretely presented component units for which the primary government is financially accountable. The City has no discretely presented component units. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's enterprise activities and various functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. Government-wide and Fund Financial Statements (Continued):

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Separate Financial Statements for the government's governmental, proprietary, and fiduciary funds are presented after the Government-wide Financial Statements. These statements display information about major funds individually and other funds in the aggregate for governmental and enterprise funds. Fiduciary statements, even though excluded from the government-wide financial statements includes financial information that primarily represent assets held by the City in a custodial capacity for other individuals or organizations.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Under the economic resources measurement focus, all assets and liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Operating statements present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued):

Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange include property taxes, grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all the eligibility requirements have been satisfied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the current financial resources measurement focus, only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period. Noncurrent portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. However, special reporting treatments are used to indicate that they should not be considered "available spendable resources" since they do not represent net current assets. Recognition of governmental fund type revenue represented by noncurrent receivables is deferred until they become current receivables. Noncurrent portions of other long-term receivables are offset by fund balance reserve accounts.

Under the modified accrual basis of accounting, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, except for principal and interest on general long-term liabilities, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities are reported as other financing sources.

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued):

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

All government-wide and business-type activities of the City follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

D. Fund Classifications:

The funds designated as major funds are determined by a mathematical calculation consistent with GASB Statement No. 34. The City reports the following major governmental funds:

The General Fund is the primary operating fund of the City. It is used to account for all revenues and expenditures that are not required to be account for in another fund.

The Grants Special Revenue Fund is used to account for Housing and Community Development Funds for neighborhood and commercial improvement purposes.

The Redevelopment Agency Debt Service Fund is used to account for the accumulation of resources required for the payment of interest and principal on all Agency Tax Allocation Bonds.

The Capital Improvements Capital Projects Fund is used to account for financial resources segregated for the acquisition of major capital facilities other than those financed by proprietary funds.

The Redevelopment Agency Capital Projects Fund is used to account for financial resources segregated for the acquisition of and rehabilitation of capital facilities within the redevelopment project areas.

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. Fund Classifications (Continued):

The City reports the following major enterprise fund:

The Transit Fund is used to account for all revenues and expenses related to the operations of the City's transit service.

The Golf Course Fund is used to account for all revenues and expenses related to the operations of the Montebello Municipal Golf Course.

The Montebello Hilton is used to account for revenues and expenses related to the operations of the Montebello Hilton. Capital assets and related debt are not reported in the fund as any shortfall related to debt service payments are payable from tax revenues of the Montebello Redevelopment Agency.

The City's fund structure also includes the following fund types:

Governmental Funds:

The Special Revenue Funds are used to account for proceeds of specific revenue sources that are legally restricted or otherwise designated for specific purposes.

The Debt Service Funds are used to account for the accumulation of resources required for the payment of principal and interest on the City's and Authority's debt.

The Capital Projects Fund is used to account for proceeds received and issuance of bonds for capital improvements.

The Enterprise Funds are used to account for operations that provide services to the general public that are financed primarily by user charges or where the periodic measurement of net increase is deemed appropriate.

The Internal Service Funds are used to account for the financing of special activities that provide services within the City. These activities include vehicle, equipment and insurance services.

Fiduciary Fund:

The Agency Fund is used to account for the resources held by the City in a fiduciary capacity for individuals, governmental entities, and others.

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

E. Capital Assets:

Capital assets (including infrastructure) are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed capital assets are valued at their estimated fair market value at the date of contribution. Generally, capital asset purchases in excess of \$5,000 are capitalized if they have an expected useful life of 1 year or more.

Capital assets include additions to public domain (infrastructure), certain improvements including pavement, curb and gutter, sidewalks, traffic control devices, streetlights, sewers, bridges and right-of-way corridors within the City. The City has valued and recorded all infrastructure asset data as of June 30, 2007.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the Government-wide Financial Statements and in the Fund Financial Statements of the Proprietary Funds. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The lives used for depreciation purposes of each capital asset class are:

Buildings	10 to 50 years
Machinery	5 to 30 years
Equipment	5 to 10 years
Infrastructure	20 to 50 years

F. Encumbrances:

Encumbrance accounting for the expenditure of funds is recorded in order to indicate outstanding commitments as of June 30, 2007, and is employed in the governmental fund types. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. These items are carried over to the subsequent year in order to complete these transactions.

G. Cash and Cash Equivalents:

For purposes of the statement of cash flows the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. In addition, cash invested in the City's cash management pool is considered to be cash equivalents.

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

H. Investments:

Investments are stated at fair value (the value at which financial instruments could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale). (See Note 2).

I. Land Held For Resale:

Land held for resale is carried at the lower of cost or estimated realizable value. Fund balances are reserved in amounts equal to the carrying value of land held for resale because such assets are not available to finance the City's current operations.

J. Inventories:

In governmental funds, inventories are valued at cost on a first-in, first-out basis. The City follows the consumption method for inventory control. Inventory items are reported as expenditures when consumed.

In proprietary funds, inventories are valued at the lower of cost or market on a first-in, first-out basis.

K. Vacation and Sick Leave:

Compensated absences are accounted for in accordance with GASB Code Section C60. It is the City's policy to permit employees to accumulate limited amounts of earned but unused vacation and sick leave benefits which will be paid to employees upon separation from City service. In governmental fund types, the cost of vacation and sick leave benefits are recognized when payments are made to employees. Proprietary fund types accrue vacation and sick leave benefits in the period they are earned. The total compensated absences liability of \$2,818,492 reported in the governmental activities includes \$2,529,214 to be paid by governmental funds and \$289,278 accrued in the internal service funds.

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

L. Property Taxes:

The assessment, levy and collection of property taxes are the responsibility of the County of Los Angeles. The City records property taxes as revenue when received from the County, except at year end, when property taxes received within 60 days are accrued as revenue.

The assessment, levy and collection of property taxes are the responsibility of the County of Los Angeles. The City records property taxes as revenue when received from the County, except at year end, when property taxes received within 60 days are accrued as revenue.

Property taxes are assessed and collected each fiscal year according to the following property tax calendar.

Lien date	January 1
Levy date	July 1
Due date	November 1 - 1 st installment March 1 - 2 nd installment
Collection date	December 10 - 1 st installment April 10 - 2 nd installment

M. Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Specifically, the City has made certain estimates and assumptions relating to the collectibility of its receivables (including accounts receivable and notes receivable), the valuation of property held for resale, and the ultimate outcome of claims and judgments. Actual results could differ from those estimates and assumptions.

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

2. CASH AND INVESTMENTS:

Cash and investments at June 30, 2007 consisted of the following:

	Government Wide Statement of Net Assets	Fiduciary Fund Statement of Assets and Liabilities	Total
Unrestricted assets:			
Cash and investments	\$ 44,416,586	\$ 1,364,790	\$ 45,781,376
Restricted assets:			
Investment in bonds	4,757,015	-	4,757,015
Cash and investments with fiscal agents	8,263,613	-	8,263,613
Total restricted assets	<u>13,020,628</u>	<u>-</u>	<u>13,020,628</u>
Total Cash and Investments	<u>\$ 57,437,214</u>	<u>\$ 1,364,790</u>	<u>\$ 58,802,004</u>

Cash and investments at June 30, 2007 consisted of the following:

Cash on hand	\$ 10,950
Deposits with financial institutions (overdraft)	(498,856)
Investments	<u>59,289,910</u>
	<u>\$ 58,802,004</u>

Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

2. CASH AND INVESTMENTS (CONTINUED):

Investments Authorized by the California Government Code and the City's Investment Policy
(Continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	5 years	80%	None
U.S. Government Sponsored Enterprise Securities	365 days	50%	None
Banker's Acceptances	180 days	40%	10%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	10%
Repurchase Agreements	1 day	2.5%	10%
Money Market Mutual Funds	(1)	15%**	None
Certificates of deposit	(1)	None	\$100,000
County Pooled Investment Funds	(1)	10%	10%
Local Agency Investment Fund (LAIF)	(1)	10%	10%

(1) Not Applicable / On Demand

* - Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

** - 5% of the City's surplus funds.

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

2. CASH AND INVESTMENTS (CONTINUED):

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Government Sponsored Enterprise Securities	None	None	None
Banker's Acceptances	30 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None

N/A - Not Applicable

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City does not have a formal policy to manage interest rate risk. However, one of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Interest Rate Risk (Continued)

Investment Type	Remaining Maturity (in Months)		Total
	12 Months or Less	More Than 60 Months	
U.S. Government Sponsored Enterprise Securities:			
Federal Home Loan Mortgage Corporation (FHLMC)	\$ 2,099,582	\$ -	\$ 2,099,582
Federal National Mortgage Association (FNMA)	6,491,820	-	6,491,820
Local Agency Investment Fund (LAIF)	23,276,279	-	23,276,279
Certificates of Deposit	8,900,000	-	8,900,000
Repurchase Agreements	3,297,859	-	3,297,859
Investment in Redevelopment Agency (RDA) Bonds	-	4,757,015	4,757,015
Money Market Mutual Funds	2,203,742	-	2,203,742
Cash and investments with fiscal agents:			
Investment Contracts	-	4,872,556	4,872,556
Money Market Mutual Funds	<u>3,391,057</u>	<u>-</u>	<u>3,391,057</u>
	<u>\$ 49,660,339</u>	<u>\$ 9,629,571</u>	<u>\$ 59,289,910</u>

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating, by Standard and Poor's, as of year end for each investment type:

<u>Investment Type</u>	<u>Total as of June 30, 2007</u>	<u>Minimum Legal Rating</u>	<u>AAA</u>	<u>Not Required to be</u>	
				<u>Rated</u>	<u>Unrated</u>
U.S. Government Sponsored					
Enterprise Securities:					
FHLMC	\$ 2,099,582	AAA	\$ 2,099,582	\$ -	\$ -
FNMA	6,491,820	AAA	6,491,820	-	-
LAIF	23,276,279	N/A	-	-	23,276,279
Certificates of Deposit	8,900,000	N/A	-	8,900,000	-
Repurchase Agreements	3,297,859	N/A	-	-	3,297,859
Investment in RDA Bonds	4,757,015	N/A	-	-	4,757,015
Money Market Mutual Funds	2,203,742	AAA	2,203,742	-	-
Cash and investments					
with fiscal agents:					
Investment Contracts	4,872,556	N/A	-	-	4,872,556
Money Market Funds	<u>3,391,057</u>	A	<u>-</u>	<u>-</u>	<u>3,391,057</u>
	<u>\$ 59,289,910</u>		<u>\$ 10,795,144</u>	<u>\$ 8,900,000</u>	<u>\$ 39,594,766</u>

N/A - Not Applicable

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer that represent 5% or more of total City's investments are as follows:

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

2. CASH AND INVESTMENTS (CONTINUED):

Concentration of Credit Risk (Continued)

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal National Mortgage Association	U.S. Government Sponsored Enterprise Securities	\$ 6,491,820
Montebello Redevelopment Agency	Tax Allocation Bonds	4,757,015
Bank of the West	Repurchase Agreements	3,297,859

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2007, the City deposits (bank balances) were insured by the Federal Depository Insurance Corporation up to \$100,000 and the remaining balance of the deposits of \$3,297,859 were collateralized as required by California Law. Included in investments are repurchase agreements held by banks, but, not in the City's name.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

3. CAPITAL ASSETS:

A summary of changes in the Governmental Activities capital assets at June 30, 2007 is as follows:

Governmental Activities:	<u>Balance at June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2007</u>
Capital assets, not being depreciated:				
Land	\$ 2,365,644	\$ -	\$ -	\$ 2,365,644
Right of way	14,391,776	-	-	14,391,776
Construction in progress	<u>1,129,015</u>	<u>-</u>	<u>(1,129,015)</u>	<u>-</u>
 Total capital assets, not being depreciated	 <u>17,886,435</u>	 <u>-</u>	 <u>(1,129,015)</u>	 <u>16,757,420</u>
Capital assets, being depreciated:				
Buildings and improvements	33,014,584	581,492	-	33,596,076
Machinery and equipment	34,136,491	2,725,707	-	36,862,198
Infrastructure	<u>38,945,574</u>	<u>1,476,267</u>	<u>-</u>	<u>40,421,841</u>
 Total capital assets being depreciated	 <u>106,096,649</u>	 <u>4,783,466</u>	 <u>-</u>	 <u>110,880,115</u>
Less accumulated depreciation for:				
Buildings and improvements	(9,429,222)	(521,543)	-	(9,950,765)
Machinery and equipment	(22,287,740)	(2,558,695)	-	(24,846,435)
Infrastructure	<u>(25,447,521)</u>	<u>(582,928)</u>	<u>-</u>	<u>(26,030,449)</u>
 Total accumulated depreciation	 <u>(57,164,483)</u>	 <u>(3,663,166)</u>	 <u>-</u>	 <u>(60,827,649)</u>
 Total capital assets being depreciated, net	 <u>48,932,166</u>	 <u>1,120,300</u>	 <u>-</u>	 <u>50,052,466</u>
 Governmental activities capital assets, net	 <u>\$ 66,818,601</u>	 <u>\$ 1,120,300</u>	 <u>\$ (1,129,015)</u>	 <u>\$ 66,809,886</u>

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

3. CAPITAL ASSETS (CONTINUED):

A summary of changes in the Business-type Activities capital assets at June 30, 2007 is as follows:

Business-type Activities:	<u>Balance at</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2007</u>
Capital assets, not being depreciated:				
Land	\$ 6,212,744	\$ -	\$ -	\$ 6,212,744
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets not being depreciated	<u>6,212,744</u>	<u>-</u>	<u>-</u>	<u>6,212,744</u>
Capital assets, being depreciated:				
Buildings and improvements	28,925,964	90,135	-	29,016,099
Machinery and equipment	<u>29,257,781</u>	<u>151,075</u>	<u>-</u>	<u>29,408,856</u>
Total capital assets being depreciated	<u>58,183,745</u>	<u>241,210</u>	<u>-</u>	<u>58,424,955</u>
Less accumulated depreciation for:				
Buildings and improvements	(11,810,742)	(864,586)	-	(12,675,328)
Machinery and equipment	<u>(16,257,897)</u>	<u>(1,306,759)</u>	<u>-</u>	<u>(17,564,656)</u>
Total accumulated depreciation	<u>(28,068,639)</u>	<u>(2,171,345)</u>	<u>-</u>	<u>(30,239,984)</u>
Total capital assets being depreciated, net	<u>30,115,106</u>	<u>(1,930,135)</u>	<u>-</u>	<u>28,184,971</u>
Business-type activities capital assets, net	<u>\$ 36,327,850</u>	<u>\$ (1,930,135)</u>	<u>\$ -</u>	<u>\$ 34,397,715</u>

Depreciation Expense:

Depreciation expense was charged to City functions/programs as follows:

General government	\$ 3,077,437
Internal service funds depreciation charged to programs based on asset usage	<u>2,801</u>
Allocated depreciation	3,080,238
Unallocated infrastructure depreciation	<u>582,928</u>
Total depreciation expense - governmental activities	<u>\$ 3,663,166</u>

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CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

3. CAPITAL ASSETS (CONTINUED):

Depreciation Expense (Continued):

Depreciation expense was charged to the Business-type activities as follows:

Transit	\$ 1,791,136
Golf Course	327,205
Other programs	<u>53,004</u>
Total depreciation expense - business-type activities	<u>\$ 2,171,345</u>

4. INVESTMENT IN BONDS:

On June 30, 1993, the Community Redevelopment Agency of the City of Montebello issued \$12,263,133 of Tax Allocation Bonds. The City's Capital Improvements Capital Projects Fund purchased the entire bond issue. These bonds are non-rated and were not publicly offered at the time of issuance. The City accepted these bonds, issued by the Agency, as repayment to the City for certain loans, advances and indebtedness incurred by the Agency. These bonds could be structured so as to be marketable. Therefore, the City considers the bonds to be marketable and thus no reservation of fund balance will be recognized. As of June 30, 2007, \$4,757,015 of the bonds are outstanding.

5. NOTES RECEIVABLE:

Notes receivable at June 30, 2007 include the following:

Prime Cut, Inc.	\$ 1,068,000
Quiet Cannon, Inc.	2,772,499
Ostrom, Inc.	2,892,360
Casa La Merced	666,308
Whittier project	1,574,000
Business assistance program	707,500
Home improvement loans	160,000
Montebello Downtown Plaza	5,276,308
Community Development Block Grant loans	<u>1,214,407</u>
Total	<u>\$ 16,331,382</u>

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CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

5. NOTES RECEIVABLE (CONTINUED):

A. Prime Cut, Inc.:

In August 1999, the Agency entered into an Owner Participation Agreement (OPA) with Prime Cut, Inc. (Owner) whereby the Agency is to loan the Owner money for the construction of a restaurant. In accordance with the agreement, the amounts disbursed shall accrue interest at the rate of 4% per year. The principal and accrued interest is payable in annual installments of \$149,520. The annual installment shall be forgiven provided the Owner is in compliance with provisions spelled out in the agreement. Principal and interest are repayable only upon Owner default under terms of the agreement. The balance of the loan outstanding at June 30, 2007 was \$1,068,000. In fiscal year 2005, the terms of the note were changed to forgive the loan over a period of 99 years. The loan balance is offset by reporting deferred revenue of a similar amount.

B. Quiet Cannon, Inc.:

The Agency leases a facility to Quiet Cannon, Inc. The Agency agreed to provide financing for the renovation and improvement of the leased facility and in return Quiet Cannon, Inc. agreed to make additional rental payments. As of June 30, 2007, \$2,772,499 remains outstanding on the note receivable.

C. Ostrom, Inc.:

In March 2000, the Agency entered into an Owner Participation Agreement (OPA) with Ostrom, Inc. (Owner) whereby the Agency is to loan the Owner \$3,750,000 for the expansion and improvements of the Owner's car dealership. The loan is payable in annual payments commencing February, 2001 and is owed to the Agency. Interest is payable semiannually on February 1 and August 1, with rates ranging from 5.6% to 6.75%. The balance of the loan outstanding at June 30, 2007 was \$2,892,360.

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CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

5. NOTES RECEIVABLE (CONTINUED):

C. Ostrom, Inc. (Continued):

Following is a schedule of the Agency's portion of the principal and interest receivable from the annual installments over the next five years and thereafter:

Year Ending June 30,	Principal	Interest	Total
2008	\$ 157,526	\$ 187,302	\$ 344,828
2009	166,277	184,601	350,878
2010	179,404	173,378	352,782
2011	192,532	161,267	353,799
2012	205,658	148,272	353,930
2013 - 2017	1,260,206	512,964	1,773,170
2018 - 2020	<u>730,757</u>	<u>84,475</u>	<u>815,232</u>
	<u>\$ 2,892,360</u>	<u>\$ 1,452,259</u>	<u>\$ 4,344,619</u>

The agreement also provides for the Agency to loan the Owner \$2,000,000 in the form of a forgivable loan. The forgivable loan earns 8% interest per year. The loan shall be forgiven at the rate of \$200,000 plus accrued interest over a period of 10 years. Principal and interest are repayable only upon Owner default under terms of the agreement. Due to the contingent repayment schedule, the receivable is not included in the financial statements. The balance of the loan outstanding at June 30, 2007 was \$600,000.

D. Casa La Merced:

Casa La Merced entered into an agreement on September 24, 1985 with the Agency. The agreement with Casa La Merced was for the development of a parcel of land. Casa La Merced agreed to a note payable to the Agency for \$666,308 that matures February 1, 2027. The note has a simple interest rate of 9.25% and the Agency has accrued interest revenue of \$1,341,405 on the note receivable and is recognized as deferred revenue on the balance sheet.

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CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

5. NOTES RECEIVABLE (CONTINUED):

E. Whittier Project:

In March 2000, the Agency entered into an Owner Participation Agreement (OPA) with Garfield Financial Corporation (Owner) whereby the Agency is to loan the Owner money for the construction of an affordable housing project. In accordance with the agreement, the amounts disbursed shall accrue interest at the rate of 7% compounded. The principal and accrued interest was originally payable within two years from the effective date and was later amended to July 23, 2002. The Agency has not declared the note in default and is working with Garfield to seek repayment on the note. The loan balance is offset by reporting deferred revenue of a similar amount. The balance of the note receivable at June 30, 2007 was \$1,574,000.

F. Business Assistance Program:

Business improvement loans were made in the current year and prior years between the Agency and local merchants. As of June 30, 2007, \$707,500 remained outstanding on the business improvement loans

G. Home Improvement Loans:

During the current and prior fiscal years, the Agency made home improvement loans to low and moderate income households. These loans accrue 4% interest and are payable in ten years or when borrower sells their property, whichever comes first. The total outstanding balance as of June 30, 2007 was \$160,000.

H. Montebello Downtown Plaza:

On December 26, 2001, the Agency entered into an Owner Participation Agreement (the Agreement) with Montebello Downtown Plaza LLC (the Participant) for the acquisition, development and operation of affordable senior citizen rental units and retail commercial buildings. The Agreement was amended and restated on October 26, 2005. The amended Agreement provides that the Agency is to loan a total amount of \$6,250,000 from the Low and Moderate Income Housing fund for the acquisition of property and construction of affordable senior housing units only. The Participant will provide financing for costs in excess of \$6,250,000. Of this amount, the Agency's balance of the loan outstanding at June 30, 2007 was \$5,276,308. The loan is to be forgiven over a period of 99 years. The loan balance is offset by reporting deferred revenue of a similar amount.

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CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

5. NOTES RECEIVABLE (CONTINUED):

I. Community Development Block Grant Loans:

At June 30, 2007, loans made to individual homeowners under the Community Development Block Grant program amounted to \$1,214,407. These loans are payable when the borrowers sell the property.

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

The composition of interfund balances as of June 30, 2007, is as follows:

Due To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Improvements Capital Projects Fund	Redevelopment Agency Capital Projects Fund	\$ 2,976,522
Internal Service Funds	General Fund	1,900,000
	Capital Improvements Capital Projects Fund	<u>2,000,000</u>
		<u>\$ 6,876,522</u>

The interfund payable balances represent routine and temporary cash flow assistance until amounts receivable from the other funds are collected to pay the amounts owed.

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CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED):

Interfund Transfers:

The compositions of the City's interfund transfer balances as of June 30, 2007 are as follows:

Governmental Activities:

	Transfers In						Total
	General Fund	Redevelopment Agency		Redevelopment Agency		Other Governmental Funds	
		Debt Service	Capital Improvements	Capital Projects			
Transfers Out:							
(A) General	\$ -	\$ -	\$ 2,278,177	\$ -	\$ -	\$ 2,278,177	
(B) Grants	-	-	4,195,324	-	-	4,195,324	
(C) Redevelopment Agency							
Debt Service	-	-	-	7,578,674	-	7,578,674	
(D) Capital Improvements	-	-	-	-	2,329,380	2,329,380	
(C) Capital Project							
Redevelopment Agency	-	2,036,726	2,163,241	-	-	4,199,967	
(E) Other Governmental							
Funds	6,427,674	-	2,763,226	-	2,210	9,193,110	
(F) Transit	-	-	78,937	-	-	78,937	
(F) Golf Course	-	-	169,261	-	-	169,261	
(F) Montebello Hilton	-	-	-	-	1,456,470	1,456,470	
Total Governmental Activities	\$ 6,427,674	\$ 2,036,726	\$ 11,648,166	\$ 7,578,674	\$ 3,788,060	\$ 31,479,300	

Business-Type Activities:

	Transfers In					Total
	General	Transit	Golf Course	Other	Internal	
				Enterprise Funds	Service Funds	
Transfers Out:						
(G) Capital Improvements	\$ -	\$ -	\$ -	\$ 300,000	\$ -	\$ 300,000
(H) Other Governmental						
Funds	-	2,469,989	5,500	-	637,717	3,113,206
(I) Internal Service Funds	637,717	-	-	-	-	637,717
Total Business-type Activities	\$ 637,717	\$ 2,469,989	\$ 5,500	\$ 300,000	\$ 637,717	\$ 4,050,923

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED):

Interfund Transfers (Continued):

- (A) Transfer of \$2,278,177 from the General Fund to the Capital Improvements Fund to provide funds for operations.
- (B) Transfers of \$4,195,324 from the Grants Fund to Capital Improvements Fund to provide funds for capital improvements.
- (C) Transfers from the Redevelopment Agency Debt Service Fund to the Redevelopment Agency Capital Projects required to comply with 20% set-aside requirement. Transfers from the Redevelopment Agency Debt Service Fund to the Capital Improvements Fund to provide funds for capital projects.
- (D) Transfer of \$2,329,380 to the Other Governmental Funds from the Capital Improvements Fund to provide funds for operations.
- (E) Transfers of \$9,193,110 from the Other Governmental Funds to: (1) the General Fund of \$6,427,674 are a reimbursement for employee retirement benefits, reimbursement for street expenditures and administrative expenditure reimbursements, (2) the Capital Improvements Fund of \$2,763,226 is for capital expenditure reimbursement and (3) the Other Governmental Funds of \$2,210 to provide funds for operations.
- (F) Transfers of \$78,937 from the Transit Fund to the Capital Improvement Funds are for capital improvements. Transfers of \$169,261 from the Golf Course Enterprise Fund to the Capital Improvements Fund are for capital projects. Transfers of \$1,456,470 from Montebello Hilton to Other Governmental Funds to pay for debt service.
- (G) Transfer of \$300,000 from the Capital Improvements Fund to the Other Enterprise Funds is an operating subsidy.
- (H) Transfers of \$3,113,206 from the Other Governmental Funds to the Transit Enterprise Fund, the Golf Course Enterprise Fund and the Internal Service Funds are to provide for operations and a reimbursement of employee benefits.
- (I) Transfers of \$637,717 from the General Fund to the Internal Service Funds are to provide for operating assistance.

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CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

7. LONG-TERM LIABILITIES:

The following is a summary of long-term liability transactions for the year ended June 30, 2007:

Governmental Activities:

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Amount Due Within One Year
Bonds payable:					
Tax allocation bonds	\$ 61,956,272	\$ 9,185,807	\$(10,255,000)	\$ 60,887,079	\$ 2,130,000
Revenue bonds	16,785,000	-	(220,000)	16,565,000	165,000
Certificates of participation	<u>24,977,860</u>	-	<u>(1,056,280)</u>	<u>23,921,580</u>	<u>1,103,920</u>
Subtotal bonds payable	103,719,132	9,185,807	(11,531,280)	101,373,659	3,398,920
Less deferred amounts:					
On refunding	(520,282)	(234,011)	52,950	(701,343)	-
Issuance discounts	<u>(156,383)</u>	-	<u>8,530</u>	<u>(147,853)</u>	-
Total bonds payable	103,042,467	8,951,796	(11,469,800)	100,524,463	3,398,920
Capital lease	1,128,918	-	(556,630)	572,288	572,288
Note payable	6,500,000	-	(227,000)	6,273,000	240,000
Compensated absences	<u>2,698,729</u>	<u>3,921,909</u>	<u>(3,802,146)</u>	<u>2,818,492</u>	<u>244,626</u>
Total Governmental Activities	<u>\$ 113,370,114</u>	<u>\$ 12,873,705</u>	<u>\$(16,055,576)</u>	<u>\$ 110,188,243</u>	<u>\$ 4,455,834</u>

Business-type Activities:

Golf Enterprise Fund:					
Certificates of participation	\$ 5,622,140	\$ -	\$ (148,720)	\$ 5,473,420	\$ 156,080
Compensated absences	<u>798,878</u>	<u>25,478</u>	<u>-</u>	<u>824,356</u>	<u>796,600</u>
Total Business-type Activities	<u>\$ 6,421,018</u>	<u>\$ 25,478</u>	<u>\$(148,720)</u>	<u>\$ 6,297,776</u>	<u>\$ 952,680</u>

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

7. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities:

A. Tax Allocation Bonds:

\$4,757,015 Montebello Economic Revitalization Tax Allocation Bonds due in 2012; interest at 12%. (See Note 4).	\$ 4,757,015
\$7,160,000 1997 Montebello Hills Parity Refunding Bonds due in annual installments of \$50,000 to \$545,000 through March 1, 2019; interest rate at 4.00% to 5.6%.	4,965,000
\$7,960,000 1998 Series A Montebello Hills Refunding Bonds due in annual installments of \$30,000 to \$875,000 through March 1, 2019; interest at 3.75% to 5.00%.	6,850,000
\$4,285,000 1998 Series B Montebello Hills Taxable Tax Allocation Parity Bonds due in annual installments of \$110,000 to \$375,000 through March 1, 2019; interest at 5.50% to 6.75%.	3,195,000
\$1,510,000 1999 Series A Montebello Hills Tax Allocation Parity Bonds due in annual installments of \$35,000 to \$105,000 through March 1, 2024; interest at 3.60% to 5.375%.	1,205,000
\$8,260,000 1999 Series A South Montebello Parity Refunding Bonds due in annual installments of \$90,000 to \$655,000 through September 1, 2022; interest at 4.00% to 5.5%.	7,240,000
\$5,593,888 1999 Series B Montebello Hills Tax Allocation Parity Bonds comprised of:	
- \$1,370,000 Current Interest Serial Bonds due in annual installments of \$10,000 to \$370,000 through March 1, 2016; interest at 4.80% to 5.60%.	1,370,000
- \$1,305,000 Current Interest Term Bonds due March 1, 2019; interest at 6.00%.	1,305,000
- \$2,918,888 Capital Appreciation Serial Bonds accreting semi-annually; interest at 6.27% to 6.42%.	4,601,804

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CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

7. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (Continued):

A. Tax Allocation Bonds (Continued):

\$3,495,000 1999 Series C Montebello Hills Tax Allocation Parity Bonds due in annual installments of \$25,000 to \$370,000 through March 1, 2024; interest at 6.75% to 7.40%.	\$ 3,305,000
\$4,145,000 1999 Series B South Montebello Parity Refunding Bonds due in annual installments of \$115,000 to \$300,000 through September 1, 2022; interest at 3.60% to 5.20%.	<u>3,390,000</u>
Total Non-Housing Tax Allocation Bonds	<u>\$ 42,183,819</u>

Housing Tax Allocation Bonds Series 1997 - Series B:

The Bonds are secured by incremental property taxes allocated to and received by the Agency. Interest on bonds is payable semi-annually. Bonds are subject to mandatory redemption, without premium, on any interest payment date beginning September 1, 2008.

Housing Tax Allocation Bonds Series 2002:

The Bonds are secured by incremental property taxes allocated to and received by the Agency. Interest on bonds is payable semiannually. Bonds are subject to redemption on any interest payment date beginning September 1, 2007. The redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed) are set forth below:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
September 1, 2010 and March 1, 2011	102%
September 1, 2011 and March 1, 2012	101
September 1, 2012 and thereafter	100

2007 Tax Allocation Refunding Bonds, Series A:

The Bonds are secured by incremental property taxes allocated to and received by the Agency. Interest on bonds is payable semiannually. Bonds are subject to redemption at the Agency's option on or after September 1, 2018 at a redemption price equal to the principal amount.

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CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

7. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (Continued):

A. Tax Allocation Bonds (Continued):

\$5,550,000 1997 Series B Montebello Housing Bonds due in annual installments of \$130,000 to \$405,000 through September 1, 2019; interest rate at 5.90% to 7.16%	\$ 4,085,000
\$5,557,642 2002 Montebello Housing Parity Bonds due in annual installments of \$760,000 to \$1,265,907 through September 1, 2024; interest rate at 5.25% to 5.75%	5,758,260
\$8,860,000 2007 Series A Montebello Housing Bonds due in annual installments of \$565,000 to \$685,000 through September 1, 2019; interest rate at 5.25% to 5.75%	<u>8,860,000</u>
Total Housing Tax Allocation Bonds	<u>\$ 18,703,260</u>

The annual requirements to amortize tax allocation bonds outstanding as of June 30, 2007, included in the long-term liabilities are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 2,130,000	\$ 3,242,182	\$ 5,372,182
2009	2,315,000	3,167,543	5,482,543
2010	2,465,000	3,053,250	5,518,250
2011	2,620,000	2,930,056	5,550,056
2012	2,890,000	2,796,633	5,686,633
2013-2017	23,012,015	9,102,413	32,114,428
2018-2022	17,053,955	8,567,660	25,621,615
2023-2025	<u>8,401,109</u>	<u>2,303,300</u>	<u>10,704,409</u>
Total	<u>\$ 60,887,079</u>	<u>\$ 35,163,037</u>	<u>\$ 96,050,116</u>

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CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

7. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (Continued):

B. Revenue Bonds:

On November 19, 2001, the Montebello Public Financing Authority (established pursuant to a joint exercise of powers agreement between the City of Montebello and the Community Redevelopment Agency of the City of Montebello) issued \$15,830,000 of Revenue Bonds, Series A to (a) finance the acquisition, construction and equipping of a hotel facility (the project) located adjacent to the Montebello Country Club, a municipal golf course owned and operated by the City and the Quiet Cannon Restaurant and Conference Facility, (b) fund a reserve fund, (c) fund capitalized interest on the bonds through April 1, 2003, (d) fund an operating reserve and (e) pay certain costs of issuance of the bonds. Concurrently with the issuance of the bonds, the Authority and City entered into an installment purchase agreement in which the Authority sold the Project to the City in consideration for the installment purchase payments to be made by the City in amounts sufficient to pay the debt service payments on the bonds.

Pursuant to the installment purchase agreement, the City pledged all revenues received related to the ownership and operation of the project (Hotel) to make the installment purchase payments to the Authority for payment of the debt service. In addition, the City and Agency have entered into a separate agreement dated November 1, 2000 in connection with the development and operation of the project. Pursuant to this agreement, the Agency has agreed to pay, solely from tax revenues from the Montebello Hills Redevelopment Project Area, any shortfall on the City's lease payments required to pay the debt service on the bonds. The Hotel began operations in December 2002.

In September 2004, the City issued \$17,060,000 in Variable Rate Lease Revenue Refunding Bonds to advance refund \$15,490,000 of outstanding Series 2001A Revenue Bonds as described above. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2001A Revenue Bonds. The reacquisition price exceeded the net carrying amount by \$604,199. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt which is shorter than the life of the new debt. As a result, the 2001 Revenue Bonds are considered to be defeased, and the liability for those bonds has been removed from the long-term liabilities. The advance refunding resulted in a decrease in debt service payments of \$604,310 and an economic gain of \$168,147.

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CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

7. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (Continued):

B. Revenue Bonds (Continued):

Similar to the provision of the defeased Series 2001A Revenue Bonds, the bonds are limited obligations of the Authority, payable solely from the lease payments to be received from the City pursuant to the Amended and Restated Lease Agreement, dated September 1, 2004. The City has pledged all revenues received related to the ownership and operation of the project to make the lease payments due to the Authority to make debt service payments on the bonds.

The bonds initially bear interest at the variable rate payable first business day of the month until the fixed rate conversion date. Following the fixed rate conversion date, bond payment dates will be June 1 and December 1 of each year.

The outstanding balance at June 30, 2007 is \$16,565,000.

The annual requirements to amortize revenue bonds outstanding as of June 30, 2007, included in the long-term liabilities, at 3.75% interest rate, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 165,000	\$ 621,188	\$ 786,188
2009	230,000	615,000	845,000
2010	275,000	606,375	881,375
2011	320,000	596,063	916,063
2012	365,000	584,063	949,063
2013-2017	2,340,000	2,686,875	5,026,875
2018-2022	2,850,000	2,206,313	5,056,313
2023-2027	3,355,000	1,635,000	4,990,000
2028-2032	3,950,000	962,813	4,912,813
2033-2035	<u>2,715,000</u>	<u>206,438</u>	<u>2,921,438</u>
	<u>\$ 16,565,000</u>	<u>\$ 10,720,128</u>	<u>\$ 27,285,128</u>

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

7. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (Continued):

C. Certificates of Participation:

2000 Certificates of Participation:

In October 2000, the Montebello Public Improvement Corporation issued \$22,930,000 Certificates of Participation to refund the 1993 Certificates of Participation, acquire certain communication equipment, to make a deposit to the reserve fund and to pay expenses in connection with the issuance of the Certificates. The Certificates are payable from lease payments to be made by the City to the Improvement Corporation as rental for certain public facilities consisting of a city hall, a fire station and police facilities pursuant to a lease agreement. The City is required under the lease agreement to make payments in each fiscal year in consideration of use of the facilities from any source of available funds in an amount sufficient to pay the annual principal and interest due on the Certificates subject to abatement as described in the Certificate documents. Annual installments of \$685,000 to \$1,300,000 are due from November 2001 through November 1, 2026; interest rates at 4.00% to 5.375%.

The Certificates maturing on or after November 1, 2011 are subject to prepayment prior to maturity on any Business Day on or after November 1, 2010, as a whole or in part, in a manner determined by the City, at a prepayment price equal to the principal amount thereof to be prepaid, plus a premium, (expressed as a percentage of the principal amount of Certificates to be prepaid) together with accrued interest thereon to the date fixed for prepayment as follows:

<u>Prepayment Dates</u>	<u>Redemption Prices</u>
November 1, 2010 through October 31, 2011	102%
November 1, 2011 through October 31, 2012	101
November 1, 2012 and thereafter	100

The outstanding balance at June 30, 2007 is \$18,310,000.

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

7. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (Continued):

C. Certificates of Participation (Continued):

2001 Certificates of Participation:

In December 2001, the Montebello Public Improvement Corporation (the Improvement Corporation) issued \$8,570,000 2001 Variable Rate Demand Taxable Certificates of Participation to provide funds to refund in advance the remaining 1997 and 1995 Certificates of Participation. The Certificates are payable from the revenues pledged under a Trust agreement, consisting primarily of lease payments to be made by the City to the Improvement Corporation as rental of the golf course pursuant to a lease agreement. The City is required under the lease agreement to make payments in each fiscal year in consideration of use of the golf course from any source of available funds which includes motor vehicle license fees in an amount sufficient to pay the annual principal and interest due with respect to the Certificates subject to abatement as described in the Certificate documents. If funds are not available to the City to make the lease payments, the Trustee can lease the golf course to a third party in order to satisfy the obligation to pay the Certificate holders. \$6,570,000 of the \$8,570,000 2001 Certificates are allocated to refund the 1995 Certificates of Participation.

Annual installments of \$122,240 to \$435,480 are due from April 1, 2002 to April 1, 2005 with an adjustable interest rate. The variable rate Certificates can be converted to fixed rates as more fully described in the Certificate document.

The Certificates maturing on or after the fixed rate conversion are subject to prepayment prior to maturity on such interest payment dates, as a whole or in part, in a manner determined by the Improvement Corporation, at a prepayment price equal to the principal amount thereof to be prepaid, plus a premium, (expressed as a percentage of the principal amount of Certificates to be prepaid) together with accrued interest thereon to the dates fixed for prepayment as follows:

<u>Prepayment Dates</u>	<u>Redemption Prices</u>
First 12-month period following tenth anniversary of Fixed Rate Conversion	102%
Second 12-month period following tenth anniversary of Fixed Rate Conversion	101%
Third 12-month period following tenth anniversary of Fixed Rate Conversion and thereafter	100%

The outstanding balance as of June 30, 2007 is \$5,611,580.

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CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

7. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (Continued):

C. Certificates of Participation (Continued):

2001 Certificates of Participation (Continued):

The annual requirements to amortize the certificates of participation outstanding as of June 30, 2007, included in the long-term liabilities are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,103,920	\$ 1,206,397	\$ 2,310,317
2009	1,146,560	1,155,540	2,302,100
2010	1,203,020	1,102,068	2,305,088
2011	1,254,480	1,045,490	2,299,970
2012	862,120	995,606	1,857,726
2013-2017	4,952,500	4,282,492	9,234,992
2018-2022	6,284,840	2,834,212	9,119,052
2023-2027	7,114,140	957,106	8,071,246
	<u>\$ 23,921,580</u>	<u>\$ 13,578,911</u>	<u>\$ 37,500,491</u>

D. Capital Lease:

The City has entered into a lease financing the acquisition of police communication equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The assets acquired through capital lease amount to \$2,780,000.

The future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2007 are as follows:

Year Ending <u>June 30,</u>	
2008	<u>\$ 588,387</u>
Total minimum lease payments	588,387
Less amount representing interest	<u>(16,099)</u>
Present value of minimum lease payment	<u>\$ 572,288</u>

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

7. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (Continued):

E. Note Payable:

In November, 2005, the City borrowed \$6,500,000 from the United States Department of Housing and Urban Development, to provide for funds to pay for street improvements. Interest and principal are due as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ 240,000	\$ 311,998	\$ 551,998
2009	245,000	299,585	544,585
2010	251,000	293,344	544,344
2011	258,000	290,646	548,646
2012	267,000	277,507	544,507
2013-2017	1,514,000	1,169,510	2,683,510
2018-2022	1,929,000	720,410	2,649,410
2023-2026	1,569,000	149,125	1,718,125
	<u>\$ 6,273,000</u>	<u>\$ 3,512,125</u>	<u>\$ 9,785,125</u>

F. Compensated Absences:

The noncurrent portion of the accumulated vacation and sick leave liabilities, liquidated primarily by the General Fund, of \$2,818,492 has no repayment schedule at June 30, 2007.

Business-type Activities:

A. 1999 Certificates of Participation:

On March 30, 1999, the City of Montebello issued \$4,275,000 1999 Refunding Certificates of Participation due in annual installments of \$65,000 to \$285,000 from April 1, 2001 to April 1, 2029; variable interest 4.00% to 5.625%. The purpose of the Certificates is to provide funds to prepay certain obligations of the City relating to the Golf Course renovation project, to make a deposit to the reserve fund and to pay the expenses incurred in connection with delivery of the Certificates. In addition, in accordance with a related lease agreement between the City and the Montebello Public Improvement Corporation, if the City fails to make payments on the certificates, and motor vehicle license fees are not available, the trustee can lease the golf course property to a third party in order to satisfy the obligation to pay certificate holders. The outstanding balance as of June 30, 2007 is, \$3,740,000.

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

7. LONG-TERM LIABILITIES (CONTINUED):

Business-type Activities (Continued):

B. 2001 Certificates of Participation:

In December 2001, the Montebello Public Improvement Corporation (the Improvement Corporation) issued \$8,570,000 2001 Variable Rate Demand Taxable Certificates of Participation to provide funds to refund in advance the remaining 1997 and 1995 Certificates of Participation. The Certificates are payable from the revenues pledged under a Trust agreement, consisting primarily of lease payments to be made by the City to the Improvement Corporation as rental of the golf course pursuant to a lease agreement. The City is required under the lease agreement to make payments in each fiscal year in consideration of use of the golf course from any source of available funds which includes motor vehicle license fees in an amount sufficient to pay the annual principal and interest due with respect to the Certificates subject to abatement as described in the Certificate documents. If funds are not available to the City to make the lease payments, the Trustee can lease the golf course to a third party in order to satisfy the obligation to pay the Certificate holders. \$2,000,000 of the \$8,570,000 2001 Certificates are allocated to refund the 1997 Certificates of Participation.

Annual installments of \$37,760 to \$134,520 are due from April 1, 2002 to April 1, 2005 with an adjustable interest rate. The variable rate Certificates can be converted to fixed rates as more fully described in the Certificate documents.

The Certificates maturing on or after the fixed rate conversion are subject to prepayment prior to maturity on such interest payment dates, as a whole or in part, in a manner determined by the Improvement Corporation, at a prepayment price equal to the principal amount thereof to be prepaid, plus a premium, (expressed as a percentage of the principal amount of Certificates to be prepaid) together with accrued interest thereon to the dates fixed for prepayment as follows:

<u>Prepayment Dates</u>	<u>Redemption Prices</u>
First 12-month period following tenth anniversary of Fixed Rate Conversion	102%
Second 12-month period following tenth anniversary of Fixed Rate Conversion	101%
Third 12-month period following tenth anniversary of Fixed Rate Conversion and thereafter	100%

The outstanding balance as of June 30, 2007 is \$1,733,420.

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CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

7. LONG-TERM LIABILITIES (CONTINUED):

Business-type Activities (Continued):

C. Debt Service Requirements:

The annual requirements to amortize the certificates of participation outstanding as of June 30, 2007, included in the long-term liabilities are as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ 156,080	\$ 300,958	\$ 457,038
2009	163,440	292,820	456,260
2010	171,980	284,205	456,185
2011	180,520	274,839	455,359
2012	192,880	265,009	457,889
2013-2017	1,102,500	1,157,860	2,260,360
2018-2022	1,420,160	824,573	2,244,733
2023-2027	1,530,860	398,419	1,929,279
2028-2029	555,000	47,250	602,250
	<u>\$ 5,473,420</u>	<u>\$ 3,845,933</u>	<u>\$ 9,319,353</u>

D. Compensated Absences:

The noncurrent portion of accumulated vacation and sick leave liability of \$27,756 has no repayment schedule at June 30, 2007.

8. ADVANCES TO REDEVELOPMENT AGENCY:

The City of Montebello has agreements with the Montebello Redevelopment Agency providing for the advance of funds to finance improvements and operations relating to and within the project areas. The agreements provide for reimbursement to the City from any and all funds legally available to the Agency for such payment plus interest at 12% computed from the time of the City's advance of funds to the date of repayment by the Agency.

At June 30, 2007, the Agency owed the City \$2,976,522 which is considered a short-term liability and has been included in due to other funds in the Redevelopment Agency Capital Projects Fund.

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

9. DEFINED BENEFIT PENSION PLAN:

Plan Description:

The City contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California.

Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of CalPERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

Funding Policy:

Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 7% for non-safety employees, and 9% for safety employees, of annual covered payroll. The contribution requirements of plan members and the City are established by, and may be amended by CalPERS.

Annual Pension Cost:

For fiscal year 2006/2007, the City's annual pension cost was \$6,840,115 and the City actually contributed \$6,840,115. The required contribution was determined as part of the June 30, 2004 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%.

The actuarial value of CalPERS' assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period (smoothed market value). CalPERS' unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis over a 30 year period.

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

9. DEFINED BENEFIT PENSION PLAN (CONTINUED):

Three-Year Trend Information for CalPERS:

Schedule of Employer Contributions

Fiscal Year	Annual Pension Cost (APC)	Percentage APC Contributed	Net Pension Obligation
6/30/05	\$ 5,700,780	100%	\$ -
6/30/06	6,592,304	100%	-
6/30/07	6,840,115	100%	-

Schedule of Funding Progress
(\$ Amount in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL)/ (Excess Assets) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll [(B-A)/C]
6/30/04:						
Misc.	\$ 72,588	\$ 80,647	\$ 8,059	90.0 %	\$ 16,063	50.171 %
Safety	<u>100,701</u>	<u>113,100</u>	<u>12,399</u>	89.0 %	<u>11,283</u>	109.891 %
Total	<u>\$ 173,289</u>	<u>\$ 193,747</u>	<u>\$ 20,458</u>	89.4 %	<u>\$ 27,346</u>	74.812 %
6/30/05:						
Misc.	\$ 77,952	\$ 87,041	\$ 9,089	89.6 %	\$ 16,028	56.707 %
Safety	<u>107,205</u>	<u>118,835</u>	<u>11,630</u>	90.2 %	<u>10,818</u>	107.506 %
Total	<u>\$ 185,157</u>	<u>\$ 205,876</u>	<u>\$ 20,719</u>	89.9 %	<u>\$ 26,846</u>	77.177 %
6/30/06:						
Misc.	\$ 84,391	\$ 93,046	\$ 8,655	90.7 %	\$ 16,666	51.932 %
Safety	<u>114,173</u>	<u>127,620</u>	<u>13,447</u>	89.5 %	<u>11,008</u>	122.157 %
Total	<u>\$ 198,564</u>	<u>\$ 220,666</u>	<u>\$ 22,102</u>	90.0 %	<u>\$ 27,674</u>	79.866 %

The schedule of funding progress is as of a valuation date of June 30, 2006. Actuarial assumptions included (a) 7.75% investment rate of return (net of administrative costs) and (b) 3.25% per year cost-of-living adjustment with an inflation component of 3.0%.

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

10. SELF INSURANCE:

The City provides self-insurance for general liability and workers' compensation claims. The City is partially self-insured for general liability programs. The City pays up to \$1 million per occurrence and has excess insurance up to \$10 million per occurrence. For workers' compensation, the City provides self-insurance up to \$300,000 retention level and has acquired excess insurance coverage of \$5 million for each claim. The City also purchases commercial insurance for other risks of loss, including property loss, earthquake and vehicle physical damage. There have been no significant changes in insurance coverage as compared to last year, and the City has not experienced settlements in excess of insurance coverage during the past three fiscal years. At June 30, 2007, the present value of the estimated liability discounted at a five percent rate for claims payable is \$8,732,492. The City liability for claims payable is based on an actuarial study. The liability includes an estimate for incurred, but not reported losses and are based upon past experience, modified for current trends and information.

Insurance Claims Payable:	<u>2006-07</u>	<u>2005-06</u>
Claims payable at July	\$ 8,580,541	\$ 9,152,275
Claims incurred during the fiscal year	2,668,463	2,079,468
Payments on claims during the fiscal year	<u>(2,516,512)</u>	<u>(2,651,202)</u>
Claims and Judgments Payable at June 30	<u>\$ 8,732,492</u>	<u>\$ 8,580,541</u>

There are no liabilities for which annuity contracts have been purchased in the claimant's names and for which the related liabilities have been removed from the balance sheet.

11. REQUIRED INDIVIDUAL FUND DISCLOSURES:

A. Deficit Fund Equity:

The Grants Special Revenue Fund has a deficit of \$809,255. The deficit will be eliminated by reimbursement from the County of Los Angeles for amounts spent on parks or transfers from other funds.

The Montebello Hilton Enterprise Fund has a net asset deficit of \$1,891,181. The operating revenues are pledged for payment of debt service on the 2004 Revenue Bonds (see Note 7b). Since the Hotel started operations, cash flow has not been sufficient to pay all the debt service and the City has funded the difference to make the annual debt service payments. Under an agreement between the City and the management company of the Hotel, an annual management fee is to be paid unless cash flow is not sufficient to pay the debt service. If the cash flow is not sufficient, the management fee accrues and is to be paid at the end of the agreement. At June 30, 2007, the \$2,492,409 of the accounts payable and accrued liabilities is owned to the management company for the accumulated management fees and related items. The City will be required to pay this amount which will remove the deficit.

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

11. REQUIRED INDIVIDUAL FUND DISCLOSURES (CONTINUED):

B. Excess of Expenditures over Appropriations:

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
General Fund Departments:			
City Attorney	\$ 147,100	\$ 276,893	\$ (129,793)
City Administrator	479,967	527,695	(47,728)
Employee relations	371,359	415,777	(44,418)
General services	723,614	747,541	(23,927)
Buildings and maintenance	301,940	441,343	(139,403)
Field services - Police	9,155,673	9,276,835	(121,162)
Support services - Police	2,201,682	2,366,431	(164,749)
Grant	323,427	472,505	(149,078)
Fire administration	767,050	777,938	(10,888)
Fire suppression	9,173,429	9,987,856	(814,427)
Fire prevention	431,103	443,604	(12,501)
Street	4,088,235	4,449,999	(361,764)
Parks and recreation administration	543,288	573,072	(29,784)
Human services	-	930,787	(930,787)
Engineering	807,890	896,282	(88,392)
Other Individual Funds:			
City Debt Service Fund	2,283,280	2,383,776	(100,496)
Public Financing Authority			
Debt Service Fund	807,475	834,936	(27,461)
Redevelopment Agency Debt Service Fund	5,391,012	5,507,710	(116,698)
Public Financing Authority			
Capital Projects Fund	-	428,417	(428,417)

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

12. REFUNDED AND REFUNDING DEBT:

A. Refunding 2000 Certificates of Participation and Refunded 1993 Certificates of Participation:

On November 1, 2000, the City issued \$22.9 million in Certificates of Participation with interest rates from 4.0% to 5.4% to advance refund \$17.5 million of outstanding 1993 Certificates of Participation and provide additional funds for capital assets. Net proceeds of \$16.8 million (after payment of: 1) \$900 thousand in underwriting fees, insurance, and other issuance costs, 2) \$1.8 million to establish a reserve fund and 3) \$3 million deposited in the Acquisition and Construction fund will be used to acquire Public Safety Communication equipment) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments in the 1993 Certificates of Participation. The 1993 Certificates of Participation are considered to be defeased and the liability for those bonds has been removed from the long-term liabilities. As of June 30, 2007, \$15,015,000 remained outstanding on the refunded 1993 issue.

B. Refunding 1993 Certificates of Participation and Refunded 1990 and 1992 Certificates of Participation:

On November 1, 1993, the City issued \$22.3 million in Certificates of Participation with interest rates from 4.00% to 6.08% to advance refund \$7,850,000 of outstanding 1990 Certificates of Participation and \$12,345,000 of outstanding 1992 Certificates of Participation with interest rates from 6.40% to 7.00% and 4.90% to 7.10%, respectively. The net proceeds of \$21.9 million (after payment of \$0.4 million in underwriting fees, insurance, and other issuance costs, plus an additional \$0.9 million in 1990 and 1992 issues sinking fund monies) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1990 and 1992 Certificates of Participation. As a result, the 1990 and 1992 Certificates of Participation are considered to be defeased and the liability for those issues have been removed from the long-term liabilities. As of June 30, 2007, \$1,950,000 and \$10,015,000 remained outstanding on the 1990 and 1992 issues, respectively.

C. 1999 Refunding Certificates of Participation:

On December 1, 1998, the City issued \$4.3 million in Certificates of Participation with interest rates from 4.00% to 5.625% to refund \$3.6 million of outstanding 1997 Certificates of Participation with variable interest rate. The net proceeds of \$4.0 million (after payment of \$0.3 million in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1997 Certificates of Participation. As of June 30, 2007, \$2,910,000 remained outstanding on the 1997 Certificates of Participation.

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CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

12. REFUNDED AND REFUNDING DEBT (CONTINUED):

D. 1999 South Montebello Industrial Parity Refunding Bonds:

On April 15, 1999, the Agency issued \$8.3 million in tax allocation bonds with interest rates from 4.00% to 5.50% to advance partial refund \$2.3 million of outstanding 1989 Series Bonds with interest rates from 6.20% to 7.60%. The net proceeds of \$8.0 million (after payment of \$0.3 million in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1989 Series Bonds. As a result, part of 1989 Series Bonds are considered to be defeased and the liability for those bonds has been removed from the long-term liabilities. As of June 30, 2007, \$344,000 remained outstanding on the refunded 1989 Series Bonds.

E. 1998 Montebello Hills Parity Refunding Bonds:

On December 1, 1998, the Agency issued \$8.0 million in tax allocation bonds with interest rates from 3.75% to 5.00% to advance partial refund \$6.2 million of outstanding 1989 Series Bonds with interest rates from 6.20% to 7.60%. The net proceeds of \$7.6 million (after payment of \$0.4 million in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1989 Series Bonds. As a result, part of 1989 Series Bonds are considered to be defeased and the liability for those bonds has been removed from the long-term liabilities. As of June 30, 2007, \$2,070,000 remained outstanding on the refunded 1989 Series Bonds.

F. 1997 Montebello Hills Parity Refunding Bonds:

On June 1, 1997, the Agency issued \$7.2 million in tax allocation bonds with interest rates from 4.00% to 5.60% to advance partial refund \$6.3 million of outstanding 1989 Series Bonds with interest rates from 6.20% to 7.20%. The net proceeds of \$6.8 million (after payment of \$0.4 million in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1989 Series Bonds. As a result, part of 1989 Series Bonds are considered to be defeased and the liability for those bonds has been removed from the long-term liabilities. As of June 30, 2007, \$2,112,000 remained outstanding on the refunded 1989 Series Bonds.

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CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

12. REFUNDED AND REFUNDING DEBT (CONTINUED):

G. 1999 South Montebello Industrial Parity Refunding Bonds:

On July 1, 1999, the Agency issued \$4.1 million in tax allocation bonds with interest rates from 3.6% to 5.2% to advance partial refund \$3.5 million of outstanding 1989 Series Bonds with interest rates from 6.20% to 7.60%. The net proceeds of \$3.7 million (after payment of \$0.3 million in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1989 Series Bonds. The 1989 Series Bonds are considered to be defeased and the liability for those bonds has been removed from the long-term liabilities. As of June 30, 2007, \$526,000 remained outstanding on the refunded 1989 Series Bonds.

H. Refunding 2001 Certificates of Participation and Refunded 1995 and 1997 Certificates of Participation:

On December 10, 2001, the City issued \$8.75 million Variable Rate Certificates of Participation to advance refund \$7,090,000 of outstanding 1995 Certificates of Participation and \$1,965,000 of outstanding 1997 Certificates of Participation with an adjustable interest rate equal to the total of LIBOR plus one percent and LIBOR plus three tenths of one percent, respectively. The net proceeds of \$9.1 million (after payment of \$0.4 million in underwriting fees, insurance and other issuance costs, plus an additional \$0.7 million in 1995 and 1997 issues sinking fund monies) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1995 and 1997 Certificates of Participation. As a result, the 1995 and 1997 Certificates of Participation are considered defeased and the liability for those issues have been removed from the long-term liabilities and proprietary fund. As of June 30, 2007, \$6,255,000 and \$1,695,000 remained outstanding on the 1995 and 1997 issues, respectively.

I. Refunding 2004 Revenue Bonds:

In September 2004, the City issued \$17,060,000 in Variable Rate Lease Revenue Refunding Bonds to advance refund \$15,490,000 of outstanding Series 2001A Revenue Bonds as described above. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2001A Revenue Bonds. As a result, the 2001 Revenue Bonds and the liability has been removed from the long-term liabilities of the governmental activities. As of June 30, 2007 \$13,930,000 remained outstanding on the 2001 Revenue Bonds.

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CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

12. REFUNDED AND REFUNDING DEBT (CONTINUED):

J. 2007 Series A Housing Tax Allocation Bonds:

In April 2007, the Agency issued \$8.9 million in tax allocation Bonds with interest rates from 3.375% to 4.00% to refund \$8.8 million of outstanding 1997 Series A Housing Tax Allocation Bonds with interest rates from 4.50% to 5.45%. The net proceeds of \$8.6 million and .9 million of reserve funds on the 1997 Series A Housing Bonds (after payment of \$0.3 million in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide amounts sufficient to pay on September 1, 2007, and to redeem on September 1, 2007 the 1997 Housing Bonds maturing after such date by payment of the principal of such bonds, together with a redemption premium of 2% thereon. As a result, all of the 1997 Series A Housing Tax Allocation Bonds are considered to be defeased and the liability for those bonds has been removed from the long-term liabilities. At June 30, 2007 \$8,345,000 of the 1997 Series A Housing Tax Allocation Bonds remain outstanding. The advance refunding resulted in a decrease in debt service payments of \$366,265 and economic loss of \$141,273.

13. JOINT VENTURE:

The City is a participant in the Joint Fire Dispatching Center. The purpose of the center is to provide a centralized fire dispatching for the participating cities. The communication system is located in and operated by the City of Downey. The program is financed by payments from the participating cities based on the following percentages:

Compton	20.4%
Downey	34.6%
Montebello	20.4%
Santa Fe Springs	24.6%

The City's contribution to the joint venture amounted to \$288,938 in fiscal year 2006-2007. In the event of dissolution of the Authority, available assets shall be distributed to the member agencies in proportion to the aggregate contribution made by each member agency during the entire term of the agreement. Separate audited financial statements are not prepared for the joint venture.

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

14. FUND BALANCE RESERVES AND DESIGNATIONS:

The various reserves established as of June 30, 2007 are as follows:

Reserved for Encumbrances - This reserve is to indicate commitments for material and services on purchase orders.

Reserved for Inventory - This reserve is to indicate that these amounts are not available to meet expenditures of the current period.

Reserved for Retirement Benefits - This reserve is to indicate that these amounts are to be used to pay for retirement benefits.

Reserved for Debt Service - This reserve is the amount accumulated by the City that is restricted to the payment of long-term debt principal and interest amounts that mature in future years.

Reserved for Notes Receivable - This reserve is provided to indicate that the amounts that are to be paid on the notes are not considered "available" to meet the expenditures of the current period.

Reserved for Deposits - This reserve is to indicate amounts which are not available to meet expenditures of the current period.

Reserved for Investment in Land Held for Resale - This reserve is provided to indicate that land held for resale is not "available" as a resource to meet the expenditures of the current period.

Reserved for Low and Moderate Housing - This reserve is the unexpended 20% portion of the tax increment revenue received under the California Health and Safety Code which is required to be used for Low and Moderate Housing.

The designations established as of June 30, 2007 are as follows:

	<u>Planned Capital Improvements</u>
Special Revenue Funds:	
Special Gas Tax	\$ 1,298,263
Park Development	121,829
Drug Enforcement	622,163
Prop C	1,849,753
Metro Station	166,536
Air Quality	157,152
Law Enforcement Block Grant	9,503
Total Designations	<u>\$ 4,225,199</u>

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

15 CONTINGENCIES:

The City is involved in several pending lawsuits of a nature common to many similar jurisdictions. City management estimates that potential claims against the City, not covered by insurance, will not have a material adverse effect on the financial statements of the City.

16. SHORT TERM DEBT ACTIVITY:

On July 1, 2006, the City of Montebello issued Tax and Revenue Anticipation Notes in the amount of \$8,500,000 at a stated rate of 4.0%. The notes matured on June 30, 2007.

On July 1, 2007, the City of Montebello issued Tax and Revenue Anticipation Notes in the amount of \$8,500,000 at a stated rate of 4.5%. The notes mature on June 30, 2008 and are payable from unrestricted revenues.

17. RESTATEMENT OF NET ASSETS:

A. Government-Wide Financial Statements - Business-type Activities:

Restatement of Net Assets:

Beginning net assets balances in the government-wide financial statements were restated as follows:

Net assets as previously reported, June 30, 2006	\$ 33,124,216
To remove amounts reported as due from other governments which should have been reported as revenue in prior years	<u>559,488</u>
Net assets as restated	<u>\$ 33,683,704</u>

B. Proprietary Fund Financial Statements:

Restatement of Net Assets:

Beginning net assets in the proprietary fund financial statements, for the Transit Enterprise Fund were restated as follows:

Net assets as previously reported, June 30, 2006	\$ 28,701,057
To remove amounts reported as due from other governments which should have been reported as revenue in prior years	<u>559,488</u>
Net assets as restated	<u>\$ 29,260,545</u>

See independent auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2007

CITY OF MONTEBELLO
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES:				
Sales taxes	\$ 11,750,000	\$ 11,750,000	\$ 12,646,724	\$ 896,724
Property taxes	3,075,000	3,075,000	3,224,537	149,537
Other taxes	1,215,000	1,215,000	1,220,649	5,649
Franchise taxes	1,100,000	1,100,000	1,228,866	128,866
Licenses and permits	3,201,396	3,201,396	3,770,554	569,158
Fines and forfeitures	734,000	734,000	901,699	167,699
Investment income	250,000	250,000	644,681	394,681
Revenue from other agencies	4,400,000	4,400,000	4,768,533	368,533
Charges for services	4,485,605	4,485,605	4,976,745	491,140
Interfund revenue	2,850,000	2,850,000	2,991,563	141,563
Other revenue	741,500	741,500	902,845	161,345
TOTAL REVENUES	33,802,501	33,802,501	37,277,396	3,474,895
EXPENDITURES:				
GENERAL GOVERNMENT:				
City Council	159,441	159,441	154,741	4,700
City Clerk	34,302	34,302	31,154	3,148
City Treasurer	42,717	42,717	31,994	10,723
City Attorney	147,100	147,100	276,893	(129,793)
City Administrator	428,967	479,967	527,695	(47,728)
Employee relations	371,359	371,359	415,777	(44,418)
Community promotions	102,350	102,350	57,301	45,049
Finance	1,495,525	1,627,553	1,582,598	44,955
General services	723,614	723,614	747,541	(23,927)
Building and maintenance	301,940	301,940	441,343	(139,403)
Governmental building maintenance	334,986	334,986	326,582	8,404
TOTAL GENERAL GOVERNMENT	4,142,301	4,325,329	4,593,619	(268,290)
PUBLIC SAFETY:				
Police administration	343,413	343,413	320,808	22,605
Field services - Police	9,080,673	9,155,673	9,276,835	(121,162)
Support services - Police	2,201,682	2,201,682	2,366,431	(164,749)
Crime prevention	3,657,315	3,757,315	3,513,964	243,351
Grant	61,325	323,427	472,505	(149,078)
Fire administration	554,970	767,050	777,938	(10,888)
Fire suppression	9,173,429	9,173,429	9,987,856	(814,427)
Fire prevention	431,103	431,103	443,604	(12,501)
Fire communications	340,775	429,669	426,785	2,884
TOTAL PUBLIC SAFETY	25,844,685	26,582,761	27,586,726	(1,003,965)

See independent auditors' report and note to required supplementary information.

(Continued)

CITY OF MONTEBELLO

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
(CONTINUED)

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (CONTINUED):				
PUBLIC WORKS:				
Street	\$ 4,088,234	\$ 4,088,235	\$ 4,449,999	\$ (361,764)
PARKS AND RECREATION:				
Parks and recreation administration	543,288	543,288	573,072	(29,784)
Recreation services	2,444,384	2,444,384	2,307,415	136,969
Human services	-	-	930,787	(930,787)
Parks maintenance	1,145,780	1,145,780	338,265	807,515
Trees	360,912	360,912	-	360,912
TOTAL PARKS AND RECREATION	<u>4,494,364</u>	<u>4,494,364</u>	<u>4,149,539</u>	<u>344,825</u>
HOUSING AND				
COMMUNITY DEVELOPMENT:				
Planning	525,918	525,918	388,445	137,473
Engineering	807,890	807,890	896,282	(88,392)
TOTAL HOUSING AND				
COMMUNITY DEVELOPMENT	<u>1,333,808</u>	<u>1,333,808</u>	<u>1,284,727</u>	<u>49,081</u>
TOTAL EXPENDITURES	<u>39,903,392</u>	<u>40,824,497</u>	<u>42,064,610</u>	<u>(1,240,113)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(6,100,891)</u>	<u>(7,021,996)</u>	<u>(4,787,214)</u>	<u>2,234,782</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	6,645,000	7,221,996	7,065,391	(156,605)
Transfers out	(200,000)	(200,000)	(2,278,177)	(2,078,177)
TOTAL OTHER FINANCING SOURCES (USES)	<u>6,445,000</u>	<u>7,021,996</u>	<u>4,787,214</u>	<u>(2,234,782)</u>
NET CHANGE IN FUND BALANCE	344,109	-	-	-
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ 344,109</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report and note to required supplementary information.

CITY OF MONTEBELLO
 BUDGETARY COMPARISON SCHEDULE
 GRANTS SPECIAL REVENUE FUND

For the year ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Revenue from other agencies	\$ 13,861,116	\$ 14,241,116	\$ 4,534,224	\$ (9,706,892)
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(13,861,116)</u>	<u>(14,391,116)</u>	<u>(4,195,324)</u>	<u>10,195,792</u>
NET CHANGE IN FUND BALANCE	-	(150,000)	338,900	488,900
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	<u>(1,148,155)</u>	<u>(1,148,155)</u>	<u>(1,148,155)</u>	<u>-</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u><u>\$ (1,148,155)</u></u>	<u><u>\$ (1,298,155)</u></u>	<u><u>\$ (809,255)</u></u>	<u><u>\$ 488,900</u></u>

See independent auditors' report and note to required supplementary information.

CITY OF MONTEBELLO

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2007

1. BUDGETARY DATA:

The City adheres to the following general procedures in establishing the budgetary data reflected in the combined financial statements:

- 1) The annual budget adopted by the City Council provides for the general operation of the City. It includes proposed expenditures and estimated revenues for all governmental fund types.
- 2) The City Administrator is authorized to transfer certain appropriations between activities within any department in accordance with the budget resolution. Any revisions that alter the total expenditures of any department must be approved by the City Council.
- 3) The budget is formally integrated into the accounting system.
- 4) Budgets for the governmental fund types are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The modified accrual basis of accounting is employed in the preparation of the budget.
- 5) At fiscal year end, operating budget appropriations lapse. Capital projects are budgeted on an annual basis. Encumbrances and expenditures, which would cause an annual budget appropriations overrun, require an approved budget transfer. Incomplete capital improvement budget appropriations are rebudgeted in the following fiscal year. Projects that are not started during the budget year are reevaluated in the following year.

See independent auditors' report.

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OTHER GOVERNMENTAL FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action for a specified purpose.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term liabilities, interest, and related fiscal agent costs.

Public Financing Authority Capital Projects Fund is used to account for financial resources segregated for the acquisition of capital facilities financed by the Public Financing Authority debt.

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CITY OF MONTEBELLO

COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS

June 30, 2007

	Special Revenue Funds	Debt Service Funds	Public Financing Authority Capital Projects Fund	Total Other Governmental Funds
ASSETS				
Cash and investments	\$ 4,931,245	\$ 2,011,867	\$ 114,214	\$ 7,057,326
Cash and investments with fiscal agent	-	4,318,221	650,119	4,968,340
Interest receivable	-	20,587	-	20,587
Accounts receivable	133,896	-	-	133,896
Property taxes receivable	219,557	-	-	219,557
TOTAL ASSETS	<u>\$ 5,284,698</u>	<u>\$ 6,350,675</u>	<u>\$ 764,333</u>	<u>\$ 12,399,706</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 100	\$ 7,000	\$ -	\$ 7,100
TOTAL LIABILITIES	<u>100</u>	<u>7,000</u>	<u>-</u>	<u>7,100</u>
FUND BALANCES:				
Reserved:				
Encumbrances	528,781	-	-	528,781
Retirement benefits	546,246	-	-	546,246
Debt service	-	6,343,675	-	6,343,675
Unreserved, reported in:				
Special revenue funds	4,209,571	-	-	4,209,571
Capital projects fund	-	-	764,333	764,333
TOTAL FUND BALANCES	<u>5,284,598</u>	<u>6,343,675</u>	<u>764,333</u>	<u>12,392,606</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,284,698</u>	<u>\$ 6,350,675</u>	<u>\$ 764,333</u>	<u>\$ 12,399,706</u>

See independent auditors' report.

CITY OF MONTEBELLO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS

For the year ended June 30, 2007

	Special Revenue Funds	Debt Service Funds	Public Financing Authority Capital Projects Fund	Total Other Governmental Funds
REVENUES:				
Property taxes	\$ 6,040,744	\$ -	\$ -	\$ 6,040,744
Investment income	230,745	236,976	39,421	507,142
Revenue from other agencies	3,866,026	-	-	3,866,026
TOTAL REVENUES	10,137,515	236,976	39,421	10,413,912
EXPENDITURES:				
Debt service:				
Principal payments	-	1,276,280	-	1,276,280
Interest and fees	-	1,923,322	-	1,923,322
Other	-	19,110	20,758	39,868
TOTAL EXPENDITURES	-	3,218,712	20,758	3,239,470
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	10,137,515	(2,981,736)	18,663	7,174,442
OTHER FINANCING SOURCES (USES):				
Transfers in	158,309	3,442,079	187,672	3,788,060
Transfers out	(11,898,657)	-	(407,659)	(12,306,316)
TOTAL OTHER FINANCING SOURCES (USES)	(11,740,348)	3,442,079	(219,987)	(8,518,256)
NET CHANGE IN FUND BALANCES	(1,602,833)	460,343	(201,324)	(1,343,814)
FUND BALANCES - BEGINNING OF YEAR	6,887,431	5,883,332	965,657	13,736,420
FUND BALANCES - END OF YEAR	<u>\$ 5,284,598</u>	<u>\$ 6,343,675</u>	<u>\$ 764,333</u>	<u>\$ 12,392,606</u>

See independent auditors' report.

OTHER SPECIAL REVENUE FUNDS

Special Gas Tax Fund - To account for the City's share of state and county gas tax allocations. The tax allocations are expended on street maintenance and street construction.

Park Development Fund - To account for new construction license fees received. These fees are used for the maintenance and improvement of the City's parks.

Retirement Fund - To account for the receipt of property taxes allocated for retirement expenditures. These funds are used to pay the City's cost of retirement for general governmental employees.

Prop A Fund - To account for the receipt of the "half-cent" sales tax allocated by LACMTA. These funds are to be used for public transit related expenditures.

Drug Enforcement Fund - To account for the revenues resulting from the seizure of assets in conjunction with criminal cases (primarily drug related). These funds are used for enhancement of law enforcement programs.

Prop C Fund - To account for the receipt of the "half-cent" sales tax allocated by LACMTA. These funds are to be used to reduce traffic congestion, improve air quality, improve conditions of streets/freeways utilized by public transit, and reduce foreign fuel dependence.

Metro Station Fund - Funds for this rail station are generated from Prop C Local Return, Prop C Discretionary, and Transportation Capital Improvement grants. The station will serve as a component of the regional Metrolink commuter rail network. Shared by the Cities of Montebello and Commerce, the station will be located at the Chevron Marketing Terminal at 600 South Vail Avenue, Montebello.

Air Quality Fund - To account for monies received through the South Coast Air Quality Management District to be used for the purpose of reducing air pollution.

Supplemental Law Enforcement - To account for certain grant funds received, to be used for the enhancement of law enforcement programs.

Law Enforcement Block Grant - To account for certain grant funds received, to be used for the enhancement of law enforcement programs.

CITY OF MONTEBELLO

COMBINING BALANCE SHEET - OTHER SPECIAL REVENUE FUNDS

June 30, 2007

	Special Gas Tax	Park Development	Retirement	Prop A
ASSETS				
Cash and investments	\$ 1,230,326	\$ 121,829	\$ 326,689	\$ -
Accounts receivable	113,472	-	-	-
Property taxes receivable	-	-	219,557	-
TOTAL ASSETS	\$ 1,343,798	\$ 121,829	\$ 546,246	\$ -
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 100	\$ -	\$ -	\$ -
TOTAL LIABILITIES	100	-	-	-
FUND BALANCES:				
Reserved:				
Encumbrances	45,435	-	-	15,628
Retirement	-	-	546,246	-
Unreserved:				
Designated for planned capital improvements	1,298,263	121,829	-	-
Undesignated	-	-	-	(15,628)
TOTAL FUND BALANCES	1,343,698	121,829	546,246	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,343,798	\$ 121,829	\$ 546,246	\$ -

See independent auditors' report.

<u>Drug Enforcement</u>	<u>Prop C</u>	<u>Metro Station</u>	<u>Air Quality</u>	<u>Supplemental Law Enforcement</u>	<u>Law Enforcement Block Grant</u>	<u>Total Other Special Revenue Funds</u>
\$ 749,582	\$ 2,190,052	\$ 166,536	\$ 136,728	\$ 9,503	\$ -	\$ 4,931,245
-	-	-	20,424	-	-	133,896
-	-	-	-	-	-	219,557
<u>\$ 749,582</u>	<u>\$ 2,190,052</u>	<u>\$ 166,536</u>	<u>\$ 157,152</u>	<u>\$ 9,503</u>	<u>\$ -</u>	<u>\$ 5,284,698</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100</u>
-	-	-	-	-	-	100
127,419	340,299	-	-	-	-	528,781
-	-	-	-	-	-	546,246
622,163	1,849,753	166,536	157,152	9,503	-	4,225,199
-	-	-	-	-	-	(15,628)
<u>749,582</u>	<u>2,190,052</u>	<u>166,536</u>	<u>157,152</u>	<u>9,503</u>	<u>-</u>	<u>5,284,598</u>
<u>\$ 749,582</u>	<u>\$ 2,190,052</u>	<u>\$ 166,536</u>	<u>\$ 157,152</u>	<u>\$ 9,503</u>	<u>\$ -</u>	<u>\$ 5,284,698</u>

CITY OF MONTEBELLO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - OTHER SPECIAL REVENUE FUNDS

For the year ended June 30, 2007

	Special Gas Tax	Park Development	Retirement	Prop A
REVENUES:				
Property taxes	\$ -	\$ -	6,040,744	\$ -
Investment income	43,290	-	-	-
Revenue from other agencies	1,694,538	20,404	-	1,051,220
TOTAL REVENUES	1,737,828	20,404	6,040,744	1,051,220
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(1,386,486)	-	(5,669,909)	(2,790,384)
TOTAL OTHER FINANCING SOURCES (USES)	(1,386,486)	-	(5,669,909)	(2,790,384)
NET CHANGE IN FUND BALANCES	351,342	20,404	370,835	(1,739,164)
FUND BALANCES - BEGINNING OF YEAR	992,356	101,425	175,411	1,739,164
FUND BALANCES - END OF YEAR	<u>\$ 1,343,698</u>	<u>\$ 121,829</u>	<u>\$ 546,246</u>	<u>\$ -</u>

See independent auditors' report.

Drug Enforcement	Prop C	Metro Station	Air Quality	Supplemental Law Enforcement	Law Enforcement Block Grant	Total Other Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,040,744
63,819	104,396	7,930	6,780	4,182	348	230,745
19,593	874,290	-	78,644	127,337	-	3,866,026
<u>83,412</u>	<u>978,686</u>	<u>7,930</u>	<u>85,424</u>	<u>131,519</u>	<u>348</u>	<u>10,137,515</u>
-	156,100	-	-	-	2,209	158,309
<u>(555,074)</u>	<u>(1,303,600)</u>	<u>-</u>	<u>(49,098)</u>	<u>(122,016)</u>	<u>(22,090)</u>	<u>(11,898,657)</u>
<u>(555,074)</u>	<u>(1,147,500)</u>	<u>-</u>	<u>(49,098)</u>	<u>(122,016)</u>	<u>(19,881)</u>	<u>(11,740,348)</u>
(471,662)	(168,814)	7,930	36,326	9,503	(19,533)	(1,602,833)
<u>1,221,244</u>	<u>2,358,866</u>	<u>158,606</u>	<u>120,826</u>	<u>-</u>	<u>19,533</u>	<u>6,887,431</u>
<u>\$ 749,582</u>	<u>\$ 2,190,052</u>	<u>\$ 166,536</u>	<u>\$ 157,152</u>	<u>\$ 9,503</u>	<u>\$ -</u>	<u>\$ 5,284,598</u>

CITY OF MONTEBELLO

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

SPECIAL GAS TAX SPECIAL REVENUE FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 10,000	\$ 10,000	43,290	\$ 33,290
Revenue from other agencies	1,552,500	1,745,158	1,694,538	(50,620)
Other revenue	100	100	-	(100)
TOTAL REVENUES	1,562,600	1,755,258	1,737,828	(17,430)
OTHER FINANCING USES:				
Transfers out	(1,734,500)	(1,894,500)	(1,386,486)	508,014
NET CHANGE IN FUND BALANCE	(171,900)	(139,242)	351,342	490,584
FUND BALANCE - BEGINNING OF YEAR	992,356	992,356	992,356	-
FUND BALANCE - END OF YEAR	\$ 820,456	\$ 853,114	\$ 1,343,698	\$ 490,584

See independent auditors' report.

CITY OF MONTEBELLO

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PARK DEVELOPMENT SPECIAL REVENUE FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from other agencies	\$ 2,000	\$ 2,000	20,404	\$ 18,404
FUND BALANCE - BEGINNING OF YEAR	101,425	101,425	101,425	-
FUND BALANCE - END OF YEAR	<u>\$ 103,425</u>	<u>\$ 103,425</u>	<u>\$ 121,829</u>	<u>\$ 18,404</u>

See independent auditors' report.

CITY OF MONTEBELLO

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

RETIREMENT SPECIAL REVENUE FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 5,285,000	\$ 5,285,000	\$ 6,040,744	\$ 755,744
OTHER FINANCING USES:				
Transfers out	(5,285,000)	(5,285,000)	(5,669,909)	(384,909)
NET CHANGE IN FUND BALANCE	-	-	370,835	370,835
FUND BALANCE - BEGINNING OF YEAR	175,411	175,411	175,411	-
FUND BALANCE - END OF YEAR	\$ 175,411	\$ 175,411	\$ 546,246	\$ 370,835

See independent auditors' report.

CITY OF MONTEBELLO

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PROP A SPECIAL REVENUE FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 50,000	\$ 50,000	\$ -	\$ (50,000)
Revenue from other agencies	1,016,080	1,016,080	1,051,220	35,140
TOTAL REVENUES	1,066,080	1,066,080	1,051,220	(14,860)
OTHER FINANCING USES:				
Transfers out	(1,610,831)	(1,260,831)	(2,790,384)	(1,529,553)
NET CHANGE IN FUND BALANCE	(544,751)	(194,751)	(1,739,164)	(1,544,413)
FUND BALANCE - BEGINNING OF YEAR	1,739,164	1,739,164	1,739,164	-
FUND BALANCE - END OF YEAR	\$ 1,194,413	\$ 1,544,413	\$ -	\$ (1,544,413)

See independent auditors' report.

CITY OF MONTEBELLO

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

DRUG ENFORCEMENT SPECIAL REVENUE FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 45,100	\$ 45,100	\$ 63,819	\$ 18,719
Revenue from other agencies	19,000	19,000	19,593	593
TOTAL REVENUES	64,100	64,100	83,412	19,312
OTHER FINANCING USES:				
Transfers out	(250,000)	(357,102)	(555,074)	(197,972)
NET CHANGE IN FUND BALANCE	(185,900)	(293,002)	(471,662)	(178,660)
FUND BALANCE - BEGINNING OF YEAR	1,221,244	1,221,244	1,221,244	-
FUND BALANCE - END OF YEAR	\$ 1,035,344	\$ 928,242	\$ 749,582	\$ (178,660)

See independent auditors' report.

CITY OF MONTEBELLO

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PROP C SPECIAL REVENUE FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 100,000	\$ 100,000	\$ 104,396	\$ 4,396
Revenue from other agencies	844,078	844,078	874,290	30,212
TOTAL REVENUES	944,078	944,078	978,686	34,608
OTHER FINANCING SOURCES (USES):				
Transfer in	-	-	156,100	156,100
Transfers out	(3,127,936)	(3,477,936)	(1,303,600)	2,174,336
TOTAL OTHER FINANCING SOURCES (USES)	(3,127,936)	(3,477,936)	(1,147,500)	2,330,436
NET CHANGE IN FUND BALANCE	(2,183,858)	(2,533,858)	(168,814)	2,365,044
FUND BALANCE - BEGINNING OF YEAR	2,358,866	2,358,866	2,358,866	-
FUND BALANCE - END OF YEAR	\$ 175,008	\$ (174,992)	\$ 2,190,052	\$ 2,365,044

See independent auditors' report.

CITY OF MONTEBELLO

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

METRO STATION SPECIAL REVENUE FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 3,100	\$ 3,100	\$ 7,930	\$ 4,830
FUND BALANCE - BEGINNING OF YEAR	158,606	158,606	158,606	-
FUND BALANCE - END OF YEAR	<u>\$ 161,706</u>	<u>\$ 161,706</u>	<u>\$ 166,536</u>	<u>\$ 4,830</u>

See independent auditors' report.

CITY OF MONTEBELLO

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

AIR QUALITY SPECIAL REVENUE FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 1,500	\$ 1,500	\$ 6,780	\$ 5,280
Revenue from other agencies	81,000	81,000	78,644	(2,356)
TOTAL REVENUES	82,500	82,500	85,424	2,924
OTHER FINANCING USES:				
Transfers out	(60,000)	(60,000)	(49,098)	10,902
NET CHANGE IN FUND BALANCE	22,500	22,500	36,326	13,826
FUND BALANCE - BEGINNING OF YEAR	120,826	120,826	120,826	-
FUND BALANCE - END OF YEAR	\$ 143,326	\$ 143,326	\$ 157,152	\$ 13,826

See independent auditors' report.

CITY OF MONTEBELLO

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

SUPPLEMENTAL LAW ENFORCEMENT SPECIAL REVENUE FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 4,182	\$ 4,182
Revenue from other agencies	100,000	100,000	127,337	27,337
TOTAL REVENUES	100,000	100,000	131,519	31,519
OTHER FINANCING SOURCES (USES):				
Transfers in	50,000	50,000	-	(50,000)
Transfers out	(100,000)	(100,000)	(122,016)	(22,016)
TOTAL OTHER FINANCING SOURCES (USES)	(50,000)	(50,000)	(122,016)	(72,016)
NET CHANGE IN FUND BALANCE	50,000	50,000	9,503	(40,497)
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE - END OF YEAR	\$ 50,000	\$ 50,000	\$ 9,503	\$ (40,497)

See independent auditors' report.

CITY OF MONTEBELLO

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

LAW ENFORCEMENT BLOCK GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 2,000	\$ 2,000	\$ 348	\$ (1,652)
Revenue from other agencies	10,000	10,000	-	(10,000)
TOTAL REVENUES	12,000	12,000	348	(11,652)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	2,209	2,209
Transfers out	(80,000)	(80,000)	(22,090)	57,910
TOTAL OTHER FINANCING SOURCES (USES)	(80,000)	(80,000)	(19,881)	60,119
NET CHANGE IN FUND BALANCE	(68,000)	(68,000)	(19,533)	48,467
FUND BALANCE - BEGINNING OF YEAR	19,533	19,533	19,533	-
FUND BALANCE - END OF YEAR	\$ (48,467)	\$ (48,467)	\$ -	\$ 48,467

See independent auditors' report.

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OTHER DEBT SERVICE FUNDS

City Fund - To account for the accumulation of resources required for the payment of interest and principal on all certificates of participation.

Public Financing Authority Fund - To account for the accumulation of resources required for payment of interest and principal on all Public Financing Authority revenue bonds.

MAJOR DEBT SERVICE FUND

Redevelopment Agency Fund - To account for the accumulation of resources required for the payment of interest and principal on all Agency tax allocation bonds.

CITY OF MONTEBELLO

COMBINING BALANCE SHEET
OTHER DEBT SERVICE FUNDS

June 30, 2007

	City	Public Financing Authority	Total Other Debt Service Funds
ASSETS	<u> </u>	<u> </u>	<u> </u>
Cash and investments	\$ 1,665,418	\$ 346,449	\$ 2,011,867
Cash and investments with fiscal agent	1,849,181	2,469,040	4,318,221
Interest receivable	20,587	-	20,587
TOTAL ASSETS	<u>\$ 3,535,186</u>	<u>\$ 2,815,489</u>	<u>\$ 6,350,675</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable and accrued liabilities	\$ 7,000	\$ -	\$ 7,000
 FUND BALANCES:			
Reserved for debt service	<u>3,528,186</u>	<u>2,815,489</u>	<u>6,343,675</u>
 TOTAL LIABILITIES AND FUND BALANCES			
	<u>\$ 3,535,186</u>	<u>\$ 2,815,489</u>	<u>\$ 6,350,675</u>

See independent auditors' report.

CITY OF MONTEBELLO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - OTHER DEBT SERVICE FUNDS

For the year ended June 30, 2007

	City	Public Financing Authority	Total Other Debt Service Funds
REVENUES:			
Investment income	\$ 139,893	\$ 97,083	\$ 236,976
EXPENDITURES:			
Debt service:			
Principal payments	1,056,280	220,000	1,276,280
Interest and fees	1,308,386	614,936	1,923,322
Other	19,110	-	19,110
TOTAL EXPENDITURES	<u>2,383,776</u>	<u>834,936</u>	<u>3,218,712</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,243,883)	(737,853)	(2,981,736)
OTHER FINANCING SOURCES:			
Transfers in	<u>2,173,281</u>	<u>1,268,798</u>	<u>3,442,079</u>
NET CHANGE IN FUND BALANCE	(70,602)	530,945	460,343
FUND BALANCES - BEGINNING OF YEAR	<u>3,598,788</u>	<u>2,284,544</u>	<u>5,883,332</u>
FUND BALANCES - END OF YEAR	<u>\$ 3,528,186</u>	<u>\$ 2,815,489</u>	<u>\$ 6,343,675</u>

See independent auditors' report.

CITY OF MONTEBELLO

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

CITY DEBT SERVICE FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 130,000	\$ 130,000	\$ 139,893	\$ 9,893
EXPENDITURES:				
Debt service:				
Principal payments	1,056,280	1,056,280	1,056,280	-
Interest and fees	1,217,000	1,217,000	1,308,386	(91,386)
Other	10,000	10,000	19,110	(9,110)
TOTAL EXPENDITURES	2,283,280	2,283,280	2,383,776	(100,496)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,153,280)	(2,153,280)	(2,243,883)	(90,603)
OTHER FINANCING SOURCES:				
Transfers in	2,173,281	2,173,281	2,173,281	-
NET CHANGE IN FUND BALANCE	20,001	20,001	(70,602)	(90,603)
FUND BALANCE - BEGINNING OF YEAR	3,598,788	3,598,788	3,598,788	-
FUND BALANCE - END OF YEAR	\$ 3,618,789	\$ 3,618,789	\$ 3,528,186	\$ (90,603)

See independent auditors' report.

CITY OF MONTEBELLO

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PUBLIC FINANCING AUTHORITY DEBT SERVICE FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 60,000	\$ 60,000	\$ 97,083	\$ 37,083
EXPENDITURES:				
Debt service:				
Principal payments	220,000	220,000	220,000	-
Interest and fees	587,475	587,475	614,936	(27,461)
TOTAL EXPENDITURES	807,475	807,475	834,936	(27,461)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(747,475)	(747,475)	(737,853)	9,622
OTHER FINANCING SOURCES:				
Transfers in	-	-	1,268,798	1,268,798
NET CHANGE IN FUND BALANCE	(747,475)	(747,475)	530,945	1,278,420
FUND BALANCE - BEGINNING OF YEAR	2,284,544	2,284,544	2,284,544	-
FUND BALANCE - END OF YEAR	\$ 1,537,069	\$ 1,537,069	\$ 2,815,489	\$ 1,278,420

See independent auditors' report.

CITY OF MONTEBELLO

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

REDEVELOPMENT AGENCY DEBT SERVICE FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 11,505,000	\$ 11,505,000	\$ 11,753,370	\$ 248,370
Investment income	160,000	160,000	174,241	14,241
TOTAL REVENUES	11,665,000	11,665,000	11,927,611	262,611
EXPENDITURES:				
Debt service:				
Principal payments	1,910,000	1,910,000	1,910,000	-
Interest and fees	3,481,012	3,481,012	3,223,237	257,775
Cost of issuance	-	-	374,473	(374,473)
TOTAL EXPENDITURES	5,391,012	5,391,012	5,507,710	(116,698)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	6,273,988	6,273,988	6,419,901	145,913
OTHER FINANCING SOURCES (USES):				
Transfers in	600,000	600,000	2,036,726	1,436,726
Transfers out	(7,358,000)	(7,529,000)	(7,578,674)	(49,674)
Refunding bonds issued	-	-	8,910,629	8,910,629
Payments to refunded bond escrow agent	-	-	(8,579,011)	(8,579,011)
TOTAL OTHER FINANCING SOURCES (USES)	(6,758,000)	(6,929,000)	(5,210,330)	1,718,670
NET CHANGE IN FUND BALANCE	(484,012)	(655,012)	1,209,571	1,864,583
FUND BALANCE - BEGINNING OF YEAR	6,364,157	6,364,157	6,364,157	-
FUND BALANCE - END OF YEAR	\$ 5,880,145	\$ 5,709,145	\$ 7,573,728	\$ 1,864,583

See independent auditors' report.

OTHER CAPITAL PROJECTS FUND

Public Financing Authority Fund - To account for the proceeds received and issuance of bonds for capital improvements.

MAJOR CAPITAL PROJECTS FUNDS

Capital Improvements Fund - To account for financial resources segregated for the acquisition of major general City capital facilities other than those financed by special assessment and proprietary funds.

Redevelopment Agency Fund - To account for financial resources segregated for the acquisition of and rehabilitation of capital facilities within the redevelopment project areas.

CITY OF MONTEBELLO

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PUBLIC FINANCING AUTHORITY CAPITAL PROJECTS FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 15,000	\$ 15,000	\$ 39,421	\$ 24,421
EXPENDITURES:				
Other	-	-	20,758	(20,758)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	15,000	15,000	18,663	3,663
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	187,672	187,672
Transfers out	-	-	(407,659)	(407,659)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(219,987)	(219,987)
NET CHANGE IN FUND BALANCE	15,000	15,000	(201,324)	(216,324)
FUND BALANCE - BEGINNING OF YEAR	965,657	965,657	965,657	-
FUND BALANCE - END OF YEAR	\$ 980,657	\$ 980,657	\$ 764,333	\$ (216,324)

See independent auditors' report.

CITY OF MONTEBELLO

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

CAPITAL IMPROVEMENTS CAPITAL PROJECTS FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 1,100,000	\$ 1,100,000	\$ 993,968	\$ (106,032)
Other revenue	5,000	5,000	1,072,198	1,067,198
TOTAL REVENUES	1,105,000	1,105,000	2,066,166	961,166
EXPENDITURES:				
Capital outlay	18,854,162	18,854,162	7,765,069	11,089,093
Debt service:				
Principal payments	-	-	783,630	(783,630)
Interest and fees	-	-	187,704	(187,704)
TOTAL EXPENDITURES	18,854,162	18,854,162	8,736,403	10,117,759
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(17,749,162)	(17,749,162)	(6,670,237)	11,078,925
OTHER FINANCING SOURCES (USES):				
Transfers in	20,862,948	20,862,948	11,648,166	(9,214,782)
Transfers out	(3,147,542)	(3,147,542)	(2,629,380)	518,162
TOTAL OTHER FINANCING SOURCES (USES)	17,715,406	17,715,406	9,018,786	(8,696,620)
NET CHANGE IN FUND BALANCE	(33,756)	(33,756)	2,348,549	2,382,305
FUND BALANCE - BEGINNING OF YEAR	4,685,710	4,685,710	4,685,710	-
FUND BALANCE - END OF YEAR	<u>\$ 4,651,954</u>	<u>\$ 4,651,954</u>	<u>\$ 7,034,259</u>	<u>\$ 2,382,305</u>

See independent auditors' report.

CITY OF MONTEBELLO

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

REDEVELOPMENT AGENCY CAPITAL PROJECTS FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 1,690,000	\$ 1,690,000	\$ 1,891,808	\$ 201,808
Investment income	291,000	291,000	901,166	610,166
Other revenue	723,000	723,000	632,644	(90,356)
TOTAL REVENUES	2,704,000	2,704,000	3,425,618	721,618
EXPENDITURES:				
Current:				
Housing and community development	3,738,535	3,738,535	2,536,595	1,201,940
Capital outlay	295,328	-	-	-
Debt service:				
Interest and fees	-	-	257,775	(257,775)
Other	1,709,550	1,709,550	503,885	1,205,665
TOTAL EXPENDITURES	5,743,413	5,448,085	3,298,255	2,149,830
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,039,413)	(2,744,085)	127,363	2,871,448
OTHER FINANCING SOURCES (USES):				
Transfers in	8,104,000	8,299,000	7,578,674	(720,326)
Transfers out	(3,182,495)	(3,397,114)	(4,199,967)	(802,853)
TOTAL OTHER FINANCING SOURCES (USES)	4,921,505	4,901,886	3,378,707	(1,523,179)
NET CHANGE IN FUND BALANCE	1,882,092	2,157,801	3,506,070	1,348,269
FUND BALANCE - BEGINNING OF YEAR	25,975,808	25,975,808	25,975,808	-
FUND BALANCE - END OF YEAR	<u>\$ 27,857,900</u>	<u>\$ 28,133,609</u>	<u>\$ 29,481,878</u>	<u>\$ 1,348,269</u>

See independent auditors' report.

OTHER ENTERPRISE FUNDS

Water Utility Fund - To account for the provision of water to the residents of the City. All activities necessary to provide such service are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing, and billing and collection.

Detention Facility Fund - To account for all revenues and expenses related to the operations of the Montebello Police Department jail.

CITY OF MONTEBELLO

COMBINING STATEMENT OF NET ASSETS - OTHER ENTERPRISE FUNDS

June 30, 2007

ASSETS	Water Utility	Detention Facility	Total Other Enterprise Funds
CURRENT ASSETS:			
Cash and investments	\$ 1,337,648	\$ 179,532	\$ 1,517,180
Accounts receivable	242,895	-	242,895
TOTAL CURRENT ASSETS	1,580,543	179,532	1,760,075
NONCURRENT ASSETS			
Capital assets:			
Land	35,000	-	35,000
Buildings and improvements	141,284	-	141,284
Machinery and equipment	2,185,928	11,206	2,197,134
Less: allowance for depreciation	(1,806,948)	(11,206)	(1,818,154)
NET CAPITAL ASSETS	555,264	-	555,264
TOTAL ASSETS	2,135,807	179,532	2,315,339
LIABILITIES			
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable and accrued liabilities	7,519	61,774	69,293
Deposits payable	31,675	-	31,675
Compensated absences	103	-	103
TOTAL CURRENT LIABILITIES	39,297	61,774	101,071
LONG-TERM LIABILITIES:			
Compensated absences	1,413	-	1,413
TOTAL LIABILITIES	40,710	61,774	102,484
NET ASSETS:			
Invested in capital assets	555,264	-	555,264
Unrestricted	1,539,833	117,758	1,657,591
TOTAL NET ASSETS	\$ 2,095,097	\$ 117,758	\$ 2,212,855

See independent auditors' report.

CITY OF MONTEBELLO

COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS - OTHER ENTERPRISE FUNDS

For the year ended June 30, 2007

	Water Utility	Detention Facility	Total Other Enterprise Funds
OPERATING REVENUES:			
Charges for services	\$ 1,526,153	\$ 176,290	\$ 1,702,443
OPERATING EXPENSES:			
Labor and fringe benefits	19	-	19
Materials and supplies	-	4,966	4,966
Repairs and maintenance	-	1,596	1,596
Purchased water	722,649	-	722,649
Utilities	89,664	-	89,664
Contract services	319,242	349,085	668,327
Depreciation expense	52,724	280	53,004
Administrative expense	90,000	-	90,000
TOTAL OPERATING EXPENSES	1,274,298	355,927	1,630,225
OPERATING INCOME (LOSS)	251,855	(179,637)	72,218
NONOPERATING REVENUES:			
Investment income	50,492	5,804	56,296
NET INCOME (LOSS) BEFORE TRANSFERS	302,347	(173,833)	128,514
TRANSFERS IN	-	300,000	300,000
CHANGE IN NET ASSETS	302,347	126,167	428,514
NET ASSETS (DEFICIT) - BEGINNING OF YEAR	1,792,750	(8,409)	1,784,341
NET ASSETS - END OF YEAR	\$ 2,095,097	\$ 117,758	\$ 2,212,855

See independent auditors' report.

CITY OF MONTEBELLO

COMBINING STATEMENT OF CASH FLOWS - OTHER ENTERPRISE FUNDS

For the year ended June 30, 2007

	Water Utility	Detention Facility	Total Other Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 1,526,153	\$ 176,290	\$ 1,702,443
Payments to suppliers	<u>(1,334,354)</u>	<u>(360,996)</u>	<u>(1,695,350)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	191,799	(184,706)	7,093
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers from other funds	-	300,000	300,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	(11,278)	-	(11,278)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	<u>50,492</u>	<u>5,804</u>	<u>56,296</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	231,013	121,098	352,111
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,106,635</u>	<u>58,434</u>	<u>1,165,069</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,337,648</u>	<u>\$ 179,532</u>	<u>\$ 1,517,180</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 251,855	\$ (179,637)	\$ 72,218
Adjustments to reconcile operating income (loss) to to net cash provided (used) by operating activities:			
Depreciation and amortization	52,724	280	53,004
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(31,153)	-	(31,153)
Increase (decrease) in accounts payable and accrued liabilities including compensated absences	<u>(81,627)</u>	<u>(5,349)</u>	<u>(86,976)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 191,799</u>	<u>\$ (184,706)</u>	<u>\$ 7,093</u>

See independent auditors' report.

INTERNAL SERVICE FUNDS

Corporate Shop Fund - To account for the costs of operating a maintenance facility for automotive equipment used by City departments.

Equipment Reserve Fund - To account for the financing for replacement of all equipment used by City departments.

Self-Insurance Fund - To account for the accumulation of resources for and liquidation of the City's self-insurance claims.

CITY OF MONTEBELLO

COMBINING STATEMENT OF NET ASSETS - ALL INTERNAL SERVICE FUNDS

June 30, 2007

	Corporate Shop	Equipment Reserve	Self-Insurance	Totals
ASSETS				
CURRENT ASSETS:				
Cash and investments	\$ 1,136,280	\$ 1,550,898	\$ 5,243,373	\$ 7,930,551
Accounts receivable	-	-	10,000	10,000
Due from other funds	-	-	3,900,000	3,900,000
Inventories	571,709	-	-	571,709
Prepaid expenses	-	-	13,802	13,802
TOTAL CURRENT ASSETS	1,707,989	1,550,898	9,167,175	12,426,062
NONCURRENT ASSETS:				
Capital assets:				
Land	108,369	-	-	108,369
Buildings and improvements	428,794	-	-	428,794
Machinery and equipment	643,651	-	-	643,651
Less: allowance for depreciation	(1,051,023)	-	-	(1,051,023)
NET CAPITAL ASSETS	129,791	-	-	129,791
TOTAL ASSETS	1,837,780	1,550,898	9,167,175	12,555,853
LIABILITIES AND NET ASSETS				
LIABILITIES:				
CURRENT LIABILITIES:				
Accounts payable and accrued liabilities	366,921	23,245	2,721	392,887
Claims payable	-	-	8,732,492	8,732,492
Compensated absences	236,002	-	7,175	243,177
TOTAL CURRENT LIABILITIES	602,923	23,245	8,742,388	9,368,556
LONG-TERM LIABILITIES:				
Compensated absences	46,101	-	-	46,101
TOTAL LIABILITIES	649,024	23,245	8,742,388	9,414,657
NET ASSETS:				
Invested in capital assets	129,791	-	-	129,791
Unrestricted	1,058,965	1,527,653	424,787	3,011,405
TOTAL NET ASSETS	\$ 1,188,756	\$ 1,527,653	\$ 424,787	\$ 3,141,196

See independent auditors' report.

CITY OF MONTEBELLO

COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS - ALL INTERNAL SERVICE FUNDS

For the year ended June 30, 2007

	Corporate Shop	Equipment Reserve	Self-Insurance	Totals
OPERATING REVENUES:				
Charges for services	\$ 8,211,413	\$ 441,694	\$ 4,671,218	\$ 13,324,325
OPERATING EXPENSES:				
Labor and fringe benefits	3,321,908	-	148,739	3,470,647
Materials and supplies	3,693,175	92,653	1,425	3,787,253
Repairs and maintenance	723,173	-	-	723,173
Insurance claims and premiums	-	-	3,057,867	3,057,867
Contractual services	686,261	-	168,934	855,195
Depreciation expense	2,801	-	-	2,801
Administrative expense	-	-	66,100	66,100
Other expenses	48,537	-	3,636	52,173
TOTAL OPERATING EXPENSES	8,475,855	92,653	3,446,701	12,015,209
OPERATING INCOME (LOSS) BEFORE TRANSFERS	(264,442)	349,041	1,224,517	1,309,116
TRANSFERS IN	637,717	-	-	637,717
TRANSFERS OUT	(637,717)	-	-	(637,717)
CHANGE IN NET ASSETS	(264,442)	349,041	1,224,517	1,309,116
NET ASSETS (DEFICIT) - BEGINNING OF YEAR	1,453,198	1,178,612	(799,730)	1,832,080
NET ASSETS - END OF YEAR	\$ 1,188,756	\$ 1,527,653	\$ 424,787	\$ 3,141,196

See independent auditors' report.

CITY OF MONTEBELLO

COMBINING STATEMENT OF CASH FLOWS - ALL INTERNAL SERVICE FUNDS

For the year ended June 30, 2007

	Corporate Shop	Equipment Reserve	Self-Insurance	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 8,211,413	\$ 441,694	\$ 4,671,218	\$ 13,324,325
Payments to suppliers	(5,146,046)	(69,408)	(493,338)	(5,708,792)
Payments to employees	(3,298,512)	-	-	(3,298,512)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(233,145)</u>	<u>372,286</u>	<u>4,177,880</u>	<u>4,317,021</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers from other funds	637,717	-	-	637,717
Transfers to other funds	(637,717)	-	-	(637,717)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	(2,962)	-	-	(2,962)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(236,107)	372,286	4,177,880	4,314,059
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,372,387</u>	<u>1,178,612</u>	<u>1,065,493</u>	<u>3,616,492</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,136,280</u>	<u>\$ 1,550,898</u>	<u>\$ 5,243,373</u>	<u>\$ 7,930,551</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (264,442)	\$ 349,041	\$ 1,224,517	\$ 1,309,116
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	2,801	-	-	2,801
Changes in operating assets and liabilities:				
(Increase) decrease in due from other funds	-	-	2,800,000	2,800,000
(Increase) decrease in inventories	(1,793)	-	-	(1,793)
(Increase) decrease in prepaid expenses	-	-	5,141	5,141
Increase (decrease) in accrued liabilities including compensated absences	30,289	23,245	(3,729)	49,805
Increase (decrease) in claims payable	-	-	151,951	151,951
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (233,145)</u>	<u>\$ 372,286</u>	<u>\$ 4,177,880</u>	<u>\$ 4,317,021</u>

See independent auditors' report.

AGENCY FUND

Deposits Fund - To account for money and property held by the City as a custodian.

CITY OF MONTEBELLO

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
DEPOSITS AGENCY FUND

For the year ended June 30, 2007

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
ASSETS:				
Cash and investments	<u>\$ 1,228,288</u>	<u>\$ 402,999</u>	<u>\$ (266,497)</u>	<u>\$ 1,364,790</u>
LIABILITIES:				
Deposits payable	<u>\$ 1,228,288</u>	<u>\$ 402,999</u>	<u>\$ (266,497)</u>	<u>\$ 1,364,790</u>

See independent auditors' report.

CITY OF MONTEBELLO

DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2007

STATISTICAL SECTION (Unaudited)

This part of the City of Montebello's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the government's overall financial health.

Contents:	<u>Pages</u>
<u>Financial Trends</u> these schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	128 - 139
<u>Revenue Capacity</u> these schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	140 - 145
<u>Debt Capacity</u> these schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	146 - 150
<u>Demographic and Economic Information</u> these schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	151 - 152
<u>Operating Information</u> these schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	153 - 157

CITY OF MONTEBELLO

Net Assets by Component

Last Five Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2002-03	2003-04	2004-05	2005-06
Governmental Activities:				
Invested in capital assets, net of related debt	\$ 19,447,161	\$ 33,660,258	\$ 16,757,420	\$ 16,757,420
Restricted	16,460,216	19,658,192	46,255,503	45,942,363
Unrestricted	<u>(27,437,626)</u>	<u>(49,100,210)</u>	<u>(61,733,648)</u>	<u>(57,664,431)</u>
Total governmental activities net assets	<u>8,469,751</u>	<u>4,218,240</u>	<u>1,279,275</u>	<u>5,035,352</u>
Business-type Activities:				
Invested in capital assets, net of related debt	31,573,313	30,552,511	29,488,367	30,705,710
Restricted	-	-	-	-
Unrestricted	<u>(4,297)</u>	<u>1,235,097</u>	<u>1,395,613</u>	<u>2,418,506</u>
Total business-type activities net assets	<u>31,569,016</u>	<u>31,787,608</u>	<u>30,883,980</u>	<u>33,124,216</u>
Primary Government:				
Invested in capital assets, net of related debt	51,020,474	64,212,769	46,245,787	47,463,130
Restricted	16,460,216	19,658,192	46,255,503	45,942,363
Unrestricted	<u>(27,441,923)</u>	<u>(47,865,113)</u>	<u>(60,338,035)</u>	<u>(55,245,925)</u>
Total primary government net assets	<u>\$ 40,038,767</u>	<u>\$ 36,005,848</u>	<u>\$ 32,163,255</u>	<u>\$ 38,159,568</u>

The City of Montebello implemented GASB 34 for the fiscal year ended June 30, 2003.
Information prior to the implementation of GASB 34 is not available.

Fiscal Year

2006-07

\$ 16,757,420
51,949,836
(52,527,623)

16,179,633

28,924,295

-
2,818,773

31,743,068

45,681,715
51,949,836
(49,708,850)

\$ 47,922,701

CITY OF MONTEBELLO

Changes in Net Assets - Expenses and Program Revenues

Last Five Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2002-03	2003-04	2004-05	2005-06
Expenses:				
Governmental Activities:				
General government	\$ 5,866,682	\$ 7,059,326	\$ 6,365,313	\$ 7,327,350
Public safety	24,626,409	26,445,568	25,540,413	25,635,372
Public works	7,451,197	7,791,284	7,141,347	8,349,482
Parks, recreation and culture	3,694,886	3,813,647	5,776,598	6,932,418
Housing and community development	3,019,968	4,755,509	10,324,816	3,129,908
Unallocated infrastructure depreciation	775,176	748,396	746,251	506,840
Interest on long-term debt	6,742,893	6,138,798	5,104,601	5,725,349
Total governmental activities net expenses	<u>52,177,211</u>	<u>56,752,528</u>	<u>60,999,339</u>	<u>57,606,719</u>
Business-type Activities:				
Transit	18,498,429	20,409,101	21,132,477	24,540,700
Golf course	2,896,325	2,968,708	2,884,869	3,035,806
Hilton	-	-	-	3,209,676
Other programs	1,582,605	3,785,343	4,254,116	1,644,374
Total business-type activities net assets	<u>22,977,359</u>	<u>27,163,152</u>	<u>28,271,462</u>	<u>32,430,556</u>
Total primary government expenses	<u>\$ 75,154,570</u>	<u>\$ 83,915,680</u>	<u>\$ 89,270,801</u>	<u>\$ 90,037,275</u>
Program Revenues:				
Governmental Activities:				
Charges for services:				
General government	\$ 1,878,056	\$ 2,662,230	\$ 2,833,351	\$ 2,892,218
Public safety	1,007,358	1,101,733	1,025,580	1,156,226
Public works	3,819,500	4,031,728	4,432,232	4,948,126
Parks, recreation and culture	487,988	513,121	497,942	468,623
Housing and community development	-	-	-	-
Operating grants and contributions	5,532,267	5,735,847	7,775,862	6,006,905
Total governmental activities program revenues	<u>12,725,169</u>	<u>14,044,659</u>	<u>16,564,967</u>	<u>15,472,098</u>
Business-type Activities:				
Charges for services:				
Transit	5,856,878	6,667,857	5,332,698	5,570,132
Golf course	3,223,541	3,300,271	2,323,086	3,370,757
Hilton	1,299,336	4,517,465	5,099,245	4,157,197
Other programs	-	-	-	1,487,036
Operating grants and contributions	9,243,680	11,031,142	13,498,708	16,944,255
Capital grants and contributions	435,021	1,388,760	955,190	3,357,984
Total business-type activities program revenues	<u>20,058,456</u>	<u>26,905,495</u>	<u>27,208,927</u>	<u>34,887,361</u>
Primary government program revenues	<u>\$ 32,783,625</u>	<u>\$ 40,950,154</u>	<u>\$ 43,773,894</u>	<u>\$ 50,359,459</u>
Net (Expense)/Revenue:				
Governmental activities	<u>\$(39,452,042)</u>	<u>\$(42,707,869)</u>	<u>\$(44,434,372)</u>	<u>\$(42,134,621)</u>
Business-type activities	<u>(2,918,903)</u>	<u>(257,657)</u>	<u>(1,062,535)</u>	<u>2,456,805</u>
Total primary government net expense	<u><u>\$(42,370,945)</u></u>	<u><u>\$(42,965,526)</u></u>	<u><u>\$(45,496,907)</u></u>	<u><u>\$(39,677,816)</u></u>

The City of Montebello implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

Source: City Financial Statements

Fiscal Year

2006-07

\$ 7,665,115
26,246,104
4,454,728
4,628,107
7,245,302
582,928
5,987,723
56,810,007

26,033,078
3,310,810
3,411,125
1,630,225
34,385,238

\$ 91,195,245

\$ 3,135,760
1,437,604
5,464,663
476,112
107,737
9,040,588

19,662,464

5,896,805
3,399,226
4,391,536
1,702,443
15,746,472
122,409

31,258,891

\$ 50,921,355

\$(37,147,543)
(3,126,347)

\$(40,273,890)

CITY OF MONTEBELLO

Changes in Net Assets - General Revenues

Last Five Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2002-03	2003-04	2004-05	2005-06
General Revenues and Other Changes in Net Assets:				
Governmental Activities:				
Property taxes, levied for general purposes	\$ 19,757,770	\$ 19,553,005	\$ 19,651,384	\$ 21,695,458
Franchise taxes	1,047,752	1,091,014	942,645	1,059,921
Sales tax	9,767,243	9,968,228	11,620,826	12,119,985
Transient occupancy tax	192,619	263,947	261,501	299,819
Motor vehicle in-lieu taxes	3,702,089	4,060,037	4,128,660	4,611,374
Rental income	-	97,335	79,597	93,037
Other revenues	2,918,841	2,091,489	2,924,572	3,147,168
Investment earnings	2,107,474	1,711,674	2,011,649	2,591,235
Transfers	(1,246,875)	(380,371)	(125,427)	272,701
Total governmental activities	<u>38,246,913</u>	<u>38,456,358</u>	<u>41,495,407</u>	<u>45,890,698</u>
Business-type Activities:				
Other revenues	-	-	921,990	-
Investment earnings	3,873	4,374	25,477	56,132
Transfers	1,246,875	380,371	125,427	(272,701)
Total business-type activities	<u>1,250,748</u>	<u>384,745</u>	<u>1,072,894</u>	<u>(216,569)</u>
Total primary government	<u>\$ 39,497,661</u>	<u>\$ 38,841,103</u>	<u>\$ 42,568,301</u>	<u>\$ 45,674,129</u>
Change in Net Assets:				
Governmental activities	\$ (1,205,129)	\$ (4,251,511)	\$ (2,938,965)	\$ 3,756,077
Business-type activities	(1,668,155)	127,088	10,359	2,240,236
Total primary government	<u>\$ (2,873,284)</u>	<u>\$ (4,124,423)</u>	<u>\$ (2,928,606)</u>	<u>\$ 5,996,313</u>

The City of Montebello implemented GASB 34 for the fiscal year ended June 30, 2003.
Information prior to the implementation of GASB 34 is not available.

Fiscal Year
2006-07

\$ 22,851,037
1,228,866
12,620,273
263,457
4,768,533
-
4,578,393
3,052,086
(1,070,821)
48,291,824

-
114,890
1,070,821
1,185,711
\$ 49,477,535

\$ 11,144,281
(1,940,636)
\$ 9,203,645

CITY OF MONTEBELLO

Fund Balances - Governmental Funds

Last Five Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2002-03	2003-04	2004-05	2005-06
General Fund:				
Reserved	\$ 291,769	\$ 395,521	\$ 185,579	\$ 579,809
Unreserved	(291,769)	(395,521)	(185,579)	(579,809)
Total general fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
All Other Governmental Funds:				
Reserved	\$ 44,898,856	\$ 34,860,538	\$ 33,144,032	\$ 33,244,204
Unreserved, reported in:				
Special revenue funds	7,239,851	6,678,701	6,664,883	6,419,209
Capital projects funds	13,860,373	14,468,494	10,015,452	9,950,527
Total all other governmental funds	<u>\$ 65,999,080</u>	<u>\$ 56,007,733</u>	<u>\$ 49,824,367</u>	<u>\$ 49,613,940</u>

The City of Montebello has elected to show only five years of data for this schedule.

<u>Fiscal Year</u>	
<u>2006-07</u>	
\$	36,598
	<u>(36,598)</u>
<u>\$</u>	<u>-</u>
\$	30,098,672
	3,068,370
	<u>22,506,174</u>
<u>\$</u>	<u>55,673,216</u>

CITY OF MONTEBELLO

Changes in Fund Balances - Governmental Funds

Last Five Fiscal Years
(modified accrual basis of accounting)

	Fiscal Years			
	2002-03	2003-04	2004-05	2005-06
Revenues:				
Sales taxes	\$ 9,767,243	\$ 9,968,228	\$ 11,098,434	\$ 12,072,217
Property taxes	19,841,598	19,623,358	19,704,963	21,759,482
Other taxes	629,109	624,966	769,845	1,277,397
Franchise taxes	1,047,750	1,091,014	942,645	1,059,921
Licenses and permits	2,301,199	2,504,243	2,946,333	3,156,282
Fines and forfeitures	796,754	814,807	757,249	866,109
Investment income	2,258,100	1,643,775	2,113,416	2,801,935
Revenue from other agencies	8,304,472	7,804,018	12,127,769	9,928,860
Charges for services	3,697,226	3,939,822	3,996,869	4,439,589
Interfund revenue	2,412,370	2,589,075	2,771,620	2,771,620
Other revenue	1,752,703	1,774,397	1,902,878	1,502,282
Total revenues	<u>52,808,524</u>	<u>52,377,703</u>	<u>59,132,021</u>	<u>61,635,694</u>
Expenditures:				
Current:				
General government	3,909,902	4,087,010	3,828,754	4,255,532
Public safety	23,552,351	26,234,444	26,464,282	26,709,614
Public works	4,085,530	3,954,374	4,037,358	4,495,091
Parks and recreation	3,702,100	3,809,627	3,559,359	3,894,450
Housing and community development	3,677,163	4,048,359	11,002,662	3,817,393
Capital outlay	12,572,910	9,806,732	8,415,421	13,350,421
Debt service:				
Principal payments	2,215,720	2,794,540	3,142,314	3,580,043
Interest and fees	6,481,257	5,900,616	5,457,699	5,353,428
Cost of issuance	-	-	-	-
Other	-	1,352,977	2,283,946	3,162,851
Total expenditures	<u>60,196,933</u>	<u>61,988,679</u>	<u>68,191,795</u>	<u>68,618,823</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,388,409)</u>	<u>(9,610,976)</u>	<u>(9,059,774)</u>	<u>(6,983,129)</u>
Other Financing Sources (Uses):				
Transfers in	28,203,887	34,397,659	25,177,126	38,566,029
Transfers out	(29,450,762)	(34,778,030)	(25,302,553)	(38,293,327)
Issuance of bonds	-	-	16,889,400	-
Payment to bond escrow agent	-	-	(16,094,199)	-
Capital debt issued	-	-	2,206,634	6,500,000
Total other financing sources (uses)	<u>(1,246,875)</u>	<u>(380,371)</u>	<u>2,876,408</u>	<u>6,772,702</u>
Net change in fund balances	<u>(8,635,284)</u>	<u>(9,991,347)</u>	<u>(6,183,366)</u>	<u>(210,427)</u>
Fund balances - July 1	<u>74,634,364</u>	<u>65,999,080</u>	<u>56,007,733</u>	<u>49,824,367</u>
Fund balances - June 30	<u>\$ 65,999,080</u>	<u>\$ 56,007,733</u>	<u>\$ 49,824,367</u>	<u>\$ 49,613,940</u>
Debt service as a percentage of noncapital expenditures	14.45%	14.34%	13.05%	13.65%

The City of Montebello has elected to show only five years of data for this schedule.

Source: City Financial Statements

Fiscal Year

2006-07

\$ 12,646,724
22,910,459
1,220,649
1,228,866
3,770,554
901,699
3,221,198
13,168,783
4,976,745
2,991,563
2,607,687
69,644,927

4,593,619
27,586,726
4,449,999
4,149,539
3,821,322
7,765,069

3,969,910
5,592,038
323,844
543,753
62,795,819

6,849,108

32,117,017
(33,187,838)
8,860,000
(8,579,011)

(789,832)

6,059,276

49,613,940

\$ 55,673,216

15.36%

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CITY OF MONTEBELLO

Governmental Activities Tax Revenues By Source

Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	Property Tax	Sales and Use Tax	Transient Occupancy Tax	Franchise Tax	Other Taxes	Total Taxes
1997-98	\$ 15,040,129	\$ 7,834,940	\$ 200,929	\$ 585,299	\$ 153,800	\$ 23,815,097
1998-99	14,939,598	9,949,374	227,117	586,304	208,082	25,910,475
1999-00	16,295,752	10,120,055	239,555	740,931	291,065	27,687,358
2000-01	14,319,369	9,803,116	248,186	854,461	260,890	25,486,022
2001-02	16,296,780	9,246,622	224,688	976,677	300,912	27,045,679
2002-03	19,841,598	9,767,243	192,610	1,047,750	436,499	31,285,700
2003-04	19,623,358	9,968,228	263,947	1,091,014	361,019	31,307,566
2004-05	19,704,963	11,098,434	261,501	942,645	508,344	32,515,887
2005-06	21,759,482	12,072,217	299,819	1,059,921	977,578	36,169,017
2006-07	22,910,459	12,646,724	263,457	1,228,866	957,192	38,006,698

Source: City Financial Statements

CITY OF MONTEBELLO

Assessed Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years
(rate per \$1,000 of assessed value)

Fiscal Year	City			Taxable Assessed Value
	Secured	Unsecured	Less: Exemptions (1)	
1997-98	\$ 1,579,665	\$ 101,310	\$ 69,406	\$ 1,611,569
1998-99	1,579,701	112,594	28,887	1,663,408
1999-00	1,663,002	126,998	66,873	1,723,127
2000-01	1,706,196	140,032	26,844	1,819,384
2001-02	1,787,430	148,709	20,907	1,915,232
2002-03	1,875,713	107,852	-	1,983,565
2003-04	2,084,644	46,023	-	2,130,667
2004-05	2,217,252	46,025	-	2,263,277
2005-06	2,414,667	47,403	-	2,462,070
2006-07	2,727,566	50,953	93,652	2,684,867

Note (1): Beginning with the fiscal year ended June 30, 2002, exemptions are netted directly against the individual property categories.

Redevelopment Agency

Secured	Unsecured	Less: Exemptions (1)	Taxable Assessed Value
\$ 868,272	\$ 93,696	\$ 12,945	\$ 949,023
903,222	96,527	10,094	989,655
923,689	99,441	11,388	1,011,742
962,758	102,977	11,623	1,054,112
910,220	128,751	15,019	1,023,952
1,090,029	129,797	-	1,219,826
1,053,199	138,932	-	1,192,131
1,055,781	113,718	-	1,169,499
1,123,622	123,529	-	1,247,151
1,264,726	128,026	29,089	1,363,663

CITY OF MONTEBELLO

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years
(rate per \$100 of taxable value)

	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>
City Direct Rate:					
City basic rate	1.000000	1.000000	1.000000	1.000000	1.000000
Retirement	<u>0.197875</u>	<u>0.197875</u>	<u>0.197875</u>	<u>0.197875</u>	<u>0.197875</u>
Total City Direct Rate	1.197875	1.197875	1.197875	1.197875	1.197875
Overlapping Rates:					
L.A. County General	0.001584	0.001451	0.001422	0.001314	0.001128
Montebello USD	n/a	0.010296	0.030498	0.034233	0.043694
L.A. County Flood Control	0.002197	0.001953	0.001765	0.001552	0.001073
Metropolitan Water District	0.008900	0.008900	0.008900	0.008800	0.007700
Community College	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>0.015996</u>
Total	<u><u>1.210556</u></u>	<u><u>1.220475</u></u>	<u><u>1.240460</u></u>	<u><u>1.243774</u></u>	<u><u>1.267466</u></u>

Sources: HdL Coren & Cone
Los Angeles County Assessor & Auditor Combined

<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
1.000000	1.000000	1.000000	1.000000	1.000000
<u>0.197875</u>	<u>0.197875</u>	<u>0.197875</u>	<u>0.197875</u>	<u>0.197875</u>
1.197875	1.197875	1.197875	1.197875	1.197875
0.000992	0.000992	0.000923	0.000795	-
0.040764	0.040764	0.041717	0.070539	0.066812
0.000462	0.000462	0.000245	0.000049	-
0.006100	0.006100	0.005800	0.005200	0.004500
<u>0.019857</u>	<u>0.019857</u>	<u>0.018098</u>	<u>0.014288</u>	<u>0.008794</u>
<u><u>1.266050</u></u>	<u><u>1.266050</u></u>	<u><u>1.264658</u></u>	<u><u>1.288746</u></u>	<u><u>1.277981</u></u>

CITY OF MONTEBELLO

Principal Property Tax Payers

Current Fiscal Year and Nine Fiscal Years Ago

Taxpayer	2006-07			1997-98		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Montebello Town Center Investor, LLC	\$136,002,900	1	4.86%	N/A	N/A	N/A
Plain Exploration and Production	65,706,740	2	2.35%	N/A	N/A	N/A
Excel Realty Partners, Ltd.	35,881,554	3	1.28%	\$ 15,827,634	4	0.67%
Kir Montebello, Ltd.	33,895,994	4	1.21%	N/A	N/A	N/A
Prologis California LLC	42,742,320	5	1.53%	N/A	N/A	N/A
Monarch Litho, Inc.	28,927,771	6	1.03%	N/A	N/A	N/A
Combined Properties, Ltd.	25,238,403	7	0.90%	19,879,657	3	0.84%
Royal Paper Box Co.	24,643,829	8	0.88%	15,483,824	5	0.66%
Federal Retail Holding, Inc.	20,247,468	9	0.72%	N/A	N/A	N/A
Costco Wholesale Corporation	18,693,934	10	0.67%	N/A	N/A	N/A
	<u>\$431,980,913</u>		<u>15.43%</u>	<u>\$ 51,191,115</u>		<u>2.17%</u>

Sources: HdL Coren & Cone
 Los Angeles County Assessor & Auditor Combined
 California Municipal Statistic, Inc.

CITY OF MONTEBELLO

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Collected within the fiscal year of the levy		Collections in Subsequent Years	Total collections to date	
		Amount	% of Levy		Amount	% of Levy
1997-98	\$ 5,193,297	\$ 5,158,756	99.33%	\$ 83,166	\$ 5,241,922	100.94%
1998-99	5,248,124	5,147,607	98.08%	61,585	5,209,192	99.26%
1999-00	5,592,968	5,492,456	98.20%	20,106	5,512,562	98.56%
2000-01	5,873,099	5,796,006	98.69%	174,721	5,970,727	101.66%
2001-02	6,478,670	5,915,031	91.30%	179,108	6,094,139	94.06%
2002-03	7,027,324	6,547,321	93.17%	98,462	6,645,783	94.57%
2003-04	7,339,427	6,893,691	93.93%	40,536	6,934,227	94.48%
2004-05	7,725,000	7,287,361	94.33%	137,839	7,425,200	96.12%
2005-06	7,950,087	8,053,932	101.31%	368,207	8,422,139	105.94%
2006-07	8,360,000	8,945,848	107.01%	(1)	8,945,848	107.01%

Note (1): Negative number not included

CITY OF MONTEBELLO

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Total Primary Government
	Certificates of Participation	Tax Allocation Bonds	Revenue	Other	
1997-98	\$ 26,670,000	\$ 41,822,015	\$ -	\$ 2,210,889	\$ 70,702,904
1998-99	25,700,000	54,372,015	-	2,079,931	82,151,946
1999-00	24,660,000	63,253,266	-	2,048,030	89,961,296
2000-01	30,020,000	62,511,642	-	2,123,015	94,654,657
2001-02	28,807,760	67,052,635	15,830,000	2,119,139	113,809,534
2002-03	27,907,040	65,985,987	15,830,000	2,538,447	112,261,474
2003-04	26,972,500	64,736,819	15,490,000	2,792,949	109,992,268
2004-05	25,996,500	63,394,889	17,060,000	4,237,434	110,688,823
2005-06	24,977,860	61,956,272	16,785,000	10,327,648	114,046,780
2006-07	23,921,580	60,887,078	16,565,000	9,374,503	110,748,161

Source: City Financial Statements

CITY OF MONTEBELLO

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years
(In thousands, except Per Capita)

Fiscal Year	Outstanding General Bonded Debt				Percent of Assessed Value (1)	Per Capita
	Certificates of Participation	Tax Allocation Bonds	Revenue	Total		
1997-98	\$ 26,670	\$ 41,822	\$ -	\$ 68,492	2.67%	\$ 1,087
1998-99	25,700	54,372	-	80,072	3.00%	1,251
1999-00	24,660	63,253	-	87,913	3.21%	1,353
2000-01	30,020	62,512	-	92,532	3.22%	1,469
2001-02	28,808	67,053	15,830	111,691	3.80%	1,745
2002-03	27,907	65,986	15,830	109,723	3.43%	1,698
2003-04	26,973	64,737	15,490	107,200	3.23%	1,643
2004-05	25,997	63,395	17,060	106,452	3.08%	1,613
2005-06	24,978	61,956	16,785	103,719	2.80%	1,570
2006-07	23,922	60,887	16,565	101,374	2.50%	1,536

(1) Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

CITY OF MONTEBELLO

DIRECT AND OVERLAPPING DEBT

June 30, 2007

City Assessed Valuation	\$ 2,841,573,325
Redevelopment Agency Incremental Valuation	<u>1,206,956,900</u>
Total Assessed Valuation	<u>\$ 4,048,530,225</u>

	Percentage Applicable (1)	Total Outstanding Debt 6/30/07	City's Share of Overlapping Debt 6/30/07
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Los Angeles County Flood Control District	0.362%	\$ 113,560,000	\$ 411,087
Metropolitan Water District	0.175%	359,115,000	628,451
Los Angeles Community College District	0.627%	1,005,200,000	6,302,604
Rio Honda Community College District	0.001%	59,157,244	592
El Rancho Unified School District	0.005%	42,714,580	2,136
Los Angeles Unified School District	0.001%	6,504,880,000	65,049
Montebello Unified School District	35.725%	106,767,501	38,142,690
Los Angeles County Regional Park and Open Space Assessment District	0.350%	304,235,000	<u>1,064,823</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			<u><u>\$ 46,617,431</u></u>

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Los Angeles County General Fund Obligations	0.350%	\$ 1,084,851,959	\$ 3,796,982
Los Angeles County Pension Obligations	0.350%	546,849,147	1,913,972
Los Angeles County Superintendent of Schools Certificates of Participation	0.350%	19,817,270	69,360
Los Angeles County Sanitation District No. 2 Authority	8.133%	39,724,584	3,230,800
Los Angeles County Sanitation District No. 15 Authority	0.480%	40,662,960	195,182
Los Angeles Unified School District Certificates of Participation	0.001%	395,744,823	3,957
Montebello Unified School District Certificates of Participation	35.725%	20,385,000	7,282,541
City of Montebello General Fund Obligations	100.000%	45,960,000	<u><u>45,960,000</u></u>

TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT	62,452,796
Less: Los Angeles Unified School District (Qualified Zone Academic Bonds supported from a guaranteed investment contract)	(124)
City of Montebello, Montebello Hotel Project (supported from surplus tax increment and golf and hotel revenues)	<u>(16,565,000)</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT	<u><u>\$ 45,887,672</u></u>
GROSS COMBINED TOTAL DEBT (2)	<u><u>\$ 109,070,226</u></u>
NET COMBINED TOTAL DEBT	<u><u>\$ 92,505,102</u></u>

Notes:

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Sources: HdL Coren & Cone
Los Angeles County Assessor and Auditor Combined

CITY OF MONTEBELLO

Legal Debt Margin Information

Last Ten Fiscal Years

	Fiscal Year				
	1997-98	1998-99	1999-00	2000-01	2001-02
Assessed valuation	\$ 10,242,366,232	\$ 10,668,255,608	\$ 10,939,471,900	\$ 11,493,984,160	\$ 11,756,735,572
Conversion Percentage	25.00%	25.00%	25.00%	25.00%	25.00%
Adjusted assessed valuation	2,560,591,558	2,667,063,902	2,734,867,975	2,873,496,040	2,939,183,893
Debt limit percentage	15.00%	15.00%	15.00%	15.00%	15.00%
Total net debt applicable to limit	384,088,734	400,059,585	410,230,196	431,024,406	440,877,584
Legal debt margin	\$ 384,088,734	\$ 400,059,585	\$ 410,230,196	\$ 431,024,406	\$ 440,877,584

	Fiscal Year				
	2002-03	2003-04	2004-05	2005-06	2006-07
Assessed valuation	\$ 12,813,583,420	\$ 13,291,191,988	\$ 13,815,823,508	\$ 14,836,885,928	\$ 16,194,120,900
Conversion Percentage	25.00%	25.00%	25.00%	25.00%	25.00%
Adjusted assessed valuation	3,203,395,855	3,322,797,997	3,453,955,877	3,709,221,482	4,048,530,225
Debt limit percentage	15.00%	15.00%	15.00%	15.00%	15.00%
Total net debt applicable to limit	480,509,378	498,419,700	518,093,382	556,383,222	607,279,534
Legal debt margin	\$ 480,509,378	\$ 498,419,700	\$ 518,093,382	\$ 556,383,222	\$ 607,279,534

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

CITY OF MONTEBELLO

Pledged-Revenue Bond Coverage
Last Ten Fiscal Years
(In Thousands)

Fiscal Year	Gross Revenue	Less Operating Expenses	Net Available Revenue	Golf Revenue Bonds			Coverage
				Principal	Debt Service Interest	Total	
1997-98	\$ 2,517,069	\$ (1,720,846)	\$ 796,223	\$ -	\$ 225,969	\$ 225,969	352.36%
1998-99	1,379,506	(1,817,041)	(437,535)	-	336,983	336,983	-129.84%
1999-00	3,657,122	(2,081,747)	1,575,375	-	393,652	393,652	400.19%
2000-01	3,313,423	(2,260,102)	1,053,321	100,000	399,675	499,675	210.80%
2001-02	3,241,173	(2,531,366)	709,807	107,760	312,346	420,106	168.96%
2002-03	3,223,541	(2,239,324)	984,217	129,280	321,293	450,573	218.44%
2003-04	3,302,588	(2,377,660)	924,928	130,460	257,203	387,663	238.59%
2004-05	3,150,664	(2,274,201)	876,463	139,000	276,272	415,272	211.06%
2005-06	3,399,967	(2,410,559)	989,408	146,360	293,190	439,550	225.10%
2006-07	3,457,820	(2,676,606)	781,214	148,720	306,999	455,719	171.42%

Source: City Finance Department

CITY OF MONTEBELLO

Demographic and Economic Statistics

Last Ten Calendar Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income (in millions)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
1997-98	63,200	\$ 344,096	\$ 28,469	6.60%
1998-99	64,308	360,275	29,402	5.90%
1999-00	64,158	385,053	31,045	5.40%
2000-01	64,950	403,519	32,152	5.70%
2001-02	65,000	412,753	32,522	6.80%
2002-03	64,617	427,041	33,318	7.00%
2003-04	65,249	453,902	35,188	6.50%
2004-05	65,672	N/A	N/A	5.30%
2005-06	65,508	505,197	39,001	5.40%
2006-07	65,686	N/A	N/A	N/A

Note: Personal income, per capita personal income and unemployment rate are the data shown for Los Angeles County from State of California Employment Department.

Sources: Bureau of Economic Analysis
State of California Employment Development Department
(data shown if for the county)

CITY OF MONTEBELLO

Principal Employers

Current Fiscal Year and Nine Fiscal Years Ago

Employer	2006-07		1997-98	
	Employees	Percent of Total Employment*	Employees	Percent of Total Employment*
Oroweat Food Company	781	0.0125%	800	0.0143%
Minson Corporation	642	0.0103%	550	0.0098%
Royal Paper Box Company	171	0.0027%	180	0.0032%
Philip Industry	68	0.0011%	100	0.0018%
Chevron USA	32	0.0005%	65	0.0012%
Montebello Town Center	1,883	0.0302%	2,000	0.0358%
Kaiser	4,487	0.0719%	N/A	N/A
Beverly Hospital	985	0.0158%	1,000	0.0179%
Litho Monarch	2,973	0.0477%	N/A	N/A
Price/Costco	205	0.0033%	200	0.0036%

* "Total Employment" as used above represents the total employment of Los Angeles County.

CITY OF MONTEBELLO

Full-Time and Part-Time City Employees by Function

Last Five Fiscal Years

Function	2002-03	2003-04	2004-05	2005-06	2006-07
General Government	33	37	41	38	28
Public Safety	220	229	199	202	180
Public Works	56	54	37	31	14
Parks and Recreation	83	82	61	60	119
Economic Development	20	20	17	14	17
Transit	213	222	247	250	236
Total	625	644	602	595	594

Source: City Finance Department

CITY OF MONTEBELLO

Operating Indicators by Function

Last Ten Calendar Years

Function	1998	1999	2000	2001	2002
Police:					
Arrests	3,230	2,577	2,422	2,411	2,493
Traffic violations	24,348	22,716	21,450	24,633	19,242
Parking violations	10,856	11,993	11,546	14,828	12,544
Fire:					
Number pf calls answered	4,402	4,647	4,236	4,568	4,378
Inspections conducted	2,011	1,265	1,320	1,194	1,186
Public Works:					
Street resurfacing (miles)	2.51	0.75	0.36	1.01	3.51
Parks and Recreation:					
Number of recreation classes	n/a	n/a	n/a	n/a	n/a
Number of facility rentals	n/a	n/a	n/a	n/a	n/a

Source: City Finance Department

2003	2004	2005	2006	2007
			As of September	As of June
2,859	3,061	2,985	1,974	1,205
18,935	18,604	18,675	13,569	11,095
12,157	13,488	13,965	10,402	8,281
			As of December 1	As of Sept. 27
4,465	4,726	4,981	4,570	3,682
2,451	2,643	1,834	1,155	875
2.01	0.90	3.36	3.43	1.60
n/a	122	196	214	139
			As of December 1	As of October
n/a	200	196	202	278

CITY OF MONTEBELLO

Capital Asset Statistics by Function

Last Ten Fiscal Years

Function	1997-98	1998-99	1999-00	2000-01	2001-02
Police:					
Police stations	1	1	1	1	1
Fire:					
Fire stations	3	3	3	3	3
Public Works:					
Street (miles)	125	125	125	125	125
Streetlights	3,682	3,682	3,682	3,682	3,682
Traffic signals	79	79	79	79	79
Parks and Recreation:					
Parks	7	7	7	7	7
Community centers	-	-	-	-	-

Sources: HdL Coren & Cone
 Los Angeles County Assessor & Auditor Combined

<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
1	1	1	1	1
3	3	3	3	3
125	125	125	125	125
3,682	3,682	3,682	3,682	3,682
79	79	79	79	80
7	7	7	7	7
-	-	-	-	-

