

CITY OF MONTEBELLO, CALIFORNIA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

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

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2008**

Prepared by:
Department of Finance

CITY OF MONTEBELLO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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December 16, 2008

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, 2008 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 2006-07 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 2007-08. 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 2008 estimate of the California Department of Finance, the City's population showed an increase of 0.54 percent over last year. The 2007-08 assessed valuation of \$4.4 billion represents an increase of 8.9 percent over the preceding year; increase during the past five years have averaged 8.5 percent. The Consumers Price Index for the Los Angeles-Riverside-Orange County area of which Montebello is a part increased 5.4 percent. Sales taxes of \$11.7 million for 2007-08 indicated an decrease of 7.6 percent when compared to the preceding year; increases during the past five years have averaged 3.9 percent.

Sales tax is a major revenue source for the City and is broad based with a major shopping mall anchored by Macy's and Penny'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 2007-08 include the following:

- ❖ Continued to manage the \$200,000 US-EPA Brownfields Pilot Program Grant dealing with the former Chapin Road landfill.
- ❖ Continued to monitor the Montebello Town Center's interior and exterior renovation
- ❖ Worked with landowners to promote high revenue companies to locate along Telegraph Road.
- ❖ Completion of FY 2008-2009 Consolidated Annual Performance and Evaluation Report (CAPER).
- ❖ Completed the Construction Drawings for Phase II of the Whittier Boulevard Revitalization Streetscape Project.

GOALS FOR FISCAL YEAR 2008-2009

- ❖ 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;
- ❖ 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; and,
- ❖ Continue to attract industries with more jobs to the south industrial district.
- ❖ Monitor the property located on 100-104 Washington that the Olson Company is developing 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
- ❖ Continue to work with property owners on Whittier Boulevard to develop mixed-use projects.

THE FUTURE 08-09

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, 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 phase II construction plans.
- 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.

Housing Activities

During Fiscal Year 2007-2008, 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 and complete the Downtown Plaza project consisting of 50 affordable senior apartments
- 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) and
- 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 Financial Reporting Entity (Continued)

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.

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.

Budgetary Control (Continued)

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 \$39.5 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, 2008 the City had general long-term debt amounting to \$108.2 million, which is detailed in the Notes to the Financial Statements. This includes \$65.7 million for tax allocation bonds, \$22.8 million for Certificates of Participation, \$16.4 million for Revenue Bonds, and \$3.3 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 2007-08. These Notes were paid off on June 30, 2008.

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 4.22 percent and 4.25 percent respectively. It is the City's policy to maintain a diversified investment portfolio.

City and Redevelopment Agency investment portfolios at June 30, 2008, are shown in the following schedule:

| | City | Community Redevelopment Agency |
|--------------------------------------|----------------------|--------------------------------------|
| Savings Account | \$ 16,372 | \$ 16,372 |
| Money Market Fund | 2,769,126 | 175,911 |
| Treasury Bills/Federal Agency Issues | 4,921,971 | 9,772,528 |
| Certificates of Deposit | 4,600,000 | 2,600,000 |
| State Treasurer's Investment Pool | 5,248,973 | 14,457,985 |
| Total | \$ 17,556,442 | \$ 27,022,796 |

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 2007-08 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.

OTHER INFORMATION (Continued)

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, 2007. This is the twentieth 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.

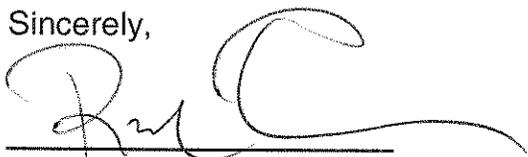
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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,

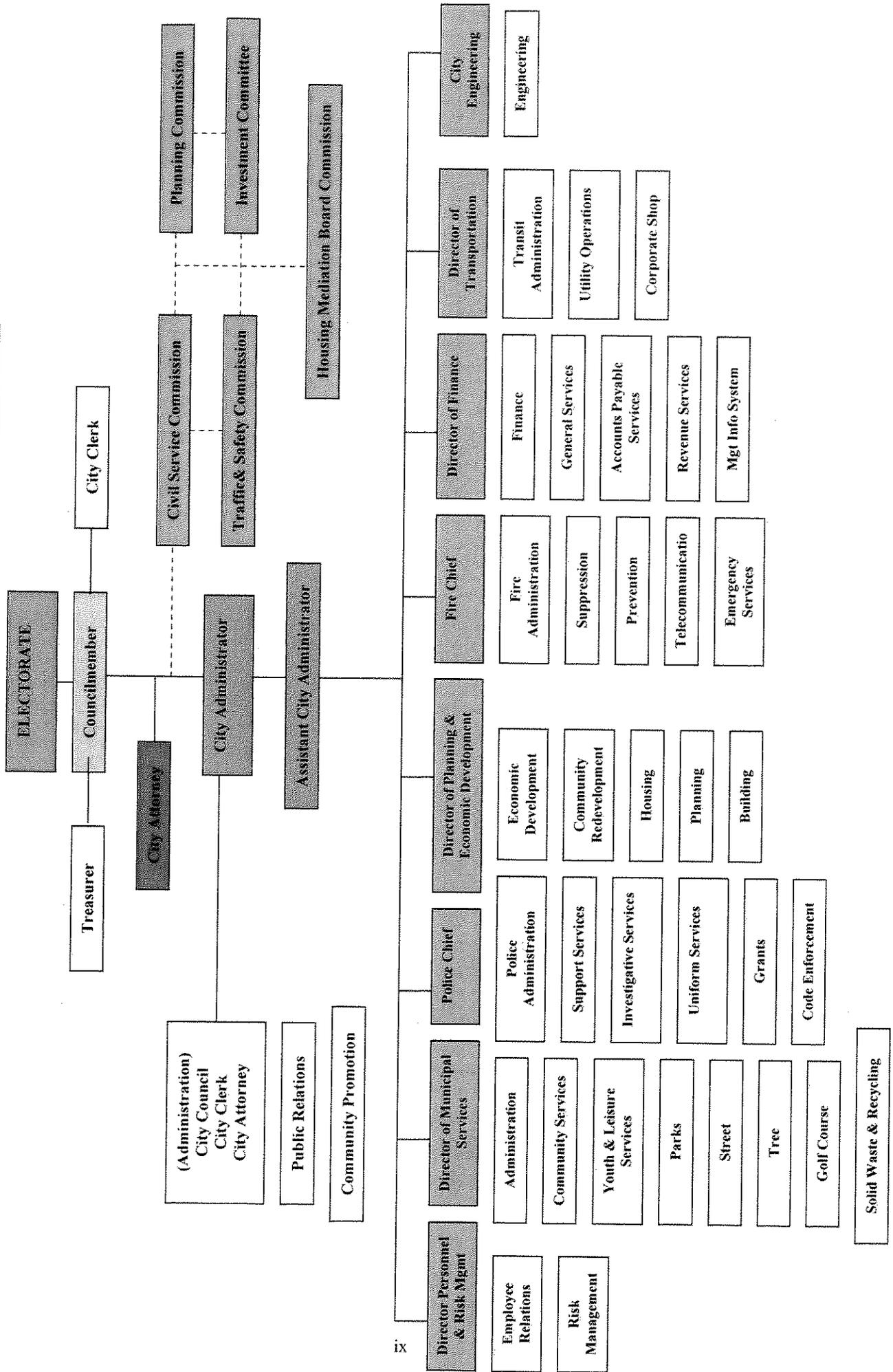


Richard Torres
City Administrator



Chickwan Yam
Director of Finance

City of Montebello Table of Organization



CITY OF MONTEBELLO
Officials of the City of Montebello
June 30, 2008

City Council

William M. Molinari
Rosemarie Vasquez
Robert Urteaga
Kathy Salazar
Mary Anne Saucedo-Rodriguez

Elected Officials

City Clerk
City Treasurer

Robert J. King
Norma M. Lopez

Administration and Department Heads

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

Richard Torres
Diane Albert
Daniel Weast
James Duncan
Haydee Sainz
Chickwan Tam
Mike Huntley
Aurora Jackson
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, 2007

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.



Oliver S. Cox

President

Jeffrey R. Enev

Executive Director

FINANCIAL SECTION

Roll

Use

TAB



DIEHL, EVANS & COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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*PHILIP H. HOLTkamp, CPA
*THOMAS M. PERLOWSKI, CPA
*HARVEY J. SCHROEDER, CPA
KENNETH R. AMES, CPA
*WILLIAM C. PENTZ, CPA

*A PROFESSIONAL CORPORATION

December 11, 2008

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, 2008, 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, 2008, 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:

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

613 W. VALLEY PARKWAY, SUITE 330
ESCONDIDO, CALIFORNIA 92025-2598
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In accordance with Government Auditing Standards, we have also issued our report dated December 11, 2008 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, 2008

As management of the City of Montebello, California (the 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, 2008. 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, 2008, by \$57.0 million (*net assets*) and the government's total net assets increased by \$8.9 million during the fiscal year ended June 30, 2008.
- As of June 30, 2008, the City's governmental funds reported combined ending fund balances of \$66.3 million, an increase of \$10.6 million in comparison with the prior year. Approximately 42.9% of this total amount, \$28.4 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 Improvements Capital Projects Fund) was \$2.8 million.
- The City's total long-term liabilities increased by \$3.0 million during the current fiscal year. The key factor in this increase was the issuance of tax allocation bonds.

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 the 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 transportation, golf course, Montebello Hilton, water utility 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 the basic financial statements

The notes to the 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 the 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 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 \$45.8 million, reflects its investment in capital assets (e.g., and, 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 | |
|--|----------------------------|------------------|-----------------------------|------------------|------------------|------------------|
| | 2008 | 2007 | 2008 | 2007 Restated | 2008 | 2007 Restated |
| Assets: | | | | | | |
| Current and other assets | \$ 89,188 | \$ 83,638 | \$ 13,578 | \$ 7,677 | \$ 102,766 | \$ 91,315 |
| Capital assets | <u>69,881</u> | <u>66,810</u> | <u>34,402</u> | <u>34,626</u> | <u>104,283</u> | <u>101,436</u> |
| Total assets | <u>159,069</u> | <u>150,448</u> | <u>47,980</u> | <u>42,303</u> | <u>207,049</u> | <u>192,751</u> |
| Liabilities: | | | | | | |
| Long-term liabilities | 108,704 | 105,732 | 5,195 | 5,345 | 113,899 | 111,077 |
| Other liabilities | <u>23,409</u> | <u>28,536</u> | <u>12,741</u> | <u>4,987</u> | <u>36,150</u> | <u>33,523</u> |
| Total liabilities | <u>132,113</u> | <u>134,268</u> | <u>17,936</u> | <u>10,332</u> | <u>150,049</u> | <u>144,600</u> |
| Net Assets: | | | | | | |
| Invested in capital assets, net of related debt | 16,757 | 16,757 | 29,085 | 29,152 | 45,842 | 45,909 |
| Restricted | 62,000 | 51,951 | - | - | 62,000 | 51,951 |
| Unrestricted | <u>(51,801)</u> | <u>(52,528)</u> | <u>959</u> | <u>2,819</u> | <u>(50,842)</u> | <u>(49,709)</u> |
| Total net assets | <u>\$ 26,956</u> | <u>\$ 16,180</u> | <u>\$ 30,044</u> | <u>\$ 31,971</u> | <u>\$ 57,000</u> | <u>\$ 48,151</u> |

Net assets of the City increased 18.4% from \$48.1 million last year to \$57.0 million this year, of which \$45.8 million is invested in capital assets such as equipment, buildings and infrastructure. Of the remaining total, \$62.0 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 Year Ended June 30
(in thousands)

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|----------------------------|---------------|-----------------------------|------------------|----------------|------------------|
| | 2008 | 2007 | 2008 | 2007 Restated | 2008 | 2007 Restated |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 11,968 | \$ 10,622 | \$ 15,348 | \$ 15,390 | \$27,316 | \$ 26,012 |
| Operating grants and contributions | 9,074 | 9,041 | 19,462 | 15,746 | 28,536 | 24,787 |
| Capital grants and contributions | - | - | 938 | 122 | 938 | 122 |
| General revenues: | | | | | | |
| Sales taxes | 11,390 | 12,620 | - | - | 11,390 | 12,620 |
| Property taxes | 25,325 | 22,851 | - | - | 25,325 | 22,851 |
| Other taxes | 6,546 | 6,261 | - | - | 6,546 | 6,261 |
| Other revenue | 3,474 | 4,579 | - | - | 3,474 | 4,579 |
| Investment revenue | 4,446 | 3,052 | 75 | 115 | 4,521 | 3,167 |
| Total Revenues | 72,223 | 69,026 | 35,823 | 31,373 | 108,046 | 100,399 |
| Expenses: | | | | | | |
| General government | 8,974 | 7,665 | - | - | 8,974 | 7,665 |
| Public safety | 29,894 | 26,246 | - | - | 29,894 | 26,246 |
| Public works | 5,375 | 4,455 | - | - | 5,375 | 4,455 |
| Parks, culture and recreation | 5,014 | 4,628 | - | - | 5,014 | 4,628 |
| Housing and community development | 5,534 | 7,245 | - | - | 5,534 | 7,245 |
| Transit | - | - | 28,484 | 26,033 | 28,484 | 26,033 |
| Golf Course | - | - | 3,045 | 3,311 | 3,045 | 3,311 |
| Hilton | - | - | 3,774 | 3,411 | 3,774 | 3,411 |
| Water Utility | - | - | 1,720 | 1,274 | 1,720 | 1,274 |
| Detention Facility | - | - | 525 | 356 | 525 | 356 |
| Interest on long-term debt | 6,246 | 5,988 | - | - | 6,246 | 5,988 |
| Unallocated infrastructure depreciation | 612 | 583 | - | - | 612 | 583 |
| Total Expenses | 61,649 | 56,810 | 37,548 | 34,385 | 99,197 | 91,195 |
| Change in net assets before transfers | 10,574 | 12,216 | (1,725) | (3,012) | 8,849 | 9,204 |
| Transfers | 202 | (1,071) | (202) | 1,071 | - | - |
| Change in net assets | 10,776 | 11,145 | (1,927) | (1,941) | 8,849 | 9,204 |
| Net assets - Beginning of Year | 16,180 | 5,035 | 31,971 | 33,912 | 48,151 | 38,947 |
| Net assets -End of Year | \$ 26,956 | \$ 16,180 | \$ 30,044 | \$ 31,971 | \$ 57,000 | \$ 48,151 |

See independent auditors' report.

Government-wide Financial Analysis (Continued)

The following items impacted citywide revenues for the fiscal year ended June 30, 2008:

- Program revenues for charges for services and operating and capital grants and contributions accounted for 99.8% 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 35.1% of total governmental revenues.

Overall, increases in related expenditures reflected inflation effects and growth in the demand for services. Public Works expenditures were 5.4% of total expenditures; Public Safety expenditures accounted for 30.1% of the expenditures, while Transit expenditures were 28.7% of total expenditures.

Governmental Activities

Governmental activities increased the City's net assets by \$10.8 million. Key factors of this change in governmental activities include the following based on the governmental-wide statement of activities.

- Property tax revenues increased approximately \$2.5 million or 10.8%. This is mainly attributable to a \$2.2 million increase in Redevelopment Project Area tax increments. General Fund property tax revenues increased approximately \$300,000 or 6.3%.
- Other Taxes increased \$285,000 or 4.6% mainly due to an increase in oil company franchise fees which are based on related revenues.
- Investment income was up \$1.4 million or 45.7% 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 21.8% of the total reduction net assets. The City's Transit System is the largest business-type operation, followed by the Montebello Hilton Hotel and Golf Course.

Approximately 22.1% of Transit financing for operations is generated from bus fares and special contracts, with the remaining 77.9% coming from State and Federal subsidies. Total fiscal year operating revenues were \$5.9 compared to \$5.6 million in 2007 or up approximately 5.9%. This is the result of general ridership.

The Transit Fund operating expenses show an increase from \$25.8 million to \$28.1, or up \$2.3 million or 9.0% Personnel Services were up \$860,000 or 6.8%. Other increases were shown for Vehicle Services up \$885,000, Administrative Cost up \$56,000 and Contract Services up \$478,000.

See independent auditors' report.

Government-wide Financial Analysis (Continued)

Business-Type Activities (Continued)

The Golf Course has shown a net decrease in net assets of \$190,000 compared to \$17,000 decrease for the same period last year. Revenues were down \$221,000 with decrease in operating revenues for Rents and Concessions and Other Revenues. Expenses showed a decrease of \$245,000. Increases were shown for labor and fringe benefits, repairs and maintenance, and transfer-out.

The Montebello Hilton has shown a net loss of \$238,000 for the fiscal year compared to a net loss of \$476,000 for the same period last year resulting in a decrease of \$238,000 for the period. Operating revenues were up by \$199,000. Expenses showed an increase of \$225,000. Increases were shown for labor and fringe benefit, utilities, contract services, 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 \$66.3 million, an increase of \$10.6 million in comparison with the prior year. Approximately 42.9 percent of this total amount constitutes *unreserved fund balance*, which is available for spending at the government's direction. The remainder of the fund balance, \$37.9 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 \$5.5 million, 2) pay debt service \$17.2 million, 3) reserve for long-term notes receivable \$8.3 million, 4) for a variety of other restricted purposes \$6.1 million or 5) providing employees retirement \$881,000.

The General Fund is the City's main operating funds. In 2007-08, the General Fund ended the year with a surplus of \$51,000 compared to an operating surplus of \$2.3 million in 2006-07. Factors which contributed to this were a \$1.1 million or 3.0% increase in revenues. However, General Fund expenditures increased \$5.0 million or 12.1%. 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 \$51,000 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>2008</u> | <u>2007</u> | <u>Percent Change</u> |
|---|---------------|---------------|---------------------------|
| Operating Revenues | \$ 38,385 | \$ 37,277 | 3.0% |
| Operating Expenditures | <u>47,140</u> | <u>42,064</u> | 12.1% |
| Excess of Revenues Over (Under) Expenditures | (8,755) | (4,787) | (82.9)% |
| Net Operating Transfers and Other | <u>8,806</u> | <u>7,065</u> | 24.6% |
| Surplus (Deficit) | 51 | 2,278 | (97.8)% |
| Transfer from Reserve | (51) | (2,278) | 97.8 % |
| Beginning Fund Balance | <u>-</u> | <u>-</u> | 0.0 % |
| Ending Fund Balance | <u>\$ -</u> | <u>\$ -</u> | 0.0 % |

The grants special revenue fund has a total deficit in fund balance of \$0.2 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 \$0.6 million.

The redevelopment agency debt service fund has a total fund balance of \$9.4 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 \$1.8 million, \$0.6 million higher than last year's \$1.2 million. This was mainly due to increase in redevelopment project area tax increments of \$1.5 million and increase in debt service payments and other financing uses of \$466,000.

The capital improvements capital projects fund has a total fund balance of \$4.1 million, of which \$1.4 million is reserved for investment in land held for resale and to liquidate contracts and purchase orders, and the remaining balance of \$2.7 million is designated for future capital projects. The net decrease in fund balance during the current year in the capital improvement capital projects fund was \$2.9 million.

The redevelopment agency capital projects fund has a total fund balance of \$39.1 million, of which \$8.3 million is reserved for long-term notes receivable, \$5.6 million for investments in land held for resale, \$0.6 million is reserved to liquidate contracts and purchase orders, and the remaining balance of \$24.6 million is designated. The net increase in fund balance during the current year in the redevelopment agency capital projects fund was \$9.6 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 incurred an operating loss of \$22.3 million, but nonoperating items amounting to \$21.3 million help the Transit System's net loss of \$1.0 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 \$420,000. However, non-operating items amounting to (\$610,000) resulted in a net loss for the Golf Course System of \$190,000.

The Montebello Hilton has shown a net loss of \$238,000 for the fiscal year compared to a net loss of \$476,000 for the same period last year resulting in a decrease of \$238,000 for the period. Operating revenues were up by \$199,000 while expenses showed an increase of \$225,000. Increases were shown for labor and fringe benefit, utilities and other expense.

General Fund Budgetary Highlights

Differences between the general fund original budget and the final amended budget were \$750,110 and can be briefly summarized as follows:

- \$410,888 in increased allocated to the Police Department for additional police vehicles and equipments, the Citywide Communication Project, and an additional police officer.
- \$177,189 in increased allocated to the Fire Department for the Citywide Communication Project and Fire Department reorganization.
- \$125,319 in increased allocated to the Street Division outside contract for the alternate day street sweeping services and the removal and installation of street sweeping signs.

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, 2008 amounts to \$104.3 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 increase in the City's investment in capital assets for the current fiscal year was 2.8%.

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 Year Ended June 30, 2008
(in thousands)

| | Governmental | | Business-Type | | Total | |
|---------------------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|
| | Activities | | Activities | | | |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Land | \$ 2,366 | \$ 2,366 | \$ 6,213 | \$ 6,213 | \$ 8,579 | \$ 8,579 |
| Right-a-way | 14,392 | 14,392 | - | - | 14,392 | 14,392 |
| Building and improvements | 23,694 | 23,645 | 16,538 | 16,569 | 40,232 | 40,214 |
| Machinery and equipment | 13,036 | 12,016 | 11,651 | 11,844 | 24,687 | 23,860 |
| Infrastructures | 16,393 | 14,391 | - | - | 16,393 | 14,391 |
| Total Net Capital Assets | \$ 69,881 | \$ 66,810 | \$ 34,402 | \$ 34,626 | \$ 104,283 | \$ 101,436 |

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

- Additions to equipment acquisitions were \$4.1 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 \$2.6 million.

Additional information on the City's capital assets can be found in Note 3 to the 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 2007-08, the City had total bond debt outstanding of \$119.5 million. Of this amount, \$65.7 million comprises debt backed by pledged tax revenues and \$53.8 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.

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

| | Governmental Activities | | Business-Type Activities | | Total | |
|------------------------------|----------------------------|-------------------|-----------------------------|-----------------|-------------------|-------------------|
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| Tax allocation bonds | \$ 65,708 | \$ 60,887 | \$ - | \$ - | \$ 65,708 | \$ 60,887 |
| Certificate of participation | 22,818 | 23,922 | 5,318 | 5,473 | 28,136 | 29,395 |
| Revenue bonds, net | 15,411 | 15,716 | - | - | 15,411 | 15,716 |
| Capital lease | - | 572 | - | - | - | 572 |
| Note payable | 6,033 | 6,273 | - | - | 6,033 | 6,273 |
| Compensated absences | 3,280 | 2,818 | 910 | 825 | 4,190 | 3,643 |
| | <u>\$ 113,250</u> | <u>\$ 110,188</u> | <u>\$ 6,228</u> | <u>\$ 6,298</u> | <u>\$ 119,478</u> | <u>\$ 116,486</u> |

Additional information can be found in Note 7 to the basic financial statements section of this report.

Economic Factors and Next Year's Budgets and Rates

- Since 1992-93 the State Legislature has passed legislation to reallocate funds from local government and redevelopment agencies to school districts by shifting a portion of each agency's property tax revenue, net of amount due to other taxing agencies, to school districts for deposit in the Education Revenue Augmentation Fund (ERAF). The City and Redevelopment Agency will loss a combined \$1.1 million a year in fiscal year 2008/09.
- Inflation in the region for the year ended June 30, 2008 was 5.4% in comparison with the national index of 5.0 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 2008 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 W. Beverly Blvd., Montebello, CA 90640.

CITY OF MONTEBELLO

STATEMENT OF NET ASSETS

June 30, 2008

| | Activities | Business-type Activities | Total |
|---|----------------------|-----------------------------|----------------------|
| ASSETS: | | | |
| Cash and investments (Note 2) | \$ 40,836,555 | \$ 3,097,024 | \$ 43,933,579 |
| Receivables: | | | |
| Interest | 1,700,895 | - | 1,700,895 |
| Accounts | 1,905,149 | 10,028,560 | 11,933,709 |
| Property tax | 1,803,332 | - | 1,803,332 |
| Notes (Note 5) | 15,612,715 | - | 15,612,715 |
| Property held for resale | 6,074,139 | - | 6,074,139 |
| Inventories | 656,751 | 63,709 | 720,460 |
| Prepaid items and deposits | 10,979 | 79,110 | 90,089 |
| Bond issue cost | 1,420,746 | - | 1,420,746 |
| Restricted assets (Note 2): | | | |
| Investment in bonds (Note 4) | 4,757,015 | - | 4,757,015 |
| Cash and investments with fiscal agent | 14,409,789 | 309,102 | 14,718,891 |
| 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 | 16,393,118 | - | 16,393,118 |
| Depreciable buildings and improvements, net | 23,693,556 | 16,537,876 | 40,231,432 |
| Depreciable machinery and equipment, net | 13,036,479 | 11,651,691 | 24,688,170 |
| TOTAL ASSETS | 159,068,638 | 47,979,816 | 207,048,454 |
| LIABILITIES: | | | |
| Accounts payable and accrued liabilities | 2,939,171 | 4,443,558 | 7,382,729 |
| Interest payable | 1,389,486 | - | 1,389,486 |
| Internal balances | (5,507,233) | 5,507,233 | - |
| Deposits payable | - | 48,151 | 48,151 |
| Unearned revenue | 9,517,998 | 1,708,751 | 11,226,749 |
| Claims payable (Note 11) | 9,822,927 | - | 9,822,927 |
| Notes payable | 700,000 | - | 700,000 |
| Noncurrent liabilities (Note 7): | | | |
| Due within one year | 4,545,985 | 1,032,200 | 5,578,185 |
| Due in more than one year | 108,704,338 | 5,195,498 | 113,899,836 |
| TOTAL LIABILITIES | 132,112,672 | 17,935,391 | 150,048,063 |
| NET ASSETS: | | | |
| Invested in capital assets, net of related debt | 16,757,420 | 29,084,971 | 45,842,391 |
| Restricted for: | | | |
| Special revenue | 2,962,445 | - | 2,962,445 |
| Debt service | 20,401,306 | - | 20,401,306 |
| Capital projects | 38,635,410 | - | 38,635,410 |
| Unrestricted | (51,800,615) | 959,454 | (50,841,161) |
| TOTAL NET ASSETS | \$ 26,955,966 | \$ 30,044,425 | \$ 57,000,391 |

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

CITY OF MONTEBELLO

STATEMENT OF ACTIVITIES

For the year ended June 30, 2008

| Functions/programs | Expenses | Program Revenues | | |
|--|----------------------|----------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| PRIMARY GOVERNMENT: | | | | |
| Governmental activities: | | | | |
| General government | \$ 8,973,934 | \$ 3,230,738 | \$ 426,836 | \$ - |
| Public safety | 29,893,922 | 2,222,811 | 424,432 | - |
| Public works | 5,375,202 | 5,793,246 | 2,110,160 | - |
| Parks, recreation and culture | 5,014,204 | 721,531 | - | - |
| Housing and community development | 5,533,866 | - | 6,112,639 | - |
| Unallocated infrastructure depreciation | 612,202 | - | - | - |
| Interest on long-term debt | 6,245,606 | - | - | - |
| Total governmental activities | <u>61,648,936</u> | <u>11,968,326</u> | <u>9,074,067</u> | <u>-</u> |
| Business-type activities: | | | | |
| Transit | 28,483,736 | 5,856,016 | 19,462,038 | 938,311 |
| Golf course | 3,044,757 | 3,178,243 | - | - |
| Hilton | 3,774,282 | 4,590,851 | - | - |
| Water utility | 1,720,402 | 1,517,591 | - | - |
| Detention facility | 524,947 | 204,970 | - | - |
| Total business-type activities | <u>37,548,124</u> | <u>15,347,671</u> | <u>19,462,038</u> | <u>938,311</u> |
| TOTAL PRIMARY GOVERNMENT | <u>\$ 99,197,060</u> | <u>\$ 27,315,997</u> | <u>\$ 28,536,105</u> | <u>\$ 938,311</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 18)

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 |
| \$ (5,316,360) | \$ - | \$ (5,316,360) |
| (27,246,679) | - | (27,246,679) |
| 2,528,204 | - | 2,528,204 |
| (4,292,673) | - | (4,292,673) |
| 578,773 | - | 578,773 |
| (612,202) | - | (612,202) |
| (6,245,606) | - | (6,245,606) |
| <u>(40,606,543)</u> | <u>-</u> | <u>(40,606,543)</u> |
| - | (2,227,371) | (2,227,371) |
| - | 133,486 | 133,486 |
| - | 816,569 | 816,569 |
| - | (202,811) | (202,811) |
| - | (319,977) | (319,977) |
| <u>-</u> | <u>(1,800,104)</u> | <u>(1,800,104)</u> |
| <u>(40,606,543)</u> | <u>(1,800,104)</u> | <u>(42,406,647)</u> |
| 25,324,813 | - | 25,324,813 |
| 1,220,316 | - | 1,220,316 |
| 11,390,099 | - | 11,390,099 |
| 288,514 | - | 288,514 |
| 5,037,324 | - | 5,037,324 |
| 3,474,114 | - | 3,474,114 |
| 4,446,085 | 75,421 | 4,521,506 |
| 201,611 | (201,611) | - |
| <u>51,382,876</u> | <u>(126,190)</u> | <u>51,256,686</u> |
| 10,776,333 | (1,926,294) | 8,850,039 |
| <u>16,179,633</u> | <u>31,970,719</u> | <u>48,150,352</u> |
| <u>\$ 26,955,966</u> | <u>\$ 30,044,425</u> | <u>\$ 57,000,391</u> |

CITY OF MONTEBELLO

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2008

| | General | Special Revenue Fund Grants | Debt Service Fund Redevelopment Agency |
|---|---------------------|-----------------------------------|---|
| ASSETS | | | |
| Cash and investments (Note 2) | \$ 157,074 | \$ 2,204,906 | \$ 5,237,139 |
| Cash and investments with fiscal agent (Note 2) | - | - | 3,386,885 |
| Investment in bonds (Notes 2 and 4) | - | - | - |
| Receivables: | | | |
| Interest | 110,544 | - | 32,987 |
| Accounts | 1,320,422 | 174,490 | - |
| Property taxes | 280,324 | - | 966,441 |
| Notes (Note 5) | - | 1,117,324 | - |
| Due from other funds (Note 6) | - | - | - |
| Inventory | 27,129 | - | - |
| Investment in land held for resale | - | - | - |
| TOTAL ASSETS | <u>\$ 1,895,493</u> | <u>\$ 3,496,720</u> | <u>\$ 9,623,452</u> |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES: | | | |
| Accounts payable and accrued liabilities | \$ 1,791,414 | \$ - | \$ 180,000 |
| Due to other funds (Note 6) | 100,000 | - | - |
| Deferred revenue | 4,079 | 3,737,324 | - |
| Notes payable | - | - | - |
| TOTAL LIABILITIES | <u>1,895,493</u> | <u>3,737,324</u> | <u>180,000</u> |
| FUND BALANCES: | | | |
| Reserved for (Note 15): | | | |
| Encumbrances | 1,756,623 | 413,064 | - |
| Inventory | 27,129 | - | - |
| Retirement benefits | - | - | - |
| Debt service | - | - | 9,443,452 |
| Notes receivable | - | - | - |
| Investment in land held for resale | - | - | - |
| Unreserved, designated reported in: | | | |
| Special revenue funds | - | - | - |
| Capital projects funds | - | - | - |
| Unreserved, undesignated reported in: | | | |
| General fund | (1,783,752) | - | - |
| Special revenue funds | - | (653,668) | - |
| TOTAL FUND BALANCES (DEFICIT) | <u>-</u> | <u>(240,604)</u> | <u>9,443,452</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 1,895,493</u> | <u>\$ 3,496,720</u> | <u>\$ 9,623,452</u> |

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

| Capital Projects Funds | | Other | Total |
|------------------------|----------------------|----------------------|----------------------|
| Capital Improvements | Redevelopment Agency | Governmental Funds | Governmental Funds |
| \$ 1,350,695 | \$ 21,805,480 | \$ 7,622,375 | \$ 38,377,669 |
| - | 5,387,848 | 5,635,056 | 14,409,789 |
| 4,757,015 | - | - | 4,757,015 |
| - | 1,537,411 | 19,953 | 1,700,895 |
| - | - | 400,237 | 1,895,149 |
| - | 253,751 | 302,816 | 1,803,332 |
| - | 14,495,391 | - | 15,612,715 |
| 1,393,704 | - | - | 1,393,704 |
| - | - | - | 27,129 |
| 497,228 | 5,576,911 | - | 6,074,139 |
| <u>\$ 7,998,642</u> | <u>\$ 49,056,792</u> | <u>\$ 13,980,437</u> | <u>\$ 86,051,536</u> |
| | | | |
| \$ 370,179 | \$ 198,626 | \$ 179 | \$ 2,540,398 |
| 3,500,000 | 1,393,704 | 100,000 | 5,093,704 |
| - | 7,648,746 | - | 11,390,149 |
| - | 700,000 | - | 700,000 |
| <u>3,870,179</u> | <u>9,941,076</u> | <u>100,179</u> | <u>19,724,251</u> |
| | | | |
| 879,153 | 587,525 | 1,818,695 | 5,455,060 |
| - | - | - | 27,129 |
| - | - | 881,055 | 881,055 |
| - | - | 7,738,571 | 17,182,023 |
| - | 8,274,683 | - | 8,274,683 |
| 497,228 | 5,576,911 | - | 6,074,139 |
| - | 8,049,621 | 4,207,904 | 12,257,525 |
| 2,752,082 | 16,626,976 | - | 19,379,058 |
| - | - | - | (1,783,752) |
| - | - | (765,967) | (1,419,635) |
| <u>4,128,463</u> | <u>39,115,716</u> | <u>13,880,258</u> | <u>66,327,285</u> |
| | | | |
| <u>\$ 7,998,642</u> | <u>\$ 49,056,792</u> | <u>\$ 13,980,437</u> | <u>\$ 86,051,536</u> |

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CITY OF MONTEBELLO

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

June 30, 2008

| | | |
|--|----------------|----------------------|
| Fund balance - total governmental funds | | \$ 66,327,285 |
| 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. | | 69,752,042 |
| Long-term assets are not available as current resources, therefore, are reported as deferred in the governmental funds: | | |
| Interest receivable | \$ 1,403,038 | |
| Accounts receivable | <u>469,113</u> | |
| | | 1,872,151 |
| 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, 2008 are: | | |
| Certificates of participation | (22,817,660) | |
| Tax allocation bonds | (65,708,636) | |
| Revenue bonds | (16,400,000) | |
| Loans payable | (6,033,000) | |
| Compensated absences | (2,938,638) | |
| Bond issue costs | 1,420,746 | |
| Bond issuance discount | 139,323 | |
| Deferred amount on refunding | <u>849,737</u> | |
| Total long-term liabilities and related items | | (111,488,128) |
| 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 | | 1,882,102 |
| Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. | | <u>(1,389,486)</u> |
| Net assets of governmental activities | | <u>\$ 26,955,966</u> |

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, 2008

| | General | Special Revenue | Debt Service |
|---|--------------------|---------------------|----------------------|
| | | Fund | Fund |
| | | Grants | Redevelopment Agency |
| REVENUES: | | | |
| Sales taxes | \$ 11,686,503 | \$ - | \$ - |
| Property taxes | 3,426,332 | - | 13,255,708 |
| Other taxes | 1,501,118 | - | - |
| Franchise taxes | 1,220,316 | - | - |
| Licenses and permits | 3,519,461 | - | - |
| Fines and forfeitures | 1,691,680 | - | - |
| Investment income | 596,755 | - | 429,556 |
| Revenue from other agencies | 5,037,324 | 3,821,108 | - |
| Charges for services | 5,471,495 | - | - |
| Interfund revenue | 3,033,518 | - | - |
| Other revenue | 1,200,483 | - | - |
| TOTAL REVENUES | 38,384,985 | 3,821,108 | 13,685,264 |
| EXPENDITURES: | | | |
| Current: | | | |
| General government | 5,499,347 | - | - |
| Public safety | 30,032,786 | - | - |
| Public works | 5,256,760 | - | - |
| Parks and recreation | 4,896,002 | - | - |
| Housing and community development | 1,454,753 | - | - |
| Capital outlay | - | - | - |
| Debt service: | | | |
| Principal payments | - | - | 2,185,000 |
| Interest and fees | - | - | 3,030,498 |
| Cost of issuance | - | - | 707,507 |
| TOTAL EXPENDITURES | 47,139,648 | - | 5,923,005 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (8,754,663) | 3,821,108 | 7,762,259 |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers in | 8,805,492 | - | 1,953,956 |
| Transfers out | (50,829) | (3,252,457) | (8,890,142) |
| Capital debt issued | - | - | 680,779 |
| Refunding bonds issued | - | - | 6,565,000 |
| Payment to refunded bond escrow agent | - | - | (6,202,128) |
| TOTAL OTHER FINANCING SOURCES (USES) | 8,754,663 | (3,252,457) | (5,892,535) |
| NET CHANGE IN FUND BALANCES | - | 568,651 | 1,869,724 |
| FUND BALANCES (DEFICIT) - BEGINNING OF YEAR | - | (809,255) | 7,573,728 |
| FUND BALANCES (DEFICIT) - END OF YEAR | \$ - | \$ (240,604) | \$ 9,443,452 |

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

| Capital Projects Funds | | Other | Total |
|------------------------|----------------------|----------------------|----------------------|
| Capital Improvements | Redevelopment Agency | Governmental Funds | Governmental Funds |
| \$ - | \$ - | \$ - | \$ 11,686,503 |
| - | 2,192,246 | 6,636,341 | 25,510,627 |
| - | - | - | 1,501,118 |
| - | - | - | 1,220,316 |
| - | - | - | 3,519,461 |
| - | - | - | 1,691,680 |
| 1,028,109 | 394,346 | 445,516 | 2,894,282 |
| - | - | 3,489,720 | 12,348,152 |
| - | - | - | 5,471,495 |
| - | - | - | 3,033,518 |
| 96,818 | 1,608,019 | 1,317,161 | 4,222,481 |
| <u>1,124,927</u> | <u>4,194,611</u> | <u>11,888,738</u> | <u>73,099,633</u> |
| - | - | - | 5,499,347 |
| - | - | - | 30,032,786 |
| - | - | - | 5,256,760 |
| - | - | - | 4,896,002 |
| - | 4,306,563 | - | 5,761,316 |
| 7,137,860 | - | - | 7,137,860 |
| 812,288 | - | 1,268,920 | 4,266,208 |
| 330,164 | 257,775 | 1,898,824 | 5,517,261 |
| - | - | - | 707,507 |
| <u>8,280,312</u> | <u>4,564,338</u> | <u>3,167,744</u> | <u>69,075,047</u> |
| <u>(7,155,385)</u> | <u>(369,727)</u> | <u>8,720,994</u> | <u>4,024,586</u> |
| 7,980,306 | 8,890,142 | 3,650,138 | 31,280,034 |
| (3,730,717) | (4,270,798) | (10,883,480) | (31,078,423) |
| - | 5,384,221 | - | 6,065,000 |
| - | - | - | 6,565,000 |
| - | - | - | (6,202,128) |
| <u>4,249,589</u> | <u>10,003,565</u> | <u>(7,233,342)</u> | <u>6,629,483</u> |
| (2,905,796) | 9,633,838 | 1,487,652 | 10,654,069 |
| <u>7,034,259</u> | <u>29,481,878</u> | <u>12,392,606</u> | <u>55,673,216</u> |
| <u>\$ 4,128,463</u> | <u>\$ 39,115,716</u> | <u>\$ 13,880,258</u> | <u>\$ 66,327,285</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, 2008

Net change in fund balances - total governmental funds \$ 10,654,069

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 | \$ 6,735,318 | |
| Depreciation expense | <u>(3,663,371)</u> | 3,071,947 |

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:

| | | |
|---|------------------|-------------|
| Capital debt issued | (6,065,000) | |
| Refunding bonds issued | (6,565,000) | |
| Payment to refunding bond escrow agent | 6,202,128 | |
| Costs of issuance | 707,507 | |
| Capital accretion | (346,557) | |
| Principal payments on bonds and capital lease | <u>4,266,208</u> | (1,800,714) |

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 | (409,424) | |
| Net change in accrued interest for the current period | (195,320) | |
| Amortization of deferred amount on refunding | (83,734) | |
| Amortization of bond issue costs | (94,204) | |
| Amortization of bond discount | <u>(8,530)</u> | (791,212) |

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 | 61,634 | |
| Sales tax | <u>(296,404)</u> | (234,770) |

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.

(122,987)

Change in net assets of governmental activities \$ 10,776,333

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

CITY OF MONTEBELLO

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2008

| ASSETS | Business-type Activities Enterprise Funds | | |
|---|--|---------------------|-----------------------|
| | Transit | Golf Course | Montebello Hilton |
| CURRENT ASSETS: | | | |
| Cash and investments | \$ 97,149 | \$ 673,766 | \$ 639,948 |
| Cash and investments with fiscal agent | - | 309,102 | - |
| Accounts receivable | 9,533,450 | 113,563 | 133,922 |
| Due from other funds | - | - | - |
| Inventories | - | 62,406 | 1,303 |
| Prepaid expenses and other current assets | - | - | 79,110 |
| TOTAL CURRENT ASSETS | 9,630,599 | 1,158,837 | 854,283 |
| NONCURRENT ASSETS: | | | |
| Capital assets: | | | |
| Land | 3,807,744 | 2,370,000 | - |
| Buildings and improvements | 20,468,389 | 8,790,723 | 675,978 |
| Machinery and equipment | 26,536,877 | 1,567,670 | - |
| Less allowance for depreciation | (24,542,167) | (5,749,168) | (32,529) |
| NET CAPITAL ASSETS | 26,270,843 | 6,979,225 | 643,449 |
| TOTAL ASSETS | 35,901,442 | 8,138,062 | 1,497,732 |
| LIABILITIES | | | |
| LIABILITIES: | | | |
| CURRENT LIABILITIES: | | | |
| Accounts payable and accrued liabilities | 455,057 | 223,475 | 3,383,413 |
| Due to other funds | 6,300,000 | - | - |
| Deposits payable | 375 | 400 | 15,701 |
| Claims payable | - | - | - |
| Compensated absences | 794,277 | 74,327 | - |
| Unearned revenue | 1,708,751 | - | - |
| Certificates of participation | - | 163,440 | - |
| TOTAL CURRENT LIABILITIES | 9,258,460 | 461,642 | 3,399,114 |
| LONG-TERM LIABILITIES: | | | |
| Compensated absences | 21,223 | 19,042 | - |
| Certificates of participation | - | 5,153,900 | - |
| TOTAL LONG-TERM LIABILITIES | 21,223 | 5,172,942 | - |
| TOTAL LIABILITIES | 9,279,683 | 5,634,584 | 3,399,114 |
| NET ASSETS (DEFICIT): | | | |
| Invested in capital assets, net of related debt | 26,270,843 | 1,661,885 | 643,449 |
| Unrestricted | 350,916 | 841,593 | (2,544,831) |
| TOTAL NET ASSETS (DEFICIT) | \$ 26,621,759 | \$ 2,503,478 | \$ (1,901,382) |

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 |
| \$ 1,686,161 | \$ 3,097,024 | \$ 2,458,886 |
| - | 309,102 | - |
| 247,625 | 10,028,560 | 10,000 |
| - | - | 10,000,000 |
| - | 63,709 | 629,622 |
| - | 79,110 | 10,979 |
| <u>1,933,786</u> | <u>13,577,505</u> | <u>13,109,487</u> |
| 35,000 | 6,212,744 | 108,369 |
| 141,284 | 30,076,374 | 428,794 |
| 2,204,819 | 30,309,366 | 643,651 |
| (1,872,309) | (32,196,173) | (1,052,282) |
| <u>508,794</u> | <u>34,402,311</u> | <u>128,532</u> |
| <u>2,442,580</u> | <u>47,979,816</u> | <u>13,238,019</u> |
| 381,613 | 4,443,558 | 398,774 |
| - | 6,300,000 | - |
| 31,675 | 48,151 | - |
| - | - | 9,822,927 |
| 156 | 868,760 | 273,988 |
| - | 1,708,751 | - |
| - | 163,440 | - |
| <u>413,444</u> | <u>13,532,660</u> | <u>10,495,689</u> |
| 1,333 | 41,598 | 67,461 |
| - | 5,153,900 | - |
| <u>1,333</u> | <u>5,195,498</u> | <u>67,461</u> |
| <u>414,777</u> | <u>18,728,158</u> | <u>10,563,150</u> |
| 508,794 | 29,084,971 | 128,532 |
| <u>1,519,009</u> | <u>166,687</u> | <u>2,546,337</u> |
| <u>\$ 2,027,803</u> | | <u>\$ 2,674,869</u> |
| | <u>792,767</u> | |
| | <u>\$ 30,044,425</u> | |

CITY OF MONTEBELLO

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

For the year ended June 30, 2008

| | Business-type Activities Enterprise Funds | | |
|--|--|---------------------|-----------------------|
| | Transit | Golf Course | Montebello Hilton |
| OPERATING REVENUES: | | | |
| Charges for services | \$ 5,661,980 | \$ 2,353,806 | \$ 4,590,851 |
| Other revenue | 194,036 | 824,437 | - |
| TOTAL OPERATING REVENUES | 5,856,016 | 3,178,243 | 4,590,851 |
| OPERATING EXPENSES: | | | |
| Labor and fringe benefits | 13,500,831 | 1,146,300 | 1,002,420 |
| Materials and supplies | - | 110,733 | - |
| Food and beverage | - | - | 244,823 |
| Repairs and maintenance | 8,199,019 | 85,267 | 432,813 |
| Purchased water | - | - | - |
| Utilities | 265,693 | 449,892 | 159,610 |
| Insurance claims and premiums | - | - | 60,610 |
| Contract services | 1,172,907 | 380,243 | - |
| Franchise fee | - | - | 240,478 |
| Marketing expense | - | - | 342,122 |
| Depreciation expense | 1,599,190 | 339,382 | 32,529 |
| Administrative expense | 2,001,113 | 235,100 | 1,013,594 |
| Other expenses | 1,401,643 | 11,825 | - |
| TOTAL OPERATING EXPENSES | 28,140,396 | 2,758,742 | 3,528,999 |
| OPERATING INCOME (LOSS) | (22,284,380) | 419,501 | 1,061,852 |
| NONOPERATING REVENUES (EXPENSES): | | | |
| Investment income | - | 38,113 | - |
| Federal and state grants | 19,462,038 | - | - |
| Interest expense | - | (286,015) | (245,283) |
| TOTAL NONOPERATING REVENUES (EXPENSES) | 19,462,038 | (247,902) | (245,283) |
| INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS | (2,822,342) | 171,599 | 816,569 |
| CAPITAL CONTRIBUTIONS | 938,311 | - | - |
| TRANSFERS IN | 990,582 | 5,500 | - |
| TRANSFERS OUT | (76,610) | (367,090) | (1,054,421) |
| CHANGE IN NET ASSETS | (970,059) | (189,991) | (237,852) |
| NET ASSETS (DEFICIT) - BEGINNING OF YEAR, AS RESTATED (NOTE 18) | 27,591,818 | 2,693,469 | (1,663,530) |
| NET ASSETS (DEFICIT) - END OF YEAR | \$ 26,621,759 | \$ 2,503,478 | \$ (1,901,382) |

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 |
| \$ 1,722,561 | \$ 14,329,198 | \$ 14,523,435 |
| - | 1,018,473 | - |
| <u>1,722,561</u> | <u>15,347,671</u> | <u>14,523,435</u> |
| 1,565 | 15,651,116 | 4,611,009 |
| - | 110,733 | 4,042,740 |
| - | 244,823 | - |
| 98,311 | 8,815,410 | 876,651 |
| 1,390,749 | 1,390,749 | - |
| 109,241 | 984,436 | - |
| - | 60,610 | 4,468,552 |
| 452,612 | 2,005,762 | 713,586 |
| - | 240,478 | - |
| - | 342,122 | - |
| 54,155 | 2,025,256 | 1,259 |
| 90,000 | 3,339,807 | 66,100 |
| 48,716 | 1,462,184 | 209,865 |
| <u>2,245,349</u> | <u>36,673,486</u> | <u>14,989,762</u> |
| <u>(522,788)</u> | <u>(21,325,815)</u> | <u>(466,327)</u> |
| 37,308 | 75,421 | - |
| - | 19,462,038 | - |
| - | (531,298) | - |
| <u>37,308</u> | <u>19,006,161</u> | <u>-</u> |
| (485,480) | (2,319,654) | (466,327) |
| - | 938,311 | - |
| 300,428 | 1,296,510 | 700,981 |
| - | (1,498,121) | (700,981) |
| (185,052) | (1,582,954) | (466,327) |
| <u>2,212,855</u> | | <u>3,141,196</u> |
| <u>\$ 2,027,803</u> | | <u>\$ 2,674,869</u> |
| | (343,340) | |
| | <u>\$ (1,926,294)</u> | |

CITY OF MONTEBELLO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

For the year ended June 30, 2008

| | Business-type Activities | | |
|---|--------------------------|-------------------|--------------------|
| | Enterprise Funds | | |
| | Transit | Golf Course | Montebello Hilton |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Receipts from customers | \$ 5,661,980 | \$ 2,358,233 | \$ 4,595,729 |
| Other receipts | 194,036 | 824,437 | - |
| Payments to suppliers | (19,971,958) | (1,239,905) | (1,768,816) |
| Payments to employees | (13,500,831) | (1,146,300) | (1,002,420) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | (27,616,773) | 796,465 | 1,824,493 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | |
| Operating grants received from federal and state | 19,462,038 | - | - |
| Cash received from other funds | 7,290,582 | 5,500 | - |
| Cash paid to other funds | (76,610) | (367,090) | (1,054,421) |
| NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES | 26,676,010 | (361,590) | (1,054,421) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Interest paid | - | (286,015) | (245,283) |
| Principal paid | - | (156,080) | - |
| Acquisition of capital assets | (938,311) | (407,878) | (448,327) |
| Federal and state capital grants | 938,311 | - | - |
| NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES | - | (849,973) | (693,610) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Interest received | - | 38,113 | - |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (940,763) | (376,985) | 76,462 |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 1,037,912 | 1,359,853 | 563,486 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 97,149 | \$ 982,868 | \$ 639,948 |

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 |
| \$ 1,722,561 | \$ 14,338,503 | \$ 14,523,435 |
| - | 1,018,473 | - |
| (1,883,631) | (24,864,310) | (9,284,091) |
| - | (15,649,551) | (4,611,009) |
| <u>(161,070)</u> | <u>(25,156,885)</u> | <u>628,335</u> |
| - | 19,462,038 | - |
| 300,428 | 7,596,510 | 700,981 |
| - | (1,498,121) | (6,800,981) |
| <u>300,428</u> | <u>25,560,427</u> | <u>(6,100,000)</u> |
| - | (531,298) | - |
| - | (156,080) | - |
| (7,685) | (1,802,201) | - |
| - | 938,311 | - |
| <u>(7,685)</u> | <u>(1,551,268)</u> | <u>-</u> |
| <u>37,308</u> | <u>75,421</u> | <u>-</u> |
| 168,981 | (1,072,305) | (5,471,665) |
| <u>1,517,180</u> | <u>4,478,431</u> | <u>7,930,551</u> |
| <u>\$ 1,686,161</u> | <u>\$ 3,406,126</u> | <u>\$ 2,458,886</u> |

(Continued)

CITY OF MONTEBELLO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 (CONTINUED)

For the year ended June 30, 2008

| | 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) | \$ (22,284,380) | \$ 419,501 | \$ 1,061,852 |
| Depreciation and amortization | 1,599,190 | 339,382 | 32,529 |
| Change in assets and liabilities: | | | |
| (Increase) decrease in accounts receivable | (6,928,010) | 4,427 | 4,878 |
| (Increase) decrease in due from other funds | - | - | - |
| (Increase) decrease in inventories | - | 814 | 284 |
| (Increase) decrease in prepaid expenses | - | - | (49,683) |
| Increase (decrease) in accounts payable and accrued liabilities including compensated absences | 191,598 | 32,341 | 774,633 |
| Increase (decrease) in due to other funds | - | - | - |
| Increase (decrease) in claims payable | - | - | - |
| Increase (decrease) in unearned revenue | (195,171) | - | - |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>\$ (27,616,773)</u> | <u>\$ 796,465</u> | <u>\$ 1,824,493</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 |
| \$ (522,788) | \$ (21,325,815) | \$ (466,327) |
| 54,155 | 2,025,256 | 1,259 |
| (4,730) | (6,923,435) | - |
| - | - | - |
| - | 1,098 | (57,913) |
| - | (49,683) | 2,823 |
| 312,293 | 1,310,865 | 58,058 |
| - | - | - |
| - | - | 1,090,435 |
| - | (195,171) | - |
| <u>\$ (161,070)</u> | <u>\$ (25,156,885)</u> | <u>\$ 628,335</u> |

CITY OF MONTEBELLO

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND

June 30, 2008

| | Deposits Agency Fund |
|----------------------|----------------------------|
| ASSETS: | |
| Cash and investments | <u>\$ 1,452,298</u> |
| LIABILITIES: | |
| Deposits payable | <u>\$ 1,452,298</u> |

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

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

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. The activities of the Agency are reported in the Debt Service and Capital Project Funds.

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. MPIC is not active.

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

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. The activities of the Authority are reported in the Debt Service and Capital Projects Funds.

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. WSIC is not active.

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, 2008

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, 2008

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, 2008

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, 2008

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 (deposits) 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, 2008

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, 2008.

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, 2008, 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, 2008

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 \$3,280,087 reported in the governmental activities includes \$2,938,638 to be paid by governmental funds and \$341,449 accrued in the internal service funds.

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

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, 2008

2. CASH AND INVESTMENTS:

Cash and investments at June 30, 2008 consisted of the following:

| | Government Wide Statement of Net Assets | Fiduciary Fund Statement of Assets and Liabilities | Total |
|---|--|--|----------------------|
| Unrestricted assets: | | | |
| Cash and investments | \$ 43,933,579 | \$ 1,452,298 | \$ 45,385,877 |
| Restricted assets: | | | |
| Investment in bonds | 4,757,015 | - | 4,757,015 |
| Cash and investments with fiscal agents | 14,718,891 | - | 14,718,891 |
| Total restricted assets | 19,475,906 | - | 19,475,906 |
| Total Cash and Investments | <u>\$ 63,409,485</u> | <u>\$ 1,452,298</u> | <u>\$ 64,861,783</u> |

Cash and investments at June 30, 2008 consisted of the following:

| | |
|--|----------------------|
| Cash on hand | \$ 11,003 |
| Deposits with financial institutions (overdraft) | (308,822) |
| Investments | <u>65,159,602</u> |
| | <u>\$ 64,861,783</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, 2008

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.S. Treasury Obligations | 5 years | 80% |
| U.S. Government Sponsored Enterprise Securities | 365 days | 50% |
| Banker's Acceptances | 180 days | 40% |
| Commercial Paper | 270 days | 25% |
| Negotiable Certificates of Deposit | 5 years | 30% |
| Repurchase Agreements | 1 day | 40% |
| Money Market Mutual Funds | (1) | 15%** |
| Certificates of deposit | (2) | None |
| County Pooled Investment Funds | (1) | 10% |
| Local Agency Investment Fund (LAIF) | (1) | lesser of 60% or \$20,000,000 |
| State and Local obligations | N/A | 30% |

(1) Not Applicable / On Demand

(2) Subject to agreement entered into with depository

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

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

N/A - Not Applicable

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

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, 2008

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Interest Rate Risk (Continued)

| <u>Investment Type</u> | <u>Remaining Maturity (in Months)</u> | | <u>Total</u> |
|---|---------------------------------------|--------------------------------|----------------------|
| | <u>12 Months or Less</u> | <u>More Than 60 Months</u> | |
| U.S. Government Sponsored Enterprise Securities: | | | |
| Federal Home Loan Mortgage Corporation (FHLMC) | \$ 2,964,771 | \$ - | \$ 2,964,771 |
| Federal National Mortgage Association (FNMA) | 9,652,977 | - | 9,652,977 |
| Federal Home Loan Bank (FHLB) | 2,076,750 | | 2,076,750 |
| Local Agency Investment Fund (LAIF) | 19,706,959 | - | 19,706,959 |
| Certificates of Deposit | 7,200,000 | - | 7,200,000 |
| Repurchase Agreements | 3,768,403 | - | 3,768,403 |
| Investment in Redevelopment Agency (RDA) Bonds | - | 4,757,015 | 4,757,015 |
| Money Market Mutual Funds | 313,955 | - | 313,955 |
| Cash and investments with fiscal agents: | | | |
| Investment Contracts | - | 3,391,058 | 3,391,058 |
| Money Market Mutual Funds | <u>11,327,714</u> | <u>-</u> | <u>11,327,714</u> |
| | <u>\$ 57,011,529</u> | <u>\$ 8,148,073</u> | <u>\$ 65,159,602</u> |

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

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, 2008</u> | <u>Minimum Legal Rating</u> | <u>AAA</u> | <u>Not Required to be Rated</u> | <u>Unrated</u> |
|---|--|-------------------------------------|----------------------|---|----------------------|
| U.S. Government Sponsored | | | | | |
| Enterprise Securities: | | | | | |
| FHLMC | \$ 2,964,771 | N/A | \$ 2,964,771 | \$ - | \$ - |
| FNMA | 9,652,977 | N/A | 9,652,977 | - | - |
| FHLB | 2,076,750 | N/A | 2,076,750 | - | - |
| LAIF | 19,706,959 | N/A | - | - | 19,706,959 |
| Certificates of Deposit | 7,200,000 | N/A | - | 7,200,000 | - |
| Repurchase Agreements | 3,768,403 | N/A | - | - | 3,768,403 |
| Investment in RDA Bonds | 4,757,015 | N/A | - | - | 4,757,015 |
| Money Market Mutual Funds | 313,955 | AAA | 313,955 | - | - |
| Cash and investments with fiscal agents: | | | | | |
| Investment Contracts | 3,391,058 | N/A | - | - | 3,391,058 |
| Money Market Funds | <u>11,327,714</u> | AAA | <u>11,327,714</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 65,159,602</u> | | <u>\$ 26,336,167</u> | <u>\$ 7,200,000</u> | <u>\$ 31,623,435</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, 2008

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 | \$ 9,652,977 |
| Montebello Redevelopment Agency | Tax Allocation Bonds | 4,757,015 |
| Bank of the West | Repurchase Agreements | 3,768,403 |

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, 2008, 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 \$3,768,403 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, 2008

3. CAPITAL ASSETS:

A summary of changes in the Governmental Activities capital assets at June 30, 2008 is as follows:

| Governmental Activities: | <u>Balance at June 30, 2007</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at June 30, 2008</u> |
|--|-------------------------------------|---------------------|------------------|-------------------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 2,365,644 | \$ - | \$ - | \$ 2,365,644 |
| Right of way | <u>14,391,776</u> | <u>-</u> | <u>-</u> | <u>14,391,776</u> |
| Total capital assets, not being depreciated | <u>16,757,420</u> | <u>-</u> | <u>-</u> | <u>16,757,420</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 33,596,076 | 884,654 | - | 34,480,730 |
| Machinery and equipment | 36,862,198 | 3,238,583 | (306,118) | 39,794,663 |
| Infrastructure | <u>40,421,841</u> | <u>2,613,928</u> | <u>-</u> | <u>43,035,769</u> |
| Total capital assets being depreciated | <u>110,880,115</u> | <u>6,737,165</u> | <u>(306,118)</u> | <u>117,311,162</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (9,950,765) | (836,409) | - | (10,787,174) |
| Machinery and equipment | (24,846,435) | (2,217,867) | 306,118 | (26,758,184) |
| Infrastructure | <u>(26,030,449)</u> | <u>(612,202)</u> | <u>-</u> | <u>(26,642,651)</u> |
| Total accumulated depreciation | <u>(60,827,649)</u> | <u>(3,666,478)</u> | <u>306,118</u> | <u>(64,188,009)</u> |
| Total capital assets being depreciated, net | <u>50,052,466</u> | <u>3,070,687</u> | <u>-</u> | <u>53,123,153</u> |
| Governmental activities capital assets, net | <u>\$ 66,809,886</u> | <u>\$ 3,070,687</u> | <u>\$ -</u> | <u>\$ 69,880,573</u> |

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

3. CAPITAL ASSETS (CONTINUED):

A summary of changes in the Business-type Activities capital assets at June 30, 2008 is as follows:

| Business-type Activities: | Balance at June 30, 2007 As Restated (Note 18) | Additions | Deletions | Balance at June 30, 2008 |
|---|---|---------------------|-----------------|-----------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 6,212,744 | \$ - | \$ - | \$ 6,212,744 |
| 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 | 29,243,750 | 832,623 | - | 30,076,373 |
| Machinery and equipment | <u>29,408,856</u> | <u>969,578</u> | <u>(69,067)</u> | <u>30,309,367</u> |
| Total capital assets being depreciated | <u>58,652,606</u> | <u>1,802,201</u> | <u>(69,067)</u> | <u>60,385,740</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (12,675,328) | (863,169) | - | (13,538,497) |
| Machinery and equipment | <u>(17,564,656)</u> | <u>(1,162,087)</u> | <u>69,067</u> | <u>(18,657,676)</u> |
| Total accumulated depreciation | <u>(30,239,984)</u> | <u>(2,025,256)</u> | <u>69,067</u> | <u>(32,196,173)</u> |
| Total capital assets being depreciated, net | <u>28,412,622</u> | <u>(223,055)</u> | <u>-</u> | <u>28,189,567</u> |
| Business-type activities capital assets, net | <u>\$ 34,625,366</u> | <u>\$ (223,055)</u> | <u>\$ -</u> | <u>\$ 34,402,311</u> |

Depreciation Expense:

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

| | |
|---|---------------------|
| General government | \$ 3,051,169 |
| Internal service funds depreciation charged to programs based on asset usage | <u>3,107</u> |
| Allocated depreciation | 3,054,276 |
| Unallocated infrastructure depreciation | <u>612,202</u> |
| Total depreciation expense - governmental activities | <u>\$ 3,666,478</u> |

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

3. CAPITAL ASSETS (CONTINUED):

Depreciation Expense (Continued):

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

| | |
|---|---------------------|
| Transit | \$ 1,599,190 |
| Golf Course | 339,382 |
| Montebello Hilton | 32,529 |
| Other programs | <u>54,155</u> |
| Total depreciation expense - business-type activities | <u>\$ 2,025,256</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, 2008, \$4,757,015 of the bonds are outstanding.

5. NOTES RECEIVABLE:

Notes receivable at June 30, 2008 include the following:

| | |
|---|----------------------|
| Prime Cut, Inc. | \$ 1,068,000 |
| Quiet Cannon, Inc. | 2,640,540 |
| Ostrom, Inc. | 2,734,835 |
| Casa La Merced | 666,308 |
| Whittier project | 944,400 |
| Business assistance program | 707,500 |
| Home improvement loans | 457,500 |
| Montebello Downtown Plaza | 5,276,308 |
| Community Development Block Grant loans | <u>1,117,324</u> |
| Total | <u>\$ 15,612,715</u> |

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

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, 2008 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, 2008, \$2,640,540 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, 2008 was \$2,734,835.

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

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 |
|-------------------------|---------------------|---------------------|---------------------|
| 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 | 218,786 | 134,390 | 353,176 |
| 2014 - 2018 | 1,347,720 | 427,899 | 1,775,619 |
| 2019 - 2020 | 424,458 | 35,150 | 459,608 |
| | <u>\$ 2,734,835</u> | <u>\$ 1,264,957</u> | <u>\$ 3,999,792</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, 2008 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 \$1,403,038 on the note receivable and is recognized as deferred revenue on the balance sheet.

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

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, 2008 was \$944,400.

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, 2008, \$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, 2008 was \$457,500.

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, 2008 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.

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

5. NOTES RECEIVABLE (CONTINUED):

I. Community Development Block Grant Loans:

At June 30, 2008, loans made to individual homeowners under the Community Development Block Grant program amounted to \$1,117,324. 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, 2008, 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 | \$ 1,393,704 |
| Internal Service Funds | General Fund | 100,000 |
| | Capital Improvements Capital Projects Fund | 3,500,000 |
| | Other Governmental Funds | 100,000 |
| | Transit Enterprise Fund | <u>6,300,000</u> |
| | | <u>\$ 11,393,704</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, 2008

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

Interfund Transfers:

The compositions of the City's interfund transfer balances as of June 30, 2008 are as follows:

Governmental Activities:

| Transfers Out: | Transfers In | | | | | Total | |
|----------------------------------|-----------------|-------------------------|-------------------------|-------------------------|--------------------------------|---------------|--------------------------------|
| | General Fund | Redevelopment Agency | | Redevelopment Agency | | | Other Governmental Funds |
| | | Debt Service | Capital Improvements | Capital Projects | Other Governmental Funds | | |
| (A) General | \$ - | \$ - | \$ 50,829 | \$ - | \$ - | \$ 50,829 | |
| (B) Grants | - | - | 3,252,457 | - | - | 3,252,457 | |
| (C) Redevelopment Agency | | | | | | | |
| Debt Service | - | - | - | 8,890,142 | - | 8,890,142 | |
| (D) Capital Improvements | 935,000 | - | - | - | 2,595,717 | 3,530,717 | |
| (C) Capital Project | | | | | | | |
| Redevelopment Agency | - | 1,953,956 | 2,316,842 | - | - | 4,270,798 | |
| (E) Other Governmental | | | | | | | |
| Funds | 7,169,511 | - | 1,916,478 | - | - | 9,085,989 | |
| (F) Transit | - | - | 76,610 | - | - | 76,610 | |
| (F) Golf Course | - | - | 367,090 | - | - | 367,090 | |
| (F) Montebello Hilton | - | - | - | - | 1,054,421 | 1,054,421 | |
| Total Governmental Activities | \$ 8,104,511 | \$ 1,953,956 | \$ 7,980,306 | \$ 8,890,142 | \$ 3,650,138 | \$ 30,579,053 | |

Business-Type Activities:

| Transfers Out: | Transfers In | | | | | Total |
|-----------------------------------|--------------|------------|----------------|---------------------|------------------|--------------|
| | General | Transit | Golf Course | Other | Internal | |
| | | | | Enterprise Funds | Service Funds | |
| (G) Capital Improvements | \$ - | \$ - | \$ - | \$ 200,000 | \$ - | \$ 200,000 |
| (H) Other Governmental | | | | | | |
| Funds | - | 990,582 | 5,500 | 100,428 | 700,981 | 1,797,491 |
| (I) Internal Service Funds | 700,981 | - | - | - | - | 700,981 |
| Total Business-type Activities | \$ 700,981 | \$ 990,582 | \$ 5,500 | \$ 300,428 | \$ 700,981 | \$ 2,698,472 |

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CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

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

Interfund Transfers (Continued):

- (A) Transfer of \$50,829 from the General Fund to the Capital Improvements Fund to provide funds for operations.
- (B) Transfers of \$3,252,457 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 \$2,595,717 to the Other Governmental Funds from the Capital Improvements Fund to provide funds for operations.
- (E) Transfers of \$9,085,989 from the Other Governmental Funds to: (1) the General Fund of \$7,169,511 are a reimbursement for employee retirement benefits, reimbursement for street expenditures and administrative expenditure reimbursements and (2) the Capital Improvements Fund of \$1,916,478 is for capital expenditure reimbursement.
- (F) Transfers of \$76,610 from the Transit Fund to the Capital Improvement Funds are for capital improvements. Transfers of \$367,090 from the Golf Course Enterprise Fund to the Capital Improvements Fund are for capital projects. Transfers of \$1,054,421 from Montebello Hilton to Other Governmental Funds to pay for debt service.
- (G) Transfer of \$200,000 from the Capital Improvements Fund to the Other Enterprise Funds is an operating subsidy.
- (H) Transfers of \$1,797,491 from the Other Governmental Funds to: (1) the Transit Enterprise Fund of \$990,582 is for capital expenditures reimbursement, (2) the Golf Course Enterprise Fund of \$5,500 to provide for operations, (3) the Other Enterprise Funds of \$100,428 to provide for operations and (4) the Internal Service Funds of \$700,981 are a reimbursement of employee benefits.
- (I) Transfers of \$700,981 from the Internal Service Funds to the General Fund are to provide for operating assistance.

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CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

7. LONG-TERM LIABILITIES:

The following is a summary of long-term liability transactions for the year ended June 30, 2008:

Governmental Activities:

| | Balance June 30, 2007 | Additions | Reductions | Balance June 30, 2008 | Amount Due Within One Year |
|----------------------------------|-----------------------------|----------------------|-----------------------|-----------------------------|----------------------------------|
| Bonds payable: | | | | | |
| Tax allocation bonds | \$ 60,887,079 | \$ 12,976,557 | \$ (8,155,000) | \$ 65,708,636 | \$ 2,515,000 |
| Revenue bonds | 16,565,000 | - | (165,000) | 16,400,000 | 230,000 |
| Certificates of participation | <u>23,921,580</u> | - | (1,103,920) | <u>22,817,660</u> | <u>1,146,560</u> |
| Subtotal bonds payable | 101,373,659 | 12,976,557 | (9,423,920) | 104,926,296 | 3,891,560 |
| Less deferred amounts: | | | | | |
| On refunding | (701,343) | (232,128) | 83,734 | (849,737) | - |
| Issuance discounts | <u>(147,853)</u> | - | <u>8,530</u> | <u>(139,323)</u> | - |
| Total bonds payable | 100,524,463 | 12,744,429 | (9,331,656) | 103,937,236 | 3,891,560 |
| Capital lease | 572,288 | - | (572,288) | - | - |
| Note payable | 6,273,000 | - | (240,000) | 6,033,000 | 245,000 |
| Compensated absences | <u>2,818,492</u> | <u>2,861,942</u> | <u>(2,400,347)</u> | <u>3,280,087</u> | <u>409,425</u> |
| Total Governmental Activities | <u>\$ 110,188,243</u> | <u>\$ 15,606,371</u> | <u>\$(12,544,291)</u> | <u>\$ 113,250,323</u> | <u>\$ 4,545,985</u> |

Business-type Activities:

| | | | | | |
|-----------------------------------|---------------------|---------------------|-----------------------|---------------------|---------------------|
| Golf Enterprise Fund: | | | | | |
| Certificates of participation | \$ 5,473,420 | \$ - | \$ (156,080) | \$ 5,317,340 | \$ 163,440 |
| Compensated absences | <u>824,356</u> | <u>1,409,249</u> | <u>(1,323,247)</u> | <u>910,358</u> | <u>868,760</u> |
| Total Business-type Activities | <u>\$ 6,297,776</u> | <u>\$ 1,409,249</u> | <u>\$ (1,479,327)</u> | <u>\$ 6,227,698</u> | <u>\$ 1,032,200</u> |

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CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

7. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities:

A. Tax Allocation Bonds:

| | |
|--|--------------|
| \$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%. | \$ 4,660,000 |
| \$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%. | 6,545,000 |
| \$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%. | 3,015,000 |
| \$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%. | 1,160,000 |
| \$2,918,888 1999 Series B Montebello Hills Tax Allocation Parity Bonds comprised of: | |
| - \$2,918,888 Capital Appreciation Serial Bonds accreting semi-annually; interest at 6.27% to 6.42%. | 4,909,573 |
| \$2,905,000 2007 Series A Montebello Hills Tax Allocation Parity Refunding Bonds due in annual installments of \$50,000 to \$440,000 through March 1, 2019; interest at 3.35% to 4.00%. | 2,855,000 |
| \$3,660,000 2007 Series B Montebello Hills Tax Allocation Parity Refunding Bonds (Taxable) due in annual installments of \$70,000 to \$360,000 through March 1, 2024; interest at 5.85%. | 3,590,000 |
| \$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%. | 6,940,000 |

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

7. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (Continued):

A. Tax Allocation Bonds (Continued):

| | |
|---|----------------------|
| \$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%. | \$ 3,245,000 |
| \$6,065,000 2007 South Montebello Tax Allocation Parity Bonds, Series A (Taxable) due in annual installments of \$145,000 to \$675,000 through September 1, 2022; interest at 5.804%. | 6,065,000 |
| \$4,757,015 Montebello Economic Revitalization Tax Allocation Bonds due in 2012; interest at 12%. (See Note 4). | <u>4,757,015</u> |
| Total Non-Housing Tax Allocation Bonds | <u>\$ 47,741,588</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, 2008

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% | \$ 3,865,000 |
| \$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% | 5,807,048 |
| \$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>8,295,000</u> |
| Total Housing Tax Allocation Bonds | <u>\$ 17,967,048</u> |

The annual requirements to amortize tax allocation bonds outstanding as of June 30, 2008, included in the long-term liabilities are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|----------------------------|----------------------|----------------------|-----------------------|
| 2009 | \$ 2,515,000 | \$ 3,744,894 | \$ 6,259,894 |
| 2010 | 2,670,000 | 3,641,124 | 6,311,124 |
| 2011 | 2,835,000 | 3,529,618 | 6,364,618 |
| 2012 | 7,877,015 | 3,409,122 | 11,286,137 |
| 2013 | 3,390,000 | 2,701,721 | 6,091,721 |
| 2014-2018 | 21,685,000 | 10,840,038 | 32,525,038 |
| 2019-2023 | 19,692,150 | 5,255,191 | 24,947,341 |
| 2024-2025 | <u>5,044,471</u> | <u>2,250,637</u> | <u>7,295,108</u> |
| Total | <u>\$ 65,708,636</u> | <u>\$ 35,372,345</u> | <u>\$ 101,080,981</u> |

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

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, 2008

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, 2008 is \$16,400,000.

The annual requirements to amortize revenue bonds outstanding as of June 30, 2008, 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> |
|---------------------------------|----------------------|---------------------|----------------------|
| 2009 | \$ 230,000 | \$ 328,000 | \$ 558,000 |
| 2010 | 275,000 | 323,400 | 598,400 |
| 2011 | 320,000 | 317,900 | 637,900 |
| 2012 | 365,000 | 311,500 | 676,500 |
| 2013 | 410,000 | 304,200 | 714,200 |
| 2014-2018 | 2,465,000 | 1,386,200 | 3,851,200 |
| 2019-2023 | 2,945,000 | 1,119,700 | 4,064,700 |
| 2024-2028 | 3,465,000 | 804,900 | 4,269,900 |
| 2029-2033 | 4,080,000 | 434,500 | 4,514,500 |
| 2034-2035 | <u>1,845,000</u> | <u>55,800</u> | <u>1,900,800</u> |
| | <u>\$ 16,400,000</u> | <u>\$ 5,386,100</u> | <u>\$ 21,786,100</u> |

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CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

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, 2008 is \$17,420,000.

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

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:

| Prepayment Dates | Redemption Prices |
|--|----------------------|
| 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, 2008 is \$5,397,660.

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CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

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, 2008, included in the long-term liabilities are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|----------------------|----------------------|----------------------|
| 2009 | \$ 1,146,560 | \$ 1,027,615 | \$ 2,174,175 |
| 2010 | 1,203,020 | 979,394 | 2,182,414 |
| 2011 | 1,254,480 | 928,339 | 2,182,819 |
| 2012 | 862,120 | 884,249 | 1,746,369 |
| 2013 | 903,580 | 847,456 | 1,751,036 |
| 2014-2018 | 5,188,620 | 3,598,669 | 8,787,289 |
| 2019-2023 | 6,597,420 | 2,256,369 | 8,853,789 |
| 2024-2027 | <u>5,661,860</u> | <u>572,626</u> | <u>6,234,486</u> |
| | <u>\$ 22,817,660</u> | <u>\$ 11,094,717</u> | <u>\$ 33,912,377</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 lease was paid in full during the year ended of June 30, 2008.

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CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

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 |
|-------------------------|---------------------|---------------------|---------------------|
| 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 | 277,000 | 263,839 | 540,839 |
| 2014-2018 | 1,585,000 | 1,090,468 | 2,675,468 |
| 2019-2023 | 2,026,000 | 612,022 | 2,638,022 |
| 2024-2026 | 1,124,000 | 72,716 | 1,196,716 |
| | <u>\$ 6,033,000</u> | <u>\$ 3,200,127</u> | <u>\$ 9,233,127</u> |

F. Compensated Absences:

The noncurrent portion of the accumulated vacation and sick leave liabilities, liquidated primarily by the General Fund, of \$3,280,087 has no repayment schedule at June 30, 2008.

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, 2008 is, \$3,650,000.

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CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

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, 2008 is \$1,667,340.

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CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

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, 2008, included in the long-term liabilities are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|---------------------|---------------------|---------------------|
| 2009 | \$ 163,440 | \$ 253,304 | \$ 416,744 |
| 2010 | 171,980 | 246,311 | 418,291 |
| 2011 | 180,520 | 238,651 | 419,171 |
| 2012 | 192,880 | 230,611 | 423,491 |
| 2013 | 201,420 | 221,949 | 423,369 |
| 2014-2018 | 1,156,380 | 965,659 | 2,122,039 |
| 2019-2023 | 1,492,580 | 673,880 | 2,166,460 |
| 2024-2028 | 1,473,140 | 303,867 | 1,777,007 |
| 2029 | <u>285,000</u> | <u>16,031</u> | <u>301,031</u> |
| | <u>\$ 5,317,340</u> | <u>\$ 3,150,263</u> | <u>\$ 8,467,603</u> |

D. Compensated Absences:

The noncurrent portion of accumulated vacation and sick leave liability of \$41,598 has no repayment schedule at June 30, 2008.

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, 2008, the Agency owed the City \$1,393,704 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, 2008

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 2007/2008, the City's annual pension cost was \$7,088,278 and the City actually contributed \$7,088,278. The required contribution was determined as part of the June 30, 2005 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 of 3.25% to 14.40% that vary by duration of service, and (c) 3.0% 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, 2008

9. DEFINED BENEFIT PENSION PLAN (CONTINUED):

Three-Year Trend Information for CalPERS:

Schedule of Employer Contributions
Miscellaneous and Safety Employees

| <u>Fiscal Year</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage APC Contributed</u> | <u>Net Pension Obligation</u> |
|--------------------|----------------------------------|-----------------------------------|-------------------------------|
| 6/30/06 | \$ 6,592,304 | 100% | \$ - |
| 6/30/07 | 6,840,115 | 100% | - |
| 6/30/08 | 7,088,278 | 100% | - |

Funded Status and Funding Progress for Miscellaneous Employees:

As of June 30, 2007, the most recent actuarial valuation date, the plan was 92.2% funded. The actuarial accrued liability for benefits was \$100,067,000 and the actuarial value of assets was \$92,258,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,809,000. The covered payroll (annual payroll of active employees covered by the plan) was \$16,823,000 and the ratio of the UAAL to the covered payroll was 46.419%.

The schedule of funding progress presented below, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Schedule of Funding Progress - Miscellaneous Employees
(\$ Amount in Thousands)

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets (A)</u> | <u>Actuarial Liability (AAL) Entry Age (B)</u> | <u>Unfunded AAL (UAAL)/ (Excess Assets) (B-A)</u> | <u>Funded Ratio (A/B)</u> | <u>Covered Payroll (C)</u> | <u>UAAL as a % of Covered Payroll [(B-A)/C]</u> |
|---------------------------------|--------------------------------------|--|---|---------------------------|----------------------------|---|
| 6/30/05 | \$ 77,952 | \$ 87,041 | \$ 9,089 | 89.6 % | \$ 16,028 | 56.707 % |
| 6/30/06 | 84,391 | 93,046 | 8,655 | 90.7 % | 16,666 | 51.932 % |
| 6/30/07 | 92,258 | 100,067 | 7,809 | 92.2 % | 16,823 | 46.419 % |

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

9. DEFINED BENEFIT PENSION PLAN (CONTINUED):

Funded Status and Funding Progress for Safety Employees:

As of June 30, 2007, the most recent actuarial valuation date, the plan was 87.2% funded. The actuarial accrued liability for benefits was \$139,867,000 and the actuarial value of assets was \$121,959,000 resulting in an unfunded actuarial accrued liability (UAAL) of \$17,908,000. The covered payroll (annual payroll of active employees covered by the plan) was \$10,831,000 and the ratio of the UAAL to the covered payroll was 165.340%.

The schedule of funding progress presented below, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Schedule of Funding Progress - Safety Employees
(\$ Amount in Thousands)

| Actuarial Valuation Date | Actuarial Value of Assets (A) | Actuarial Accrued 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] |
|--------------------------------|--|--|---|--------------------------|---------------------------|--|
| 6/30/05 | \$ 107,205 | \$ 118,835 | \$ 11,630 | 90.2 % | \$ 10,818 | 107.506 % |
| 6/30/06 | 114,173 | 127,620 | 13,447 | 89.5 % | 11,008 | 122.157 % |
| 6/30/07 | 121,959 | 139,867 | 17,908 | 87.2 % | 10,831 | 165.340 % |

10. POST-EMPLOYMENT BENEFITS:

The District provides a postretirement medical care benefit in the form of payments to provide qualified retirees with medical insurance coverage. The benefit of \$625 per month is available to all employees who retire from the City on or after attaining age 50 with 15 years of CalPERS credited service. The benefit ends when the employee reaches Medicare age. Expenditures for this postretirement benefit are recognized as retirees' premiums become due. During the year ended June 30, 2008, expenses of \$185,000 were recorded for 26 retirees.

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

11. 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, 2008, the present value of the estimated liability discounted at a five percent rate for claims payable is \$9,822,927. 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>2007-08</u> | <u>2006-07</u> |
|---|---------------------|---------------------|
| Claims payable at July | \$ 8,732,492 | \$ 8,580,541 |
| Claims incurred during the fiscal year | 4,164,463 | 2,668,463 |
| Payments on claims during the fiscal year | <u>(3,074,028)</u> | <u>(2,516,512)</u> |
| Claims and Judgments Payable at June 30 | <u>\$ 9,822,927</u> | <u>\$ 8,732,492</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.

12. REQUIRED INDIVIDUAL FUND DISCLOSURES:

A. Deficit Fund Equity:

The Grants Special Revenue Fund has a deficit of \$240,604. 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 \$1,901,382. 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, 2008, the \$3,197,408 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, 2008

12. 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 Council | \$ 151,710 | \$ 176,319 | \$ (24,609) |
| City Clerk | 33,612 | 169,293 | (135,681) |
| City Attorney | 228,600 | 439,280 | (210,680) |
| City Administrator | 750,194 | 769,789 | (19,595) |
| Employee relations | 255,101 | 419,564 | (164,463) |
| Finance | 1,656,815 | 1,799,333 | (142,518) |
| Building and maintenance | 299,836 | 537,178 | (237,342) |
| Police administration | 334,544 | 376,489 | (41,945) |
| Field services - Police | 9,056,123 | 10,142,062 | (1,085,939) |
| Support services - Police | 2,441,991 | 2,657,610 | (215,619) |
| Crime prevention | 3,817,014 | 4,312,936 | (495,922) |
| Grant | 271,550 | 367,927 | (96,377) |
| Fire administration | 873,723 | 1,108,512 | (234,789) |
| Fire suppression | 9,173,642 | 10,184,957 | (1,011,315) |
| Fire prevention | 343,159 | 467,181 | (124,022) |
| Fire communications | 347,609 | 415,112 | (67,503) |
| Street | 4,507,295 | 5,256,760 | (749,465) |
| Parks and recreation administration | 548,732 | 617,599 | (68,867) |
| Parks maintenance | 1,161,368 | 1,206,632 | (45,264) |
| Trees | 402,989 | 570,675 | (167,686) |
| Engineering | 828,794 | 1,010,673 | (181,879) |
| Other Individual Funds: | | | |
| Redevelopment Agency Debt Service Fund | 5,452,359 | 5,923,005 | (470,646) |
| Public Financing Authority | | | |
| Capital Projects Fund | - | 209,384 | (209,384) |

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

13. 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, 2008, \$14,705,000 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, 2008, \$1,765,000 and \$9,725,000 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, 2008, \$2,795,000 remained outstanding on the 1997 Certificates of Participation.

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

13. 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, 2008, the refunded 1989 Series Bonds were redeemed.

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, 2008, \$1,672,000 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, 2008, \$1,698,000 remained outstanding on the refunded 1989 Series Bonds.

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

13. 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, 2008, the refunded 1989 Series Bonds were redeemed.

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, 2008, \$6,080,000 and \$1,640,000 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, 2008 \$13,375,000 remained outstanding on the 2001 Revenue Bonds.

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

13. 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. The advance refunding resulted in a decrease in debt service payments of \$366,265 and economic loss of \$141,273. As of June 30, 2008 \$7,840,000 remained outstanding on the 1997 Series A Housing Tax Allocation Bonds.

K. 2007 Series A Montebello Hills Refunding Bonds:

In October 2007, the Agency issued \$2.9 million in tax allocation bonds with interest rates from 3.35% to 4.00% to refund a portion (\$2.67 million) of the outstanding 1999 Series A tax allocation bonds. The net proceeds of \$2.75 million (after payment of \$0.15 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 March 1, 2008, and to redeem on March 1, 2008 a portion of the 1999 Series A tax allocation bonds, together with a redemption premium of 2% thereon. As a result, a portion of the 1999 Series A tax allocation bonds are considered to be defeased and the liability has been removed from long-term liabilities. The advance refunding resulted in a decrease in debt service payments of \$134,635 and an economic gain of \$103,534.

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

13. REFUNDED AND REFUNDING DEBT (CONTINUED):

L. 2007 Series B (Taxable) Montebello Hills Refunding Bonds:

In October 2007, the Agency issued \$3.66 million in tax allocation bonds with interest rates of 5.80% to refund \$3.30 million of the outstanding 1999 Series C tax allocation bonds. The net proceeds of \$3.50 million (after payment of \$0.16 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 March 1, 2008, and to redeem on March 1, 2008 a portion of the 1999 Series C tax allocation bonds, together with a redemption premium of 2% thereon. As a result, a portion of the 1999 Series C tax allocation bonds are considered to be defeased and the liability has been removed from long-term liabilities. The advance refunding resulted in a decrease in debt service payments of \$346,793 and an economic gain of \$206,344.

14. 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 \$293,378 in fiscal year 2007-2008. 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.

15. FUND BALANCE RESERVES AND DESIGNATIONS:

The various reserves established as of June 30, 2008 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.

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

15. FUND BALANCE RESERVES AND DESIGNATIONS (CONTINUED):

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 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, 2008 are as follows:

| | <u>Planned Capital Improvements</u> |
|------------------------|---|
| Special Revenue Funds: | |
| Special Gas Tax | \$ 1,010,231 |
| Park Development | 134,277 |
| Prop A | 315,584 |
| Prop C | 2,379,743 |
| Metro Station | 173,864 |
| Air Quality | <u>194,205</u> |
| Total Designations | <u>\$ 4,207,904</u> |

16. 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.

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

17. SHORT TERM DEBT ACTIVITY:

Changes in short-term debt for the fiscal year ended June 30, 2008 was:

| <u>Balance at</u> <u>June 30, 2007</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at</u> <u>June 30, 2008</u> |
|---|---------------------|---------------------|---|
| <u>\$ -</u> | <u>\$ 8,500,000</u> | <u>\$ 8,500,000</u> | <u>\$ -</u> |

On July 1, 2007, the City of Montebello issued Tax and Revenue Anticipation Notes, to provide cash flow until receipt of taxes, in the amount of \$8,500,000 at a stated rate of 4.5%. The notes matured on June 30, 2008.

On July 1, 2008, the City of Montebello issued Tax and Revenue Anticipation Notes in the amount of \$8,500,000 at a stated rate of 3.16%. The notes mature on June 30, 2009 and are payable from unrestricted revenues.

18. RESTATEMENT OF NET ASSETS:

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

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

| | |
|---|----------------------|
| Net assets as previously reported, June 30, 2007 | \$ 31,743,068 |
| To increase capital assets which were incorrectly reported as expenses in the prior year. | <u>227,651</u> |
| Net assets as restated | <u>\$ 31,970,719</u> |

B. Proprietary Fund Financial Statements:

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

| | |
|---|-----------------------|
| Net assets (deficit) as previously reported, June 30, 2007 | \$ (1,891,181) |
| To increase capital assets which were incorrectly reported as expenses in the prior year. | <u>227,651</u> |
| Net assets (deficit) as restated | <u>\$ (1,663,530)</u> |

See independent auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2008

CITY OF MONTEBELLO

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the year ended June 30, 2008

| | Budgeted Amounts | | Actual | Variance with |
|-----------------------------------|-------------------|-------------------|-------------------|------------------------|
| | Original | Final | | Final Budget |
| | | | | Positive (Negative) |
| REVENUES: | | | | |
| Sales taxes | \$ 12,000,000 | \$ 12,000,000 | \$ 11,686,503 | \$ (313,497) |
| Property taxes | 3,365,000 | 3,365,000 | 3,426,332 | 61,332 |
| Other taxes | 1,330,000 | 1,330,000 | 1,501,118 | 171,118 |
| Franchise taxes | 1,150,000 | 1,150,000 | 1,220,316 | 70,316 |
| Licenses and permits | 3,519,000 | 3,552,100 | 3,519,461 | (32,639) |
| Fines and forfeitures | 860,000 | 860,000 | 1,691,680 | 831,680 |
| Investment income | 500,000 | 500,000 | 596,755 | 96,755 |
| Revenue from other agencies | 4,700,000 | 4,700,000 | 5,037,324 | 337,324 |
| Charges for services | 4,481,150 | 4,875,750 | 5,471,495 | 595,745 |
| Interfund revenue | 3,000,000 | 3,000,000 | 3,033,518 | 33,518 |
| Other revenue | 533,300 | 550,700 | 1,200,483 | 649,783 |
| TOTAL REVENUES | 35,438,450 | 35,883,550 | 38,384,985 | 2,501,435 |
| EXPENDITURES: | | | | |
| GENERAL GOVERNMENT: | | | | |
| City Council | 151,510 | 151,710 | 176,319 | (24,609) |
| City Clerk | 19,400 | 33,612 | 169,293 | (135,681) |
| City Treasurer | 39,702 | 42,866 | 28,554 | 14,312 |
| City Attorney | 200,000 | 228,600 | 439,280 | (210,680) |
| City Administrator | 750,194 | 750,194 | 769,789 | (19,595) |
| Employee relations | 249,140 | 255,101 | 419,564 | (164,463) |
| Community promotions | 20,000 | 71,328 | 47,699 | 23,629 |
| Finance | 1,656,665 | 1,656,815 | 1,799,333 | (142,518) |
| General services | 570,331 | 736,303 | 728,771 | 7,532 |
| Building and maintenance | 299,236 | 299,836 | 537,178 | (237,342) |
| Governmental building maintenance | 388,806 | 390,347 | 383,567 | 6,780 |
| TOTAL GENERAL GOVERNMENT | 4,344,984 | 4,616,712 | 5,499,347 | (882,635) |
| PUBLIC SAFETY: | | | | |
| Police administration | 329,014 | 334,544 | 376,489 | (41,945) |
| Field services - Police | 9,260,171 | 9,056,123 | 10,142,062 | (1,085,939) |
| Support services - Police | 2,140,640 | 2,441,991 | 2,657,610 | (215,619) |
| Crime prevention | 3,780,259 | 3,817,014 | 4,312,936 | (495,922) |
| Grant | 550 | 271,550 | 367,927 | (96,377) |
| Fire administration | 865,484 | 873,723 | 1,108,512 | (234,789) |
| Fire suppression | 9,290,403 | 9,173,642 | 10,184,957 | (1,011,315) |
| Fire prevention | 328,941 | 343,159 | 467,181 | (124,022) |
| Fire communications | 319,263 | 347,609 | 415,112 | (67,503) |
| TOTAL PUBLIC SAFETY | 26,314,725 | 26,659,355 | 30,032,786 | (3,373,431) |

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, 2008

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|--------------------|--------------------|---|
| | Original | Final | | |
| EXPENDITURES (CONTINUED): | | | | |
| PUBLIC WORKS: | | | | |
| Street | \$ 4,488,565 | \$ 4,507,295 | \$ 5,256,760 | \$ (749,465) |
| PARKS AND RECREATION: | | | | |
| Parks and recreation administration | 528,521 | 548,732 | 617,599 | (68,867) |
| Recreation services | 2,378,957 | 2,502,376 | 2,501,096 | 1,280 |
| Parks maintenance | 1,203,083 | 1,161,368 | 1,206,632 | (45,264) |
| Trees | 398,315 | 402,989 | 570,675 | (167,686) |
| TOTAL PARKS AND RECREATION | <u>4,508,876</u> | <u>4,615,465</u> | <u>4,896,002</u> | <u>(280,537)</u> |
| HOUSING AND COMMUNITY DEVELOPMENT: | | | | |
| Planning | 483,118 | 490,351 | 444,080 | 46,271 |
| Engineering | 827,594 | 828,794 | 1,010,673 | (181,879) |
| TOTAL HOUSING AND COMMUNITY DEVELOPMENT | <u>1,310,712</u> | <u>1,319,145</u> | <u>1,454,753</u> | <u>(135,608)</u> |
| TOTAL EXPENDITURES | <u>40,967,862</u> | <u>41,717,972</u> | <u>47,139,648</u> | <u>(5,421,676)</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(5,529,412)</u> | <u>(5,834,422)</u> | <u>(8,754,663)</u> | <u>(2,920,241)</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 5,529,412 | 7,095,000 | 8,805,492 | 1,710,492 |
| Transfers out | - | (1,260,578) | (50,829) | 1,209,749 |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>5,529,412</u> | <u>5,834,422</u> | <u>8,754,663</u> | <u>2,920,241</u> |
| NET CHANGE IN FUND BALANCE | - | - | - | - |
| FUND BALANCE - BEGINNING OF YEAR | - | - | - | - |
| FUND BALANCE - END OF YEAR | <u>\$ -</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, 2008

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Revenue from other agencies | \$ 14,154,161 | \$ 1,604,057 | \$ 3,821,108 | \$ 2,217,051 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers out | <u>(14,154,161)</u> | <u>(1,604,057)</u> | <u>(3,252,457)</u> | <u>(1,648,400)</u> |
| NET CHANGE IN FUND BALANCE | - | - | 568,651 | 568,651 |
| FUND BALANCE (DEFICIT) - BEGINNING OF YEAR | <u>(809,255)</u> | <u>(809,255)</u> | <u>(809,255)</u> | <u>-</u> |
| FUND BALANCE (DEFICIT) - END OF YEAR | <u>\$ (809,255)</u> | <u>\$ (809,255)</u> | <u>\$ (240,604)</u> | <u>\$ 568,651</u> |

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

CITY OF MONTEBELLO

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2008

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, 2008

| | Special Revenue Funds | Debt Service Funds | Public Financing Authority Capital Projects Fund | Total Other Governmental Funds |
|--|-----------------------------|--------------------------|--|---|
| ASSETS | | | | |
| Cash and investments | \$ 5,438,813 | \$ 2,178,732 | \$ 4,830 | \$ 7,622,375 |
| Cash and investments with fiscal agent | - | 4,764,434 | 870,622 | 5,635,056 |
| Interest receivable | - | 19,953 | - | 19,953 |
| Accounts receivable | 400,237 | - | - | 400,237 |
| Property taxes receivable | 302,816 | - | - | 302,816 |
| TOTAL ASSETS | <u>\$ 6,141,866</u> | <u>\$ 6,963,119</u> | <u>\$ 875,452</u> | <u>\$ 13,980,437</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES: | | | | |
| Accounts payable and accrued liabilities | \$ 179 | \$ - | \$ - | \$ 179 |
| Due to other funds | - | - | 100,000 | 100,000 |
| TOTAL LIABILITIES | <u>179</u> | <u>-</u> | <u>100,000</u> | <u>100,179</u> |
| FUND BALANCES: | | | | |
| Reserved: | | | | |
| Encumbrances | 1,818,695 | - | - | 1,818,695 |
| Retirement benefits | 881,055 | - | - | 881,055 |
| Debt service | - | 6,963,119 | 775,452 | 7,738,571 |
| Unreserved, designated reported in: | | | | |
| Special revenue funds | 4,207,904 | - | - | 4,207,904 |
| Unreserved, undesignated reported in: | | | | |
| Special revenue funds | (765,967) | - | - | (765,967) |
| TOTAL FUND BALANCES | <u>6,141,687</u> | <u>6,963,119</u> | <u>775,452</u> | <u>13,880,258</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 6,141,866</u> | <u>\$ 6,963,119</u> | <u>\$ 875,452</u> | <u>\$ 13,980,437</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, 2008

| | Special Revenue Funds | Debt Service Funds | Public Financing Authority Capital Projects Fund | Total Other Governmental Funds |
|---|-----------------------------|--------------------------|--|---|
| REVENUES: | | | | |
| Property taxes | \$ 6,636,341 | \$ - | \$ - | \$ 6,636,341 |
| Investment income | 214,668 | 205,771 | 25,077 | 445,516 |
| Revenue from other agencies | 3,489,720 | - | - | 3,489,720 |
| Other revenue | 1,121,735 | - | 195,426 | 1,317,161 |
| TOTAL REVENUES | 11,462,464 | 205,771 | 220,503 | 11,888,738 |
| EXPENDITURES: | | | | |
| Debt service: | | | | |
| Principal payments | - | 1,268,920 | - | 1,268,920 |
| Interest and fees | - | 1,689,440 | 209,384 | 1,898,824 |
| TOTAL EXPENDITURES | - | 2,958,360 | 209,384 | 3,167,744 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 11,462,464 | (2,752,589) | 11,119 | 8,720,994 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 278,105 | 3,372,033 | - | 3,650,138 |
| Transfers out | (10,883,480) | - | - | (10,883,480) |
| TOTAL OTHER FINANCING SOURCES (USES) | (10,605,375) | 3,372,033 | - | (7,233,342) |
| NET CHANGE IN FUND BALANCES | 857,089 | 619,444 | 11,119 | 1,487,652 |
| FUND BALANCES - BEGINNING OF YEAR | 5,284,598 | 6,343,675 | 764,333 | 12,392,606 |
| FUND BALANCES - END OF YEAR | \$ 6,141,687 | \$ 6,963,119 | \$ 775,452 | \$ 13,880,258 |

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.

CITY OF MONTEBELLO

COMBINING BALANCE SHEET - OTHER SPECIAL REVENUE FUNDS

June 30, 2008

| | Special Gas Tax | Park Development | Retirement | Prop A |
|--|----------------------------|--------------------------|--------------------------|--------------------------|
| ASSETS | | | | |
| Cash and investments | \$ 1,077,111 | \$ 134,277 | \$ 578,239 | \$ 376,409 |
| Accounts receivable | 379,736 | - | - | - |
| Property taxes receivable | - | - | 302,816 | - |
| TOTAL ASSETS | <u>\$ 1,456,847</u> | <u>\$ 134,277</u> | <u>\$ 881,055</u> | <u>\$ 376,409</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES: | | | | |
| Accounts payable and accrued liabilities | \$ 179 | \$ - | \$ - | \$ - |
| TOTAL LIABILITIES | <u>179</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES: | | | | |
| Reserved: | | | | |
| Encumbrances | 446,437 | - | - | 60,825 |
| Retirement | - | - | 881,055 | - |
| Unreserved: | | | | |
| Designated for planned capital improvements | 1,010,231 | 134,277 | - | 315,584 |
| Undesignated | - | - | - | - |
| TOTAL FUND BALANCES | <u>1,456,668</u> | <u>134,277</u> | <u>881,055</u> | <u>376,409</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 1,456,847</u> | <u>\$ 134,277</u> | <u>\$ 881,055</u> | <u>\$ 376,409</u> |

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>Total Other Special Revenue Funds</u> |
|-----------------------------|---------------------|--------------------------|------------------------|---|--|
| \$ 337,697 | \$ 2,587,512 | \$ 173,864 | \$ 173,704 | \$ - | \$ 5,438,813 |
| - | - | - | 20,501 | - | 400,237 |
| - | - | - | - | - | 302,816 |
| <u>\$ 337,697</u> | <u>\$ 2,587,512</u> | <u>\$ 173,864</u> | <u>\$ 194,205</u> | <u>\$ -</u> | <u>\$ 6,141,866</u> |
| | | | | | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 179 |
| - | - | - | - | - | 179 |
| | | | | | |
| 1,103,664 | 207,769 | - | - | - | 1,818,695 |
| - | - | - | - | - | 881,055 |
| - | 2,379,743 | 173,864 | 194,205 | - | 4,207,904 |
| (765,967) | - | - | - | - | (765,967) |
| <u>337,697</u> | <u>2,587,512</u> | <u>173,864</u> | <u>194,205</u> | <u>-</u> | <u>6,141,687</u> |
| | | | | | |
| <u>\$ 337,697</u> | <u>\$ 2,587,512</u> | <u>\$ 173,864</u> | <u>\$ 194,205</u> | <u>\$ -</u> | <u>\$ 6,141,866</u> |

CITY OF MONTEBELLO

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

For the year ended June 30, 2008

| | Special Gas Tax | Park Development | Retirement | Prop A |
|---|-----------------------|---------------------|--------------------|-------------------|
| REVENUES: | | | | |
| Property taxes | \$ - | \$ - | 6,636,341 | \$ - |
| Investment income | 52,615 | - | - | 8,103 |
| Revenue from other agencies | 1,183,716 | 12,448 | - | 1,045,006 |
| Other revenue | 1,055,200 | - | - | 66,535 |
| TOTAL REVENUES | 2,291,531 | 12,448 | 6,636,341 | 1,119,644 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - | - | - | 278,105 |
| Transfers out | (2,178,561) | - | (6,301,532) | (1,021,340) |
| TOTAL OTHER FINANCING SOURCES (USES) | (2,178,561) | - | (6,301,532) | (743,235) |
| NET CHANGE IN FUND BALANCES | 112,970 | 12,448 | 334,809 | 376,409 |
| FUND BALANCES - BEGINNING OF YEAR | 1,343,698 | 121,829 | 546,246 | - |
| FUND BALANCES - END OF YEAR | \$ 1,456,668 | \$ 134,277 | \$ 881,055 | \$ 376,409 |

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>Total Other Special Revenue Funds</u> |
|-----------------------------|---------------------|--------------------------|------------------------|---|--|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 6,636,341 |
| 34,749 | 100,421 | 7,328 | 7,573 | 3,879 | 214,668 |
| 173,470 | 870,319 | - | 78,453 | 126,308 | 3,489,720 |
| - | - | - | - | - | 1,121,735 |
| <u>208,219</u> | <u>970,740</u> | <u>7,328</u> | <u>86,026</u> | <u>130,187</u> | <u>11,462,464</u> |
| - | - | - | - | - | 278,105 |
| <u>(620,104)</u> | <u>(573,280)</u> | <u>-</u> | <u>(48,973)</u> | <u>(139,690)</u> | <u>(10,883,480)</u> |
| <u>(620,104)</u> | <u>(573,280)</u> | <u>-</u> | <u>(48,973)</u> | <u>(139,690)</u> | <u>(10,605,375)</u> |
| (411,885) | 397,460 | 7,328 | 37,053 | (9,503) | 857,089 |
| <u>749,582</u> | <u>2,190,052</u> | <u>166,536</u> | <u>157,152</u> | <u>9,503</u> | <u>5,284,598</u> |
| <u>\$ 337,697</u> | <u>\$ 2,587,512</u> | <u>\$ 173,864</u> | <u>\$ 194,205</u> | <u>\$ -</u> | <u>\$ 6,141,687</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, 2008

| | Budgeted Amounts | | Actual | Variance with |
|--------------------------------------|-------------------------|-------------------------|-------------------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| REVENUES: | | | | |
| Investment income | \$ 30,000 | \$ 30,000 | \$ 52,615 | \$ 22,615 |
| Revenue from other agencies | 1,583,500 | 1,293,500 | 1,183,716 | (109,784) |
| Other revenue | 100 | - | 1,055,200 | 1,055,200 |
| TOTAL REVENUES | 1,613,600 | 1,323,500 | 2,291,531 | 968,031 |
| OTHER FINANCING USES: | | | | |
| Transfers out | (1,205,500) | (1,205,500) | (2,178,561) | (973,061) |
| NET CHANGE IN FUND BALANCE | 408,100 | 118,000 | 112,970 | (5,030) |
| FUND BALANCE - BEGINNING OF YEAR | 1,343,698 | 1,343,698 | 1,343,698 | - |
| FUND BALANCE - END OF YEAR | <u>\$ 1,751,798</u> | <u>\$ 1,461,698</u> | <u>\$ 1,456,668</u> | <u>\$ (5,030)</u> |

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, 2008

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|----------------------------------|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Revenue from other agencies | \$ 20,000 | \$ 5,000 | 12,448 | \$ 7,448 |
| FUND BALANCE - BEGINNING OF YEAR | <u>121,829</u> | <u>121,829</u> | <u>121,829</u> | <u>-</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 141,829</u> | <u>\$ 126,829</u> | <u>\$ 134,277</u> | <u>\$ 7,448</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, 2008

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|----------------------------------|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Property taxes | \$ 5,900,000 | \$ 5,900,000 | \$ 6,636,341 | \$ 736,341 |
| OTHER FINANCING USES: | | | | |
| Transfers out | (5,550,000) | (5,550,000) | (6,301,532) | (751,532) |
| NET CHANGE IN FUND BALANCE | 350,000 | 350,000 | 334,809 | (15,191) |
| FUND BALANCE - BEGINNING OF YEAR | 546,246 | 546,246 | 546,246 | - |
| FUND BALANCE - END OF YEAR | <u>\$ 896,246</u> | <u>\$ 896,246</u> | <u>\$ 881,055</u> | <u>\$ (15,191)</u> |

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, 2008

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Investment income | \$ 60,000 | \$ 60,000 | \$ 8,103 | \$ (51,897) |
| Revenue from other agencies | 1,052,782 | 1,052,782 | 1,045,006 | (7,776) |
| Other revenue | - | - | 66,535 | 66,535 |
| TOTAL REVENUES | 1,112,782 | 1,112,782 | 1,119,644 | 6,862 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - | - | 278,105 | 278,105 |
| Transfers out | (1,280,578) | (1,280,578) | (1,021,340) | 259,238 |
| TOTAL OTHER FINANCING SOURCES (USES) | (1,280,578) | (1,280,578) | (743,235) | 537,343 |
| NET CHANGE IN FUND BALANCE | (167,796) | (167,796) | 376,409 | 544,205 |
| FUND BALANCE - BEGINNING OF YEAR | - | - | - | - |
| FUND BALANCE - END OF YEAR | \$ (167,796) | \$ (167,796) | \$ 376,409 | \$ 544,205 |

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, 2008

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|----------------------------------|------------------|------------|------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Investment income | \$ 30,100 | \$ 45,100 | \$ 34,749 | \$ (10,351) |
| Revenue from other agencies | 19,000 | - | 173,470 | 173,470 |
| TOTAL REVENUES | 49,100 | 45,100 | 208,219 | 163,119 |
| OTHER FINANCING USES: | | | | |
| Transfers out | (50,000) | (50,000) | (620,104) | (570,104) |
| NET CHANGE IN FUND BALANCE | (900) | (4,900) | (411,885) | (406,985) |
| FUND BALANCE - BEGINNING OF YEAR | 749,582 | 749,582 | 749,582 | - |
| FUND BALANCE - END OF YEAR | \$ 748,682 | \$ 744,682 | \$ 337,697 | \$ (406,985) |

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, 2008

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|----------------------------------|------------------|-------------|--------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Investment income | \$ 80,000 | \$ 80,000 | \$ 100,421 | \$ 20,421 |
| Revenue from other agencies | 873,365 | - | 870,319 | 870,319 |
| TOTAL REVENUES | 953,365 | 80,000 | 970,740 | 890,740 |
| OTHER FINANCING USES: | | | | |
| Transfers out | (1,717,471) | (1,717,471) | (573,280) | 1,144,191 |
| NET CHANGE IN FUND BALANCE | (764,106) | (1,637,471) | 397,460 | 2,034,931 |
| FUND BALANCE - BEGINNING OF YEAR | 2,190,052 | 2,190,052 | 2,190,052 | - |
| FUND BALANCE - END OF YEAR | \$ 1,425,946 | \$ 552,581 | \$ 2,587,512 | \$ 2,034,931 |

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, 2008

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|----------------------------------|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Investment income | \$ 6,000 | \$ 6,000 | \$ 7,328 | \$ 1,328 |
| FUND BALANCE - BEGINNING OF YEAR | 166,536 | 166,536 | 166,536 | - |
| FUND BALANCE - END OF YEAR | <u>\$ 172,536</u> | <u>\$ 172,536</u> | <u>\$ 173,864</u> | <u>\$ 1,328</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, 2008

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|-----------------------------------|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Investment income | \$ 5,000 | \$ 5,000 | \$ 7,573 | \$ 2,573 |
| Revenue from other agencies | 81,000 | 81,000 | 78,453 | (2,547) |
| TOTAL REVENUES | 86,000 | 86,000 | 86,026 | 26 |
| OTHER FINANCING USES: | | | | |
| Transfers out | (80,000) | (80,000) | (48,973) | 31,027 |
| NET CHANGE IN FUND BALANCE | 6,000 | 6,000 | 37,053 | 31,053 |
| FUND BALANCE - BEGINNING OF YEAR | 157,152 | 157,152 | 157,152 | - |
| FUND BALANCE - END OF YEAR | \$ 163,152 | \$ 163,152 | \$ 194,205 | \$ 31,053 |

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, 2008

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|----------------------------------|------------------|----------|-------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Investment income | \$ - | \$ - | \$ 3,879 | \$ 3,879 |
| Revenue from other agencies | 130,000 | - | 126,308 | 126,308 |
| TOTAL REVENUES | 130,000 | - | 130,187 | 130,187 |
| OTHER FINANCING USES: | | | | |
| Transfers out | (130,000) | - | (139,690) | (139,690) |
| NET CHANGE IN FUND BALANCE | - | - | (9,503) | (9,503) |
| FUND BALANCE - BEGINNING OF YEAR | 9,503 | 9,503 | 9,503 | - |
| FUND BALANCE - END OF YEAR | \$ 9,503 | \$ 9,503 | \$ - | \$ (9,503) |

See independent auditors' report.

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, 2008

| | <u>City</u> | <u>Public Financing Authority</u> | <u>Total Other Debt Service Funds</u> |
|--|----------------------------|---|---|
| ASSETS | | | |
| Cash and investments | \$ 1,832,283 | \$ 346,449 | \$ 2,178,732 |
| Cash and investments with fiscal agent | 1,837,039 | 2,927,395 | 4,764,434 |
| Interest receivable | <u>19,953</u> | <u>-</u> | <u>19,953</u> |
| TOTAL ASSETS | <u>\$ 3,689,275</u> | <u>\$ 3,273,844</u> | <u>\$ 6,963,119</u> |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | \$ - | \$ - | \$ - |
| FUND BALANCES: | | | |
| Reserved for debt service | <u>3,689,275</u> | <u>3,273,844</u> | <u>6,963,119</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 3,689,275</u> | <u>\$ 3,273,844</u> | <u>\$ 6,963,119</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, 2008

| | City | Public Financing Authority | Total Other Debt Service Funds |
|---|----------------------------|----------------------------------|---|
| REVENUES: | | | |
| Investment income | \$ 117,679 | \$ 88,092 | \$ 205,771 |
| EXPENDITURES: | | | |
| Debt service: | | | |
| Principal payments | 1,103,920 | 165,000 | 1,268,920 |
| Interest and fees | 1,170,282 | 519,158 | 1,689,440 |
| TOTAL EXPENDITURES | <u>2,274,202</u> | <u>684,158</u> | <u>2,958,360</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (2,156,523) | (596,066) | (2,752,589) |
| OTHER FINANCING SOURCES: | | | |
| Transfers in | <u>2,317,612</u> | <u>1,054,421</u> | <u>3,372,033</u> |
| NET CHANGE IN FUND BALANCE | 161,089 | 458,355 | 619,444 |
| FUND BALANCES - BEGINNING OF YEAR | <u>3,528,186</u> | <u>2,815,489</u> | <u>6,343,675</u> |
| FUND BALANCES - END OF YEAR | <u><u>\$ 3,689,275</u></u> | <u><u>\$ 3,273,844</u></u> | <u><u>\$ 6,963,119</u></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, 2008

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|------------------|--------------|--------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Investment income | \$ 100,000 | \$ 100,000 | \$ 117,679 | \$ 17,679 |
| EXPENDITURES: | | | | |
| Debt service: | | | | |
| Principal payments | 1,103,920 | 1,103,920 | 1,103,920 | - |
| Interest and fees | 1,223,692 | 1,223,692 | 1,170,282 | 53,410 |
| TOTAL EXPENDITURES | 2,327,612 | 2,327,612 | 2,274,202 | 53,410 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (2,227,612) | (2,227,612) | (2,156,523) | 71,089 |
| OTHER FINANCING SOURCES: | | | | |
| Transfers in | 2,317,612 | 2,317,612 | 2,317,612 | - |
| NET CHANGE IN FUND BALANCE | 90,000 | 90,000 | 161,089 | 71,089 |
| FUND BALANCE - BEGINNING OF YEAR | 3,528,186 | 3,528,186 | 3,528,186 | - |
| FUND BALANCE - END OF YEAR | \$ 3,618,186 | \$ 3,618,186 | \$ 3,689,275 | \$ 71,089 |

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, 2008

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|------------------|--------------|--------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Investment income | \$ 60,000 | \$ 60,000 | \$ 88,092 | \$ 28,092 |
| EXPENDITURES: | | | | |
| Debt service: | | | | |
| Principal payments | 165,000 | 165,000 | 165,000 | - |
| Interest and fees | 828,250 | 828,250 | 519,158 | 309,092 |
| TOTAL EXPENDITURES | 993,250 | 993,250 | 684,158 | 309,092 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (933,250) | (933,250) | (596,066) | 337,184 |
| OTHER FINANCING SOURCES: | | | | |
| Transfers in | - | - | 1,054,421 | 1,054,421 |
| NET CHANGE IN FUND BALANCE | (933,250) | (933,250) | 458,355 | 1,391,605 |
| FUND BALANCE - BEGINNING OF YEAR | 2,815,489 | 2,815,489 | 2,815,489 | - |
| FUND BALANCE - END OF YEAR | \$ 1,882,239 | \$ 1,882,239 | \$ 3,273,844 | \$ 1,391,605 |

See independent auditors' report.

CITY OF MONTEBELLO

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

REDEVELOPMENT AGENCY DEBT SERVICE FUND - MAJOR FUND

For the year ended June 30, 2008

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | Positive (Negative) |
| REVENUES: | | | | |
| Property taxes | \$ 12,690,000 | \$ 12,690,000 | \$ 13,255,708 | \$ 565,708 |
| Investment income | 160,000 | - | 429,556 | 429,556 |
| TOTAL REVENUES | 12,850,000 | 12,690,000 | 13,685,264 | 995,264 |
| EXPENDITURES: | | | | |
| Debt service: | | | | |
| Principal payments | 2,070,000 | 2,070,000 | 2,185,000 | (115,000) |
| Interest and fees | 3,382,359 | 3,382,359 | 3,030,498 | 351,861 |
| Cost of issuance | - | - | 707,507 | (707,507) |
| TOTAL EXPENDITURES | 5,452,359 | 5,452,359 | 5,923,005 | (470,646) |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 7,397,641 | 7,237,641 | 7,762,259 | 524,618 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 600,000 | 600,000 | 1,953,956 | 1,353,956 |
| Transfers out | (8,777,000) | (8,777,000) | (8,890,142) | (113,142) |
| Capital debt issued | - | - | 680,779 | 680,779 |
| Refunding bonds issued | - | - | 6,565,000 | 6,565,000 |
| Payments to refunded bond escrow agent | - | - | (6,202,128) | (6,202,128) |
| TOTAL OTHER FINANCING SOURCES (USES) | (8,177,000) | (8,177,000) | (5,892,535) | 2,284,465 |
| NET CHANGE IN FUND BALANCE | (779,359) | (939,359) | 1,869,724 | 2,809,083 |
| FUND BALANCE - BEGINNING OF YEAR | 7,573,728 | 7,573,728 | 7,573,728 | - |
| FUND BALANCE - END OF YEAR | \$ 6,794,369 | \$ 6,634,369 | \$ 9,443,452 | \$ 2,809,083 |

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, 2008

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|-------------------|---------------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Investment income | \$ 75,000 | \$ 75,000 | \$ 25,077 | \$ (49,923) |
| Other revenue | - | 195,426 | 195,426 | - |
| TOTAL REVENUES | 75,000 | 270,426 | 220,503 | (49,923) |
| EXPENDITURES: | | | | |
| Debt service: | | | | |
| Interest and fees | - | - | 209,384 | (209,384) |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 75,000 | 270,426 | 11,119 | (259,307) |
| FUND BALANCE - BEGINNING OF YEAR | 764,333 | 764,333 | 764,333 | - |
| FUND BALANCE - END OF YEAR | <u>\$ 839,333</u> | <u>\$ 1,034,759</u> | <u>\$ 775,452</u> | <u>\$ (259,307)</u> |

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, 2008

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Investment income | \$ 1,100,000 | \$ 1,100,000 | \$ 1,028,109 | \$ (71,891) |
| Other revenue | 350,000 | 250,000 | 96,818 | (153,182) |
| TOTAL REVENUES | 1,450,000 | 1,350,000 | 1,124,927 | (225,073) |
| EXPENDITURES: | | | | |
| Capital outlay | 19,669,514 | 19,669,514 | 7,137,860 | 12,531,654 |
| Debt service: | | | | |
| Principal payments | - | - | 812,288 | (812,288) |
| Interest and fees | - | - | 330,164 | (330,164) |
| TOTAL EXPENDITURES | 19,669,514 | 19,669,514 | 8,280,312 | 11,389,202 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (18,219,514) | (18,319,514) | (7,155,385) | 11,164,129 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 22,830,325 | 22,830,325 | 7,980,306 | (14,850,019) |
| Transfers out | (2,617,612) | (2,617,612) | (3,730,717) | (1,113,105) |
| TOTAL OTHER FINANCING SOURCES (USES) | 20,212,713 | 20,212,713 | 4,249,589 | (15,963,124) |
| NET CHANGE IN FUND BALANCE | 1,993,199 | 1,893,199 | (2,905,796) | (4,798,995) |
| FUND BALANCE - BEGINNING OF YEAR | 7,034,259 | 7,034,259 | 7,034,259 | - |
| FUND BALANCE - END OF YEAR | \$ 9,027,458 | \$ 8,927,458 | \$ 4,128,463 | \$ (4,798,995) |

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, 2008

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|----------------------|----------------------|----------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Property taxes | \$ 1,840,000 | \$ 1,840,000 | \$ 2,192,246 | \$ 352,246 |
| Investment income | 915,000 | 555,000 | 394,346 | (160,654) |
| Other revenue | 673,000 | 673,000 | 1,608,019 | 935,019 |
| TOTAL REVENUES | 3,428,000 | 3,068,000 | 4,194,611 | 1,126,611 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Housing and community development | 3,577,082 | 3,577,082 | 4,306,563 | (729,481) |
| Capital outlay | 1,082,067 | - | - | - |
| Debt service: | | | | |
| Interest and fees | - | - | 257,775 | (257,775) |
| Cost of issuance | 1,736,068 | 1,736,068 | - | 1,736,068 |
| TOTAL EXPENDITURES | 6,395,217 | 5,313,150 | 4,564,338 | 748,812 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (2,967,217) | (2,245,150) | (369,727) | 1,875,423 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 8,515,000 | 8,515,000 | 8,890,142 | 375,142 |
| Transfers out | (3,243,233) | (3,243,233) | (4,270,798) | (1,027,565) |
| Capital debt issued | - | - | 5,384,221 | 5,384,221 |
| TOTAL OTHER FINANCING SOURCES (USES) | 5,271,767 | 5,271,767 | 10,003,565 | 4,731,798 |
| NET CHANGE IN FUND BALANCE | 2,304,550 | 3,026,617 | 9,633,838 | 6,607,221 |
| FUND BALANCE - BEGINNING OF YEAR | 29,481,878 | 29,481,878 | 29,481,878 | - |
| FUND BALANCE - END OF YEAR | \$ 31,786,428 | \$ 32,508,495 | \$ 39,115,716 | \$ 6,607,221 |

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, 2008

| ASSETS | Water Utility | Detention Facility | Total Other Enterprise Funds |
|--|---------------------|-----------------------|---------------------------------------|
| CURRENT ASSETS: | | | |
| Cash and investments | \$ 1,552,738 | \$ 133,423 | \$ 1,686,161 |
| Accounts receivable | 247,625 | - | 247,625 |
| TOTAL CURRENT ASSETS | 1,800,363 | 133,423 | 1,933,786 |
| NONCURRENT ASSETS | | | |
| Capital assets: | | | |
| Land | 35,000 | - | 35,000 |
| Buildings and improvements | 141,284 | - | 141,284 |
| Machinery and equipment | 2,185,928 | 18,891 | 2,204,819 |
| Less: allowance for depreciation | (1,860,623) | (11,686) | (1,872,309) |
| NET CAPITAL ASSETS | 501,589 | 7,205 | 508,794 |
| TOTAL ASSETS | 2,301,952 | 140,628 | 2,442,580 |
| LIABILITIES | | | |
| LIABILITIES: | | | |
| CURRENT LIABILITIES: | | | |
| Accounts payable and accrued liabilities | 345,931 | 35,682 | 381,613 |
| Deposits payable | 31,675 | - | 31,675 |
| Compensated absences | 156 | - | 156 |
| TOTAL CURRENT LIABILITIES | 377,762 | 35,682 | 413,444 |
| LONG-TERM LIABILITIES: | | | |
| Compensated absences | 1,333 | - | 1,333 |
| TOTAL LIABILITIES | 379,095 | 35,682 | 414,777 |
| NET ASSETS: | | | |
| Invested in capital assets | 501,589 | 7,205 | 508,794 |
| Unrestricted | 1,421,268 | 97,741 | 1,519,009 |
| TOTAL NET ASSETS | \$ 1,922,857 | \$ 104,946 | \$ 2,027,803 |

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, 2008

| | Water Utility | Detention Facility | Total Other Enterprise Funds |
|--------------------------------|------------------|-----------------------|---------------------------------------|
| OPERATING REVENUES: | | | |
| Charges for services | \$ 1,517,591 | \$ 204,970 | \$ 1,722,561 |
| OPERATING EXPENSES: | | | |
| Labor and fringe benefits | 1,565 | - | 1,565 |
| Repairs and maintenance | - | 98,311 | 98,311 |
| Purchased water | 1,390,749 | - | 1,390,749 |
| Utilities | 109,241 | - | 109,241 |
| Contract services | 26,456 | 426,156 | 452,612 |
| Depreciation expense | 53,675 | 480 | 54,155 |
| Administrative expense | 90,000 | - | 90,000 |
| Other expenses | 48,716 | - | 48,716 |
| TOTAL OPERATING EXPENSES | 1,720,402 | 524,947 | 2,245,349 |
| OPERATING LOSS | (202,811) | (319,977) | (522,788) |
| NONOPERATING REVENUES: | | | |
| Investment income | 30,571 | 6,737 | 37,308 |
| NET LOSS BEFORE TRANSFERS | (172,240) | (313,240) | (485,480) |
| TRANSFERS IN | - | 300,428 | 300,428 |
| CHANGE IN NET ASSETS | (172,240) | (12,812) | (185,052) |
| NET ASSETS - BEGINNING OF YEAR | 2,095,097 | 117,758 | 2,212,855 |
| NET ASSETS - END OF YEAR | \$ 1,922,857 | \$ 104,946 | \$ 2,027,803 |

See independent auditors' report.

CITY OF MONTEBELLO

COMBINING STATEMENT OF CASH FLOWS - OTHER ENTERPRISE FUNDS

For the year ended June 30, 2008

| | Water Utility | Detention Facility | Total Other Enterprise Funds |
|---|---------------------|-----------------------|---------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Receipts from customers | \$ 1,517,591 | \$ 204,970 | \$ 1,722,561 |
| Payments to suppliers | <u>(1,333,072)</u> | <u>(550,559)</u> | <u>(1,883,631)</u> |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | 184,519 | (345,589) | (161,070) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | |
| Transfers from other funds | - | 300,428 | 300,428 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Acquisition of capital assets | - | (7,685) | (7,685) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Interest received | <u>30,571</u> | <u>6,737</u> | <u>37,308</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 215,090 | (46,109) | 168,981 |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | <u>1,337,648</u> | <u>179,532</u> | <u>1,517,180</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 1,552,738</u> | <u>\$ 133,423</u> | <u>\$ 1,686,161</u> |
| RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | | |
| Operating loss | \$ (202,811) | \$ (319,977) | \$ (522,788) |
| Adjustments to reconcile operating loss to net cash provided (used) by operating activities: | | | |
| Depreciation and amortization | 53,675 | 480 | 54,155 |
| Changes in operating assets and liabilities: | | | |
| (Increase) decrease in accounts receivable | (4,730) | - | (4,730) |
| Increase (decrease) in accounts payable and accrued liabilities including compensated absences | <u>338,385</u> | <u>(26,092)</u> | <u>312,293</u> |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>\$ 184,519</u> | <u>\$ (345,589)</u> | <u>\$ (161,070)</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, 2008

| | Corporate Shop | Equipment Reserve | Self-Insurance | Totals |
|--|-------------------|----------------------|-------------------|---------------------|
| ASSETS | | | | |
| CURRENT ASSETS: | | | | |
| Cash and investments | \$ 616,901 | \$ 1,487,445 | \$ 354,540 | \$ 2,458,886 |
| Accounts receivable | - | - | 10,000 | 10,000 |
| Due from other funds | - | - | 10,000,000 | 10,000,000 |
| Inventories | 629,622 | - | - | 629,622 |
| Prepaid expenses | - | - | 10,979 | 10,979 |
| TOTAL CURRENT ASSETS | 1,246,523 | 1,487,445 | 10,375,519 | 13,109,487 |
| 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 | (1,052,282) | - | - | (1,052,282) |
| NET CAPITAL ASSETS | 128,532 | - | - | 128,532 |
| TOTAL ASSETS | 1,375,055 | 1,487,445 | 10,375,519 | 13,238,019 |
| LIABILITIES AND NET ASSETS | | | | |
| LIABILITIES: | | | | |
| CURRENT LIABILITIES: | | | | |
| Accounts payable and accrued liabilities | 378,978 | - | 19,796 | 398,774 |
| Claims payable | - | - | 9,822,927 | 9,822,927 |
| Compensated absences | 265,503 | - | 8,485 | 273,988 |
| TOTAL CURRENT LIABILITIES | 644,481 | - | 9,851,208 | 10,495,689 |
| LONG-TERM LIABILITIES: | | | | |
| Compensated absences | 49,628 | - | 17,833 | 67,461 |
| TOTAL LIABILITIES | 694,109 | - | 9,869,041 | 10,563,150 |
| NET ASSETS: | | | | |
| Invested in capital assets | 128,532 | - | - | 128,532 |
| Unrestricted | 552,414 | 1,487,445 | 506,478 | 2,546,337 |
| TOTAL NET ASSETS | \$ 680,946 | \$ 1,487,445 | \$ 506,478 | \$ 2,674,869 |

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, 2008

| | Corporate Shop | Equipment Reserve | Self-Insurance | Totals |
|---|-------------------|----------------------|----------------|---------------|
| OPERATING REVENUES: | | | | |
| Charges for services | \$ 8,834,317 | \$ 700,000 | \$ 4,989,118 | \$ 14,523,435 |
| OPERATING EXPENSES: | | | | |
| Labor and fringe benefits | 3,665,473 | 740,208 | 205,328 | 4,611,009 |
| Materials and supplies | 4,040,413 | - | 2,327 | 4,042,740 |
| Repairs and maintenance | 876,651 | - | - | 876,651 |
| Insurance claims and premiums | - | - | 4,468,552 | 4,468,552 |
| Contractual services | 555,430 | - | 158,156 | 713,586 |
| Depreciation expense | 1,259 | - | - | 1,259 |
| Administrative expense | - | - | 66,100 | 66,100 |
| Other expenses | 202,901 | - | 6,964 | 209,865 |
| TOTAL OPERATING EXPENSES | 9,342,127 | 740,208 | 4,907,427 | 14,989,762 |
| OPERATING INCOME (LOSS) BEFORE TRANSFERS | (507,810) | (40,208) | 81,691 | (466,327) |
| TRANSFERS IN | 700,981 | - | - | 700,981 |
| TRANSFERS OUT | (700,981) | - | - | (700,981) |
| CHANGE IN NET ASSETS | (507,810) | (40,208) | 81,691 | (466,327) |
| NET ASSETS - BEGINNING OF YEAR | 1,188,756 | 1,527,653 | 424,787 | 3,141,196 |
| NET ASSETS - END OF YEAR | \$ 680,946 | \$ 1,487,445 | \$ 506,478 | \$ 2,674,869 |

See independent auditors' report.

CITY OF MONTEBELLO

COMBINING STATEMENT OF CASH FLOWS - ALL INTERNAL SERVICE FUNDS

For the year ended June 30, 2008

| | Corporate Shop | Equipment Reserve | Self-Insurance | Totals |
|---|-------------------|----------------------|----------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Receipts from customers | \$ 8,834,317 | \$ 700,000 | \$ 4,989,118 | \$ 14,523,435 |
| Payments to suppliers | (5,688,223) | (23,245) | (3,572,623) | (9,284,091) |
| Payments to employees | (3,665,473) | (740,208) | (205,328) | (4,611,009) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | (519,379) | (63,453) | 1,211,167 | 628,335 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | |
| Cash received from other funds | 700,981 | - | - | 700,981 |
| Cash paid to other funds | (700,981) | - | (6,100,000) | (6,800,981) |
| NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES | - | - | (6,100,000) | (6,100,000) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (519,379) | (63,453) | (4,888,833) | (5,471,665) |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 1,136,280 | 1,550,898 | 5,243,373 | 7,930,551 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 616,901 | \$ 1,487,445 | \$ 354,540 | \$ 2,458,886 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | | | |
| Operating income (loss) | \$ (507,810) | \$ (40,208) | \$ 81,691 | \$ (466,327) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Depreciation and amortization | 1,259 | - | - | 1,259 |
| Changes in operating assets and liabilities: | | | | |
| (Increase) decrease in inventories | (57,913) | - | - | (57,913) |
| (Increase) decrease in prepaid expenses | - | - | 2,823 | 2,823 |
| Increase (decrease) in accrued liabilities including compensated absences | 45,085 | (23,245) | 36,218 | 58,058 |
| Increase (decrease) in claims payable | - | - | 1,090,435 | 1,090,435 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | \$ (519,379) | \$ (63,453) | \$ 1,211,167 | \$ 628,335 |

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, 2008

| | <u>Balance</u> <u>July 1, 2007</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2008</u> |
|----------------------|---------------------------------------|-------------------|---------------------|--|
| ASSETS: | | | | |
| Cash and investments | <u>\$ 1,364,790</u> | <u>\$ 312,554</u> | <u>\$ (225,046)</u> | <u>\$ 1,452,298</u> |
| LIABILITIES: | | | | |
| Deposits payable | <u>\$ 1,364,790</u> | <u>\$ 312,554</u> | <u>\$ (225,046)</u> | <u>\$ 1,452,298</u> |

See independent auditors' report.

STATISTICAL SECTION
(not covered by Auditors' Report)

Poll - USE TAB

CITY OF MONTEBELLO

DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2008

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.

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CITY OF MONTEBELLO

Net Assets by Component

Last Six 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 | |
|----------------------|----------------------|
| <u>2006-07</u> | <u>2007-08</u> |
| \$ 16,757,420 | \$ 16,757,420 |
| 51,949,836 | 61,999,161 |
| <u>(52,527,623)</u> | <u>(51,800,615)</u> |
| <u>16,179,633</u> | <u>26,955,966</u> |
| 28,924,295 | 29,084,971 |
| - | - |
| <u>2,818,773</u> | <u>959,454</u> |
| <u>31,743,068</u> | <u>30,044,425</u> |
| 45,681,715 | 45,842,391 |
| 51,949,836 | 61,999,161 |
| <u>(49,708,850)</u> | <u>(50,841,161)</u> |
| <u>\$ 47,922,701</u> | <u>\$ 57,000,391</u> |

| Fiscal Year | |
|-----------------------|-----------------------|
| 2006-07 | 2007-08 |
| \$ 7,665,115 | \$ 8,973,934 |
| 26,246,104 | 29,893,922 |
| 4,454,728 | 5,375,202 |
| 4,628,107 | 5,014,204 |
| 7,245,302 | 5,533,866 |
| 582,928 | 612,202 |
| 5,987,723 | 6,245,606 |
| <u>56,810,007</u> | <u>61,648,936</u> |
| 26,033,078 | 28,483,736 |
| 3,310,810 | 3,044,757 |
| 3,411,125 | 3,774,282 |
| 1,630,225 | 2,245,349 |
| <u>34,385,238</u> | <u>37,548,124</u> |
| <u>\$ 91,195,245</u> | <u>\$ 99,197,060</u> |
| \$ 3,135,760 | \$ 3,230,738 |
| 1,437,604 | 2,222,811 |
| 5,464,663 | 5,793,246 |
| 476,112 | 721,531 |
| 107,737 | - |
| 9,040,588 | 9,074,067 |
| <u>19,662,464</u> | <u>21,042,393</u> |
| 5,896,805 | 5,856,016 |
| 3,399,226 | 3,178,243 |
| 4,391,536 | 4,590,851 |
| 1,702,443 | 1,722,561 |
| 15,746,472 | 19,462,038 |
| 122,409 | 938,311 |
| <u>31,258,891</u> | <u>35,748,020</u> |
| <u>\$ 50,921,355</u> | <u>\$ 56,790,413</u> |
| \$(37,147,543) | \$(40,606,543) |
| <u>(3,126,347)</u> | <u>(1,800,104)</u> |
| <u>\$(40,273,890)</u> | <u>\$(42,406,647)</u> |

CITY OF MONTEBELLO

Changes in Net Assets - General Revenues

Last Six 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 |
| Unrestricted intergovernmental revenue | 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.

CITY OF MONTEBELLO

Changes in Net Assets - Expenses and Program Revenues

Last Six 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 | 2007-08 |
| \$ 22,851,037 | \$ 25,324,813 |
| 1,228,866 | 1,220,316 |
| 12,620,273 | 11,390,099 |
| 263,457 | 288,514 |
| 4,768,533 | 5,037,324 |
| - | - |
| 4,578,393 | 3,474,114 |
| 3,052,086 | 4,446,085 |
| (1,070,821) | 201,611 |
| <u>48,291,824</u> | <u>51,382,876</u> |
| - | - |
| 114,890 | 75,421 |
| <u>1,070,821</u> | <u>(201,611)</u> |
| <u>1,185,711</u> | <u>(126,190)</u> |
| <u>\$ 49,477,535</u> | <u>\$ 51,256,686</u> |
| \$ 11,144,281 | \$ 10,776,333 |
| <u>(1,940,636)</u> | <u>(1,926,294)</u> |
| <u>\$ 9,203,645</u> | <u>\$ 8,850,039</u> |

CITY OF MONTEBELLO

Fund Balances - Governmental Funds

Last Six 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, designated reported in: | | | | |
| Special revenue funds | - | - | - | - |
| Capital projects funds | - | - | - | - |
| Unreserved, undesignated 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 six years of data for this schedule.

| Fiscal Year | |
|----------------------|----------------------|
| 2006-07 | 2007-08 |
| \$ 36,598 | \$ 1,783,752 |
| <u>(36,598)</u> | <u>(1,783,752)</u> |
| <u>\$ -</u> | <u>\$ -</u> |
| | |
| \$ 30,098,672 | \$ 36,110,337 |
| - | 12,257,525 |
| - | 19,379,058 |
| 3,068,370 | (1,419,635) |
| <u>22,506,174</u> | <u>-</u> |
| <u>\$ 55,673,216</u> | <u>\$ 66,327,285</u> |

CITY OF MONTEBELLO

Changes in Fund Balances - Governmental Funds

Last Six 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 | (8,635,284) | (9,991,347) | (6,183,366) | (210,427) |
| 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 | 18.26% | 16.66% | 14.39% | 16.16% |

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

Source: City Financial Statements

| Fiscal Year | |
|----------------------|----------------------|
| 2006-07 | 2007-08 |
| \$ 12,646,724 | \$ 11,686,503 |
| 22,910,459 | 25,510,627 |
| 1,220,649 | 1,501,118 |
| 1,228,866 | 1,220,316 |
| 3,770,554 | 3,519,461 |
| 901,699 | 1,691,680 |
| 3,221,198 | 2,894,282 |
| 13,168,783 | 12,348,152 |
| 4,976,745 | 5,471,495 |
| 2,991,563 | 3,033,518 |
| 2,607,687 | 4,222,481 |
| <u>69,644,927</u> | <u>73,099,633</u> |
| 4,593,619 | 5,499,347 |
| 27,586,726 | 30,032,786 |
| 4,449,999 | 5,256,760 |
| 4,149,539 | 4,896,002 |
| 3,821,322 | 5,761,316 |
| 7,765,069 | 7,137,860 |
| 3,969,910 | 4,266,208 |
| 5,592,038 | 5,517,261 |
| 323,844 | 707,507 |
| 543,753 | - |
| <u>62,795,819</u> | <u>69,075,047</u> |
| <u>6,849,108</u> | <u>4,024,586</u> |
| 32,117,017 | 31,280,034 |
| (33,187,838) | (31,078,423) |
| 8,860,000 | 6,565,000 |
| (8,579,011) | (6,202,128) |
| - | 6,065,000 |
| <u>(789,832)</u> | <u>6,629,483</u> |
| 6,059,276 | 10,654,069 |
| <u>49,613,940</u> | <u>55,673,216</u> |
| <u>\$ 55,673,216</u> | <u>\$ 66,327,285</u> |
| 17.96% | 16.83% |

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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 |
|-------------|---------------|-------------------|-------------------------|---------------|-------------|---------------|
| 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 |
| 2007-08 | 25,510,627 | 11,686,503 | 288,514 | 1,220,316 | 1,212,604 | 39,918,564 |

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) | |
| 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 |
| 2007-08 | 2,944,225 | 93,142 | 85,955 | 2,951,412 |

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

Redevelopment Agency

| <u>Secured</u> | <u>Unsecured</u> | <u>Less: Exemptions (1)</u> | <u>Taxable Assessed Value</u> |
|----------------|------------------|---------------------------------|---------------------------------------|
| \$ 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 |
| 1,364,738 | 120,853 | 29,709 | 1,455,882 |

CITY OF MONTEBELLO

Direct and Overlapping Property Tax Rates

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

| | Fiscal Year | | | | |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 1998-99 | 1999-00 | 2000-01 | 2001-02 | 2002-03 |
| 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 | 0.001451 | 0.001422 | 0.001314 | 0.001128 | 0.000992 |
| Montebello USD | 0.010296 | 0.030498 | 0.034233 | 0.043694 | 0.040764 |
| L.A. County Flood Control | 0.001953 | 0.001765 | 0.001552 | 0.001073 | 0.000462 |
| Metropolitan Water District | 0.008900 | 0.008900 | 0.008800 | 0.007700 | 0.006100 |
| Community College | <u>n/a</u> | <u>n/a</u> | <u>n/a</u> | <u>0.015996</u> | <u>0.019857</u> |
| Total | <u>1.220475</u> | <u>1.240460</u> | <u>1.243774</u> | <u>1.267466</u> | <u>1.266050</u> |

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

| Fiscal Year | | | | |
|------------------------|------------------------|------------------------|------------------------|------------------------|
| 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 |
| 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 | 0.000923 | 0.000795 | - | - |
| 0.040764 | 0.041717 | 0.070539 | 0.066812 | 0.066812 |
| 0.000462 | 0.000245 | 0.000049 | - | - |
| 0.006100 | 0.005800 | 0.005200 | 0.004500 | 0.004500 |
| <u>0.019857</u> | <u>0.018098</u> | <u>0.014288</u> | <u>0.008794</u> | <u>0.008794</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> | <u><u>1.277981</u></u> |

CITY OF MONTEBELLO

Principal Property Tax Payers

Current Fiscal Year and Nine Fiscal Years Ago

| Taxpayer | 2007-08 | | | 1998-99 | | |
|--------------------------------------|------------------------|------|---|------------------------|------|---|
| | 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 | \$ 153,080,000 | 1 | 5.19% | N/A | | N/A |
| Plain Exploration and Production | 73,380,587 | 2 | 2.49% | N/A | | N/A |
| Excel Realty Partners, Ltd. | 36,599,168 | 3 | 1.24% | \$ 34,170,000 | 2 | 1.39% |
| Kir Montebello, Ltd. | 34,573,902 | 4 | 1.17% | N/A | | N/A |
| Prologis California LLC | 43,597,161 | 5 | 1.48% | N/A | | N/A |
| Monarch Litho, Inc. | 28,240,340 | 6 | 0.96% | 18,236,406 | 6 | 0.76% |
| Combined Properties, Ltd. | 25,743,170 | 7 | 0.87% | 18,236,470 | 5 | 0.74% |
| Royal Paper Box | 24,250,025 | 8 | 0.82% | N/A | | N/A |
| Macy's Department Store | 21,426,326 | 9 | 0.73% | N/A | | N/A |
| Costco Wholesale Corporation | 20,401,093 | 10 | 0.69% | N/A | | N/A |
| | <u>\$ 461,291,772</u> | | <u>15.64%</u> | <u>\$ 70,642,876</u> | | <u>2.89%</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 |
| 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) | 8,945,847 | 107.01% |
| 2007-08 | 9,265,000 | 9,041,649 | 97.59% | 504,542 | 9,546,191 | 103.03% |

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 | Total Debt Per Capita |
|-------------|-------------------------------|----------------------|------------|--------------|--------------------------|-----------------------|
| | Certificates of Participation | Tax Allocation Bonds | Revenue | Other | | |
| 1998-99 | \$ 25,700,000 | \$ 54,372,015 | \$ - | \$ 2,079,931 | \$ 82,151,946 | \$ 1,277.48 |
| 1999-00 | 24,660,000 | 63,253,266 | - | 2,048,030 | 89,961,296 | 1,402.18 |
| 2000-01 | 30,020,000 | 62,511,642 | - | 2,123,015 | 94,654,657 | 1,457.35 |
| 2001-02 | 28,807,760 | 67,052,635 | 15,830,000 | 2,119,139 | 113,809,534 | 1,750.92 |
| 2002-03 | 27,907,040 | 65,985,987 | 15,830,000 | 2,538,447 | 112,261,474 | 1,737.34 |
| 2003-04 | 26,972,500 | 64,736,819 | 15,490,000 | 2,792,949 | 109,992,268 | 1,685.73 |
| 2004-05 | 25,996,500 | 63,394,889 | 17,060,000 | 4,237,434 | 110,688,823 | 1,685.48 |
| 2005-06 | 24,977,860 | 61,956,272 | 16,785,000 | 10,327,648 | 114,046,780 | 1,740.96 |
| 2006-07 | 23,921,580 | 60,887,078 | 16,565,000 | 9,374,503 | 110,748,161 | 1,695.52 |
| 2007-08 | 22,817,660 | 65,708,636 | 16,400,000 | 9,313,087 | 114,239,383 | 1,739.65 |

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 | | |
| 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 |
| 2007-08 | 22,818 | 65,709 | 16,400 | 104,927 | 2.38% | 1,590 |

(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, 2008

| | |
|--|-------------------------|
| City Assessed Valuation | \$ 4,407,293,044 |
| Redevelopment Agency Incremental Valuation | (1,299,938,121) |
| Total Assessed Valuation | <u>\$ 3,107,354,923</u> |

| | Percentage Applicable (1) | Total Outstanding Debt 6/30/08 | City's Share of Overlapping Debt 6/30/08 |
|---|------------------------------|--------------------------------------|---|
| <u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u> | | | |
| Los Angeles County Flood Control District | 0.360% | \$ 99,210,000 | \$ 357,156 |
| Metropolitan Water District | 0.176% | 327,215,000 | 575,898 |
| Los Angeles Community College District | 0.632% | 1,370,820,000 | 8,663,582 |
| Rio Honda Community College District | 0.001% | 57,817,244 | 578 |
| El Rancho Unified School District | 0.004% | 47,891,374 | 1,916 |
| Los Angeles Unified School District | 0.001% | 7,325,045,000 | 73,250 |
| Montebello Unified School District | 36.671% | 101,975,301 | 37,395,363 |
| Los Agneles County Regional Park and Open Space Assessment District | 0.353% | 269,995,000 | <u>953,082</u> |
| TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT | | | <u>\$ 48,020,825</u> |
| <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u> | | | |
| Los Angeles County General Fund Obligations | 0.353% | \$ 1,019,552,788 | \$ 3,599,021 |
| Los Angeles County Pension Obligations | 0.353% | 352,255,398 | 1,243,462 |
| Los Angeles County Superintendent of Schools Certificates of Participation | 0.353% | 17,861,064 | 63,050 |
| Los Angeles County Sanitation District No. 2 Authority | 8.073% | 38,160,452 | 3,080,693 |
| Los Angeles County Sanitation District No. 15 Authority | 0.483% | 39,061,880 | 188,669 |
| Los Angeles Unified School District Certificates of Participation | 0.001% | 498,121,710 | 4,981 |
| Montebello Unified School District Certificates of Participation | 36.671% | 18,575,000 | 6,811,638 |
| City of Montebello General Fund Obliations | 100.000% | 44,535,000 | <u>44,535,000</u> |
| TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT | | | 59,526,514 |
| Less: Los Angeles Unified School District (Qualified Zone Academic Bonds supported from a guaranteed investment contract) | | | (322) |
| City of Montebello, Montebello Hotel Project (supported from surplus tax increcement and golf and hotel revenues) | | | <u>(22,038,349)</u> |
| TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT | | | <u>\$ 37,487,843</u> |
| GROSS COMBINED TOTAL DEBT (2) | | | <u>\$ 107,547,339</u> |
| NET COMBINED TOTAL DEBT | | | <u>\$ 85,508,668</u> |

Notes:

(1) Percentage of overlapping agency's assessed valuation located within boundarieas 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 | | | | |
|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 1998-99 | 1999-00 | 2000-01 | 2001-02 | 2002-03 |
| Assessed valuation | \$ 10,668,255,608 | \$ 10,939,471,900 | \$ 11,493,984,160 | \$ 11,756,735,572 | \$ 12,813,583,420 |
| Conversion Percentage | 25.00% | 25.00% | 25.00% | 25.00% | 25.00% |
| Adjusted assessed valuation | 2,667,063,902 | 2,734,867,975 | 2,873,496,040 | 2,939,183,893 | 3,203,395,855 |
| Debt limit percentage | 15.00% | 15.00% | 15.00% | 15.00% | 15.00% |
| Total net debt applicable to limit | 400,059,585 | 410,230,196 | 431,024,406 | 440,877,584 | 480,509,378 |
| Legal debt margin | <u>\$ 400,059,585</u> | <u>\$ 410,230,196</u> | <u>\$ 431,024,406</u> | <u>\$ 440,877,584</u> | <u>\$ 480,509,378</u> |

| | Fiscal Year | | | | |
|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 |
| Assessed valuation | \$ 13,291,191,988 | \$ 13,815,823,508 | \$ 14,836,885,928 | \$ 16,194,120,900 | \$ 17,629,172,176 |
| Conversion Percentage | 25.00% | 25.00% | 25.00% | 25.00% | 25.00% |
| Adjusted assessed valuation | 3,322,797,997 | 3,453,955,877 | 3,709,221,482 | 4,048,530,225 | 4,407,293,044 |
| Debt limit percentage | 15.00% | 15.00% | 15.00% | 15.00% | 15.00% |
| Total net debt applicable to limit | 498,419,700 | 518,093,382 | 556,383,222 | 607,279,534 | 661,093,957 |
| Legal debt margin | <u>\$ 498,419,700</u> | <u>\$ 518,093,382</u> | <u>\$ 556,383,222</u> | <u>\$ 607,279,534</u> | <u>\$ 661,093,957</u> |

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed. 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 | Golf Revenue Bonds | | | | | | Coverage |
|----------------|--------------------|-------------------------------|-----------------------------|--------------|------------|------------|----------|
| | Gross Revenue | Less Operating Expenses | Net Available Revenue | Debt Service | | Total | |
| | | | | Principal | Interest | | |
| 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% |
| 2007-08 | 3,216,356 | (2,419,360) | 796,996 | 156,080 | 286,019 | 442,099 | 180.28% |

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>Capita Personal Income</u> | <u>Unemployment Rate</u> |
|--------------------|-------------------|--|-----------------------------------|------------------------------|
| 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 | 65,318 | N/A | N/A | 4.90% |
| 2007-08 | 65,668 | N/A | N/A | 7.10% |

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 | 2007-08 | | 1998-99 | |
|-------------------------|-----------|------------------------------|-----------|------------------------------|
| | Employees | Percent of Total Employment* | Employees | Percent of Total Employment* |
| Oroweat Food Company | 795 | 0.0174% | 800 | 0.0187% |
| Minson Corporation | 633 | 0.0138% | 700 | 0.0164% |
| Royal Paper Box Company | 170 | 0.0037% | 185 | 0.0043% |
| Mtb School District | 3,577 | 0.0782% | 110 | 0.0026% |
| City of Montebello | 604 | 0.0132% | 65 | 0.0015% |
| Montebello Town Center | 1,897 | 0.0415% | 2,000 | 0.0468% |
| Kaiser | 4,496 | 0.0983% | N/A | N/A |
| Beverly Hospital | 995 | 0.0218% | 1,150 | 0.0269% |
| Litho Monarch | 2,865 | 0.0626% | N/A | N/A |
| Price/Costco | 200 | 0.0044% | 250 | 0.0059% |
| Total Top Ten | 16,232 | 0.3549% | 5,260 | 0.1232% |
| Total Employment* | 4,573,300 | | 4,269,300 | |

* "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 Six Fiscal Years

| Function | Fiscal Year | | | | |
|----------------------|-------------|------------|------------|------------|------------|
| | 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 |

| Function | Fiscal Year |
|----------------------|-------------|
| | 2007-08 |
| General Government | 33 |
| Public Safety | 201 |
| Public Works | 15 |
| Parks and Recreation | 138 |
| Economic Development | 7 |
| Transit | 254 |
| Total | 648 |

The City of Montebello has elected to show only six years of data for this schedule. Information prior to the 2002-03 fiscal year is not available.

CITY OF MONTEBELLO

Operating Indicators by Function

Last Ten Calendar Years

| Function | Calendar Year | | | | |
|------------------------------|---------------|--------|--------|--------|--------|
| | 1999 | 2000 | 2001 | 2002 | 2003 |
| Police: | | | | | |
| Arrests | 2,577 | 2,422 | 2,411 | 2,493 | 2,859 |
| Traffic violations | 22,716 | 21,450 | 24,633 | 19,242 | 18,935 |
| Parking violations | 11,993 | 11,546 | 14,828 | 12,544 | 12,157 |
| Fire: | | | | | |
| Number pf calls answered | 4,647 | 4,236 | 4,568 | 4,378 | 4,465 |
| Inspections conducted | 1,265 | 1,320 | 1,194 | 1,186 | 2,451 |
| Public Works: | | | | | |
| Street resurfacing (miles) | 0.75 | 0.36 | 1.01 | 3.51 | 2.01 |
| 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

| Calendar Year | | | | |
|---------------|--------|------------------|----------------|---------------|
| 2004 | 2005 | 2006 | 2007 | 2008 |
| | | As of September | As of June | As of June |
| 3,061 | 2,985 | 1,974 | 1,205 | 2,630 |
| 18,604 | 18,675 | 13,569 | 11,095 | 5,139 |
| 13,488 | 13,965 | 10,402 | 8,281 | 16,319 |
| | | As of December 1 | As of Sept. 27 | As of Dec. 19 |
| 4,726 | 4,981 | 4,570 | 3,682 | 4,610 |
| 2,643 | 1,834 | 1,155 | 875 | 1,560 |
| 0.90 | 3.36 | 3.43 | 1.60 | 1.10 |
| 122 | 196 | 214 | 139 | 290 |
| | | As of December 1 | As of October | As of June |
| 200 | 196 | 202 | 278 | 46 |

CITY OF MONTEBELLO

Capital Asset Statistics by Function

Last Ten Fiscal Years

| Function | Fiscal Year | | | | |
|-----------------------|-------------|---------|---------|---------|---------|
| | 1998-99 | 1999-00 | 2000-01 | 2001-02 | 2002-03 |
| 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

| Fiscal Year | | | | |
|----------------|----------------|----------------|----------------|----------------|
| <u>2003-04</u> | <u>2004-05</u> | <u>2005-06</u> | <u>2006-07</u> | <u>2007-08</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 | 80 | 80 |
| 7 | 7 | 7 | 7 | 7 |
| - | - | - | - | - |

